

| BUSINESS SEGMENT | MAIN PRODUCTS | HIGHLIGHTS IN FISCAL 2005 | PERCENTAGE OF NET SALES |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| AUTOMOTIVE | | | |
| Thermal Systems | <p>Climate Control Products Air-conditioning systems for cars, buses, construction equipment, truck refrigeration units, and air purifiers</p> <p>Engine Cooling Components Radiators, cooling fans, inter coolers, oil coolers, front-end modules, and cooling modules</p> | Increased by 4.3% year-on-year to ¥931.5 billion. This is equivalent to 33.3% of net sales. |  |
| Powertrain Control Systems | <p>Diesel Engine-related Products Diesel engine management systems and their constituent components (common rail systems, exhaust gas recirculation (EGR) valves, throttle bodies, diesel particulate filters (DPFs), and others)</p> <p>Gasoline Engine-related Products Gasoline engine management systems and their constituent components (fuel injectors, fuel pumps, variable cam timing components, throttle bodies, air flow meters, ignition coils, exhaust gas sensors, ceramic substrates, and others)</p> <p>Transmission Control Components Automatic transmission (AT) control valves, AT solenoids, and shift-by-wire actuators</p> <p>Lighting Electronics Products Ballasts</p> <p>Components for Hybrid Electric Vehicles(HEVs) Integrated starter generators (ISGs), DC-DC converters, battery ECUs, and inverters</p> | Increased by 11.2% year-on-year to ¥646.1 billion. This is equivalent to 23.0% of net sales. |  |
| Electronic Systems | <p>Body Electronics Products Instrument clusters, integrated climate control panels, smart keys, remote keyless entry controllers, rear and corner sonars, car security systems, and body ECUs</p> <p>Engine-related Components Engine ECUs</p> <p>Transmission Control Components AT control ECUs</p> <p>Electronic Components and Devices Monolithic ICs, hybrid ICs, relays, and semiconductor sensors</p> | Increased by 12.0% year-on-year to ¥424.3 billion. This is equivalent to 15.2% of net sales. |  |
| Electric Systems | <p>Engine-related Components Starters and alternators</p> <p>Driving Control and Safety Products Airbag sensors and ECUs, ABS actuators and ECUs, laser radars and ECUs for adaptive cruise control (ACC) systems, millimeter-wave radars and ECUs for pre-crash safety systems, and ECUs for electric power steering systems</p> | Increased by 13.0% year-on-year to ¥331.4 billion. This is equivalent to 11.9% of net sales. |  |
| Small Motors | Windshield wiper systems, windshield washer systems, power window motors, and other automotive motors | Increased by 6.6% year-on-year to ¥193.6 billion. This is equivalent to 6.9% of net sales. |  |
| ITS (Intelligent Transport Systems) | Car navigation systems, electronic toll collection (ETC) on-board equipment, data communication modules, and advanced vehicle operation systems (AVOS) | Increased by 30.7% year-on-year to ¥120.9 billion. This is equivalent to 4.3% of net sales. |  |
| NON-AUTOMOTIVE | | | |
| Industrial Systems | <p>Automatic ID Data Capture Devices Bar code handy scanners and handy terminals, QR code scanners and handy terminals, smart cards and reader/writers, radio frequency-identification (RF-ID) systems, and security systems</p> <p>Factory Automation (FA) Products Industrial robots and programmable controllers</p> <p>Refrigeration and Air-conditioning systems Cooling units for electronic devices (Mobile phone base stations, computers, and others), kerosene heat pumps (KHPs), and spot coolers/heaters</p> | Increased by 9.7% year-on-year to ¥58.9 billion. This is equivalent to 2.1% of net sales. |  |
| Consumer Products | CO ₂ refrigerant heat-pump water heaters, automatic faucets, and electrically powered kitchen systems | | |

(AUTOMOTIVE)

Thermal Systems

► OVERVIEW

The supplier, TD Automotive Compressor Georgia, LLC, was established in Georgia, U.S.A., as a joint venture with Toyota Industries Corporation. The new company produces compressors for car air conditioners. In Arkansas, DENSO marked the world's first mass-production application of the CuproBraz® process, for manufacture of radiators for off-highway (heavy-duty construction and industrial) vehicles and started production of car air conditioners. In Michigan, DENSO increased production capacity for heat exchangers.

In China, DENSO (Tianjin) Thermal Products Co., Ltd. was established for production of heat exchangers for car air conditioners and radiators. In Tianjin, DENSO also began producing hoses and pipes for car air conditioners in November 2004, and added additional capacity for car air conditioner production.

DENSO (Thailand) Co., Ltd. expanded its production capacity for air-conditioning units, and a new factory was built to produce next-generation heat exchangers. Production capacity for heat exchangers was also increased in India.

DENSO also acquired a capital interest in Smiths Manufacturing (Pty) Limited, the largest car air conditioner manufacturer in the Republic of South Africa.

Factors contributing to sales growth in the year ended March 31, 2005 include growth in the number of vehicles produced in Japan, and the starting of deliveries of air-conditioning systems in Asia for use in Toyota IMVs (Innovative International Multi-purpose Vehicles). In Europe, DENSO began to deliver air-conditioning units,

condensers and radiators to a Suzuki plant in Hungary. The Company also entered the mass-production phase for air-conditioning units and condensers delivered to Volkswagen.

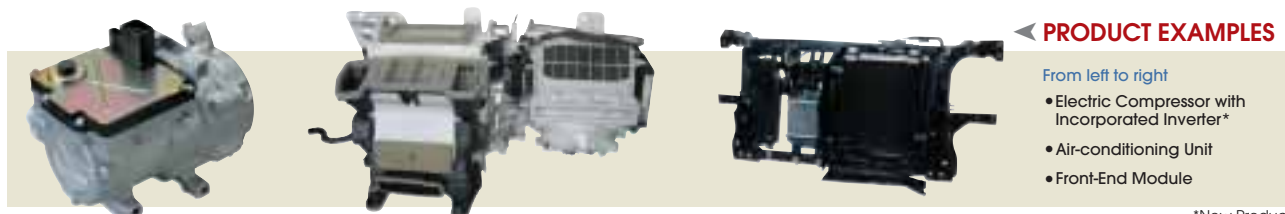
► PERSPECTIVE

In the car air conditioner area, a core product category, customers require highly efficient systems that can meet increasingly stringent fuel consumption requirements while improving cabin comfort. Moreover, the emphasis on environmental needs grows as governments restrict the use of fluorocarbon refrigerants. DENSO is continually developing high-added value products to enhance cabin comfort, including temperature-related enhancements, such as independent temperature controls, as well as filters and other products designed to improve air quality. DENSO strives to optimize the environmental efficiency of both individual components and total systems. The Company is also working to develop environment-friendly air conditioners based on natural refrigerants.

In the radiator category, DENSO is developing compact, high-performance cooling systems to meet a growing demand for improved engine efficiency and output, prompted by stricter fuel efficiency regulations and rising gasoline prices. With the introduction of new laws and regulations to protect pedestrians, there is also a need for products that reduce injuries to pedestrians when collisions occur. DENSO is working to meet these needs by combining its cooling and air-conditioning systems to create products that improve fuel efficiency, warm-up speed and power output.

NEW PRODUCTS

- **Bus Air Conditioner with a Variable-capacity Compressor**
Reduces fuel consumption.
- **World's First Car Air Conditioner with Pollen-removal Function**
Blows pollen from the occupants and their clothing and removes it from the cabin.
- **The World's First Electric Compressor Incorporating an Inverter with Built-in Motor**
Results in high output from a compact design (developed with Toyota Industries Corporation).



◀ PRODUCT EXAMPLES

From left to right

- Electric Compressor with Incorporated Inverter*
- Air-conditioning Unit
- Front-End Module

*New Product

Powertrain Control Systems

► OVERVIEW

In fiscal 2005, DENSO further developed its supply network for powertrain products. In China the Company established three new manufacturing companies to produce fuel injectors and fuel injection pumps for gasoline vehicles, ignition coils and filters. In Europe, DENSO started production of intake manifolds and air filters in Poland, and established an engineering center for diesel engine components in Germany. In the Republic of Korea, DENSO started production of stick coils and variable cam timing (VCT) components. In the United States, DENSO increased production capacity for exhaust gas sensors, ceramic substrates and fuel injectors. In Mexico, the Company expanded capacity for VCT components and oil flow control valves (OCVs) and established new production lines for evaporative leak check modules (ELCMs) and non-contact sensors.

On the sales front, DENSO began delivering components for Toyota's IMV project, including diesel common rail systems (CRS), and fuel injectors, fuel pump modules, stick coils and exhaust gas sensors for gasoline vehicles. The company now delivers common rail systems to Isuzu Motors Limited in the ASEAN region, and started contract production of main inverters for Toyota's hybrid electric vehicles (HEVs).

Overall trends in this segment include strong sales of CRS in the ASEAN region and Europe, while variable valve-timing systems sold well globally. In the Japanese and American markets there was growth in integrated air fuel modules, automatic transmission (AT) control products and ELCMs. Increased sales of discharge lamp ballasts and components for HEVs in Japan also improved overall performance.

► PERSPECTIVE

Automakers are seeking to increase fuel-efficiency and lower emissions to meet increasingly stringent standards in markets worldwide. DENSO plans to meet this need by developing components and systems for gasoline engine, diesel engine, and HEVs.

In Europe, where around half of vehicles are diesel powered, the drive to lower CO₂ emissions favors diesel engines. In North America, use of diesel engines is likely to increase, especially for SUVs, in the face of more stringent Corporate Average Fuel Economy (CAFE) standards. Automakers in both markets face the challenge of future regulations that call for further reduction of nitrogen oxide (NOx), particulate matter (PM) and other harmful substances in the exhaust gas. In Japan, automakers must prepare for regulations that may soon set diesel PM emissions at the same level as for gasoline engines. DENSO's market-leading diesel CRS brings major improvements in fuel efficiency while lowering PM and NOx emissions and increasing drivability (see Technological Development, page 9). DENSO continues further development on even more advanced CRS, capable of reducing harmful substances in the exhaust gas even further.

HEVs are gaining U.S. and Japanese market share thanks to tax incentives and improved acceleration performance. Depending on the strictness of CO₂ emission regulations in 2012, HEVs could also claim a bigger share in Europe. DENSO's products for HEVs include battery ECUs, DC-DC converters, inverters, and electric-motor driven car air-conditioning systems. DENSO research is further reducing the size and improving the efficiency of these components.

NEW PRODUCTS

- **Ballast for World's First Mercury-free High-intensity Discharge Headlamp System**
- **World's First Tank Close Valve**
Seals fuel tanks to prevent leakage of gasoline vapor.
- **World's First 1,800-bar Diesel Common Rail System with Piezo Injectors**
Improves combustion performance, helping to generate higher engine power, and reduce nitrogen oxide (NOx) and particulate matter (PM).



◀ PRODUCT EXAMPLES

From left to right

- Piezo Injector*
- Integrated Air Fuel Module
- Ballast*

*New Product

Electronic Systems

► OVERVIEW

DENSO strengthened its supply systems for electronic systems in fiscal 2005. We increased production capacity for engine electronic control units (ECUs) and instrument clusters in China, and for engine ECUs and body electronics products in Malaysia. Sales benefited from the start of deliveries of engine ECUs for common rail systems to Hyundai Motor Company. DENSO also began to supply crank position sensors and cam position sensors for Nissan vehicles destined for the Japanese and North American markets.

In the electronic systems segment, DENSO expanded its sales of new products for increasingly sophisticated vehicles, including keyless entry systems, tire-pressure monitoring systems (TPMS), sensors and body electronics products. The Company also increased its market shares for products in the Japanese and U.S. markets. Increased sales in China, which is a new market for DENSO, also helped to boost revenues.

► PERSPECTIVE

The demand for attractive instrument panels based on original, sophisticated design concepts continues to grow. Drivers now seek systems that present information in easily assimilated ways. For example, DENSO first introduced white light emitting diodes (LEDs) for instrument cluster nighttime backlighting. The Company has also used precision printing and lighting technology to create instrument clusters with superior design appeal. Additionally, DENSO developed instrument clusters with multi-information displays, including compact dot-matrix multi-displays and

full-color thin film transistor (TFT) displays, to enhance the visibility of various types of information.

Body electronic products enhance the comfort of drivers and passengers and make vehicles more attractive. DENSO continues to develop a wide range of vehicle body electronic systems, including products for safer driving, such as clearance sonar and TPMS, and innovations for user convenience, such as smart entry and push-button starting systems.

Priorities include the development of more compact ECUs that are resistant to vibration and heat, and the integration of engine control systems with other systems to improve fuel efficiency and performance. DENSO aims to raise comfort, convenience and fuel efficiency by combining various ECUs into integrated control systems, and by developing software platforms to support integration.

There is growing demand for semiconductor sensors to support the sophisticated control systems needed to meet today's demanding regulatory controls, including exhaust emission standards. There is also a growing need for sensors with enhanced precision and detection ranges, as well as the durability to withstand harsh conditions. In this market, DENSO's advantages reside in the ability to develop products that anticipate system needs, and the integration of production processes from wafer processing to packaging. DENSO has led the world in establishing mass production capacity for a variety of devices, including pressure sensors, acceleration sensors, rotary position sensors and light sensors. DENSO will continue to use its accumulated technology to supply today's most sophisticated hybrid sensors.

NEW PRODUCTS

- **World's First Engine ECU Developed using Simulink Automatic Code Generation on a Large Scale**
DENSO reduced development costs by using automatic code generation to reduce development work.

- **ECU with Integrated Engine Control, High-voltage Battery Control and Hybrid System Control**
DENSO and Toyota Motor Corporation jointly developed this product, for use in hybrid electric vehicles.



◀ PRODUCT EXAMPLES

- From left to right
- Instrument Cluster
 - Engine ECU
 - Crank Position Sensor

Electric Systems

► OVERVIEW

Supply-related developments during the year ended March 2005 included the expansion of alternator production capacity in Thailand and the Republic of Korea. On the sales side, DENSO began deliveries of alternators to Ford in the United States, and to Toyota for use in the ASEAN IMVs. DENSO also received a purchase order from Honda North America for sensing systems used for rollover airbags.

Factors helping to expand sales in this segment included increased vehicle production in Japan and strong overseas sales of Japanese vehicles. Another contributing factor was the increased percentage of vehicles fitted with sophisticated products, such as anti-lock brake systems (ABS) with traction control, vehicle stability control and brake-assist functions, and airbag systems with side airbags.

► PERSPECTIVE

While there is increasing demand throughout the world for safety-related products, the performance requirements for these products vary because of differing traffic conditions in Japan, North America and Europe. The priority in Japan is improved performance with shorter distance between vehicles, while in the United States there is a need for improved sensor performance when the cars in front are

dirty. In Europe, the improvement of performance at high speeds and over long distances is a priority. DENSO will continue to develop products to meet the varying needs of each market.

One of the main priorities for starters is a reduction in size and weight. There is also a need for improvements in durability and starting performance to support increased starter use in eco-friendly vehicles, which have systems that automatically switch off vehicle engines during idling, for instance at red lights. DENSO will make these changes to promote greater use of eco-friendly vehicles within society.

Automakers need alternators that combine reduced size and weight with improved power generation capacity to support increased electricity consumption in vehicles. The reduction of magnetic noise is also a priority from the viewpoint of cabin comfort. DENSO has completed commercial development of segment conductor (SC) alternators designed to meet these needs. We will continue to target further improvements in the output capacity of SC alternators while increasing efforts to develop related products to meet new requirements in this area, including optimal generation and charging control.

NEW PRODUCTS

- **Adaptive Cruise Control (ACC) System**
Includes a low-speed following mode.
- **Vision Sensor**
Detects lane markers on the road for lane-keeping assist system.



*New Product

Small Motors

► OVERVIEW

The DENSO Group company responsible for small-motor business is Asmo Co., Ltd., which in 2004 celebrated its 25th anniversary and the production of its two-billionth motor in Japan.

Production-related developments for the year ended March 2005 included the establishment of new production lines for next-generation windshield wiper systems, power window motors, power seat motors and other products in China. A reliability testing facility in China was also expanded. DENSO also expanded an engineering center in the United States and a reliability testing facility in Indonesia.

Factors contributing to sales growth included buoyant worldwide sales of windshield wiper systems, and strong demand for power-seat motors and sliding-door closer motors in North America and Japan.

► PERSPECTIVE

The market demands continuous improvements in windshield wiper systems, including reductions in size and weight. In addition to improvements in basic wiping performance, there is also a need for qualitative enhancements in the appearance of exterior parts. DENSO will

continue to develop products to meet all of these needs. Reductions in weight and size and the improvement of exterior appearance are also priorities for windshield washer systems. Another requirement is the improvement of cleaning efficiency to reduce the amount of fluid used by washer systems. DENSO is working to develop lighter, more compact systems. The Company has also improved the exterior appearance by developing systems with nozzles in concealed locations, such as beneath the hood. Future development goals include the improvement of performance during high-speed travel, and the reduction of the amount of washer fluid consumed per use.

In the power-window motor category, there is a growing need for smaller, lighter motors to fit in the increasingly slim doors of modern cars. There is also growing demand for smart motors with built-in control circuits as new cars are increasingly being fitted with jam-protection systems. DENSO has already brought some of the world's lightest, most compact power window motors to market. The Company has also developed smart power window motors and is preparing for their commercial introduction.

NEW PRODUCTS

- **World's First Car Air-conditioner Blower Motor Module**
Combines blower motor and driver circuit with built-in relay functions.
- **Brushless Variable-gear Ratio Steering Motor**
This product, designed to reduce vibration, requires no external vibration damper.



◀ PRODUCT EXAMPLES

- From left to right
- Windshield Wiper System
 - Power Window Motor
 - Blower Motor Module*

*New Product

ITS (Intelligent Transport Systems)

► OVERVIEW

Developments affecting DENSO's supply operations in this segment in the year ended March 2005 included the establishment of new production lines in the United States to meet increased demand for car navigation systems in the North American market.

A key sales-related event was the start of deliveries of car navigation systems to Land Rover, Nissan Motors, and Mazda. Factors contributing to sales growth in the year ended March 2005 included strong sales of car navigation systems in Japan, North America and Europe. As in the previous year, DENSO was again the market leader in terms of the number of car navigation circuit boards shipped, with a market share of approximately 17 percent. Sales of electronic toll collection (ETC) on-board equipment were also strong, reflecting an increase in the diffusion rate in Japan, combined with higher corporate demand resulting from government measures to promote the technology. DENSO's domestic sales of ETC on-board equipment reached 1.24 million units, and its market share was again the largest, at around 35 percent. Cumulative shipments exceeded two million units in January 2005.

► PERSPECTIVE

Demand for car navigation systems has started to expand in the North American and European markets, as well as in Japan. Demand is now polarized between low-priced systems integrated with audio equipment and systems that are integrated with vehicle control equipment

to provide enhanced safety and peace of mind. DENSO develops custom LSIs with scalability characteristics that allow them to be used in products ranging from basic car navigation systems to high-end multimedia systems. The Company is also developing systems that will enhance the attractiveness of vehicles by working in linkage with other vehicle equipment, such as instrument clusters and cruise control systems.

There is growing demand for telematics services, such as Toyota's G-Book concept, to enhance safety and security. DENSO is developing advanced communication modules to support these services.

The percentage of vehicles using ETC systems on Japan's expressways has reached 30 percent and is expected to rise still further because of the need to alleviate congestion. DENSO is developing a range of attractive new products in the area of ETC on-board equipment.

The use of mobile telephones while driving is prohibited in some areas, and there is a growing need for hands-free systems that can be operated safely. DENSO has already introduced a convenient hands-free system that allows a mobile telephone to be connected wirelessly using the Bluetooth system. It is now working to expand the use of this technology by expanding its product range.



◀ PRODUCT EXAMPLES

From left to right

- Car Navigation System
- ETC On-board Equipment
- Data Communication Module

(NON-AUTOMOTIVE)

Industrial Systems and Consumer Products

► OVERVIEW

In the consumer products category, subsidies introduced by the Japanese government and growing environmental awareness were reflected in strong sales of CO₂ refrigerant heat-pump water heaters in fiscal 2005.

The DENSO Group company responsible for industrial systems at all levels from development through production is DENSO Wave Inc. In Japan, there was strong sales growth in security systems. Sales of industrial robots were also buoyant, reflecting higher plant and facility investment by the manufacturing sector.

One development topic in this segment was the establishment of a marketing company in Japan together with Dentsu Inc., Dentsu Tec Inc. and Sharp Corporation to manage the development and issuance of the Mobile Code system. Mobile Code is based on QR Code, a kind of two-dimensional code (2D code) originated by DENSO Wave. Mobile Code encodes information to prevent tampering and strengthen security.

► PERSPECTIVE

Energy conservation and environment friendliness are increasingly important in the refrigeration and air-conditioning market. DENSO's excellent thermal system technology is now being applied to the development of revolutionary new non-automotive products. Further development will focus on products and technologies to

meet energy conservation and environmental requirements. DENSO also aims to expand its activities to include such areas as cooling systems for electronic devices based on heat-exchanger technology.

Through our involvement in automotive electronics, we have global top-level technology resources and quality control systems to fill a growing need by the industry for automatic identification (ID) capture systems. We also pioneered barcode and 2D code scanners. By combining this expertise, DENSO will reliably serve this field at all stages from product development, sales and service through to systems integration.

ID solutions help protect business privacy, business secrets and other confidential information in today's increasingly sophisticated and complex world. DENSO continues to develop related systems and products based on applications of proprietary automotive electronics technology. Our main focus will be the use of smart card technology as a mechanism for the maintenance of system confidentiality.

Additionally, DENSO pioneered factory automation (FA) systems for production lines. After considerable development within the Group, we now sell a highly reliable FA system to outside companies seeking flexible manufacturing. We will continue to offer automation solutions, especially industrial robots and programmable controllers, for use in a wide range of manufacturing plants.

NEW PRODUCTS

• **CO₂ Refrigerant Heat-pump Water Heaters for Household Use**
DENSO launched three new CO₂-refrigerant heat-pump hot water heaters. One has increased capacity to provide floor heating in addition to household hot water. Another is among the most compact in the industry and the third is a solar hybrid system that achieves extreme efficiency.

- **VP-F Series Mini-sized Vertical Articulated Robot**
- **BHT-500B Series Bar Code Handy Terminal**
This system features enhanced reading and communications capabilities.
- **BHT-300Q Series Bar Code and 2D Code Handy Terminal**
This system features enhanced reading performance and ease of reading.



◀ PRODUCT EXAMPLES

From left to right

- Industrial Robot*
- Bar Code Handy Terminal*
- CO₂ Refrigerant Heat-pump Water Heater*

*New Product