

***DENSO***

**Annual Report 2002**  
for the year ended March 31, 2002



**REAPING THE BENEFITS**

**CAUTIONARY NOTE: FORWARD-LOOKING STATEMENTS**

This annual report contains statements that describe our plans and expectations, as well as statements that report historical results. Our business performance is subject to influence from external factors, such as economic conditions; currency exchange rates; laws, regulations, government policies, and political instability in principal markets; and any events that would affect our ability to design, develop, manufacture, market, and win acceptance of new products and services. We therefore caution readers that our actual results could differ materially from our plans and expectations.

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**COVER PHOTO: A DENSO EVAPORATOR**

DENSO's evaporators for air-conditioning systems are highly functional works of engineering art. Over the years, we have progressively reduced size and core width by redesigning refrigerant pathways and adopting finer tubes and fins. The result? Smaller, lighter, and more cost-competitive evaporators (extreme right), without any loss in heat-exchange performance.



## CONFIDENCE IN THE FACE OF GLOBAL COMPETITION

Component suppliers are facing ever-tougher standards as automobile manufacturers fight a global battle for survival. Some companies will probably find the going too hard. Not DENSO: We have a proud history of prevailing in the face of stiff competition through dealings with numerous automobile manufacturers. We are confident that we have amassed the strength to convert the new challenges we face into profits. At the heart of this belief is our philosophy of *mono-zukuri*, the art of making (*zukuri*) things (*mono*). This philosophy embodies our commitment to supplying high-quality products that our rivals find hard to emulate. By working hand in hand with automobile manufacturers to offer them this DENSO difference, we are confident our shared future will be a bright one.



AKIRA TAKAHASHI *Chairman*



HIROMU OKABE *President and CEO*



Left: AKIRA TAKAHASHI  
*Chairman*

Right: HIROMU OKABE  
*President and CEO*

## TO OUR SHAREHOLDERS



HIROMU OKABE  
President and CEO

### HIGHLIGHTS OF THE YEAR

DENSO delivered record results for the year under review. Net sales grew 19.2% to ¥2,401 billion while net income rose 18.9% to ¥72 billion. Although the effect of a change in the fiscal year-ends at 45 overseas subsidiaries and affiliates did influence these figures—15 months of sales at these subsidiaries were included in the year's results—earnings and profits also rose on a 12-month basis.

Although the Japanese automotive market was steady during the year, the operating environment overseas posed challenges. DENSO overcame this difficult climate by cutting costs and making a concerted effort to increase sales in global markets. At the same time, we undertook a number of financial initiatives. We repurchased and retired 48 million shares of treasury stock to increase the value of our shares. This was one of the main factors behind the 0.6 point improvement in ROE to 5.0%. We also reduced our trading unit from 1,000 to 100 shares to attract a broader cross-section of investors, while major financial institutions, mainly targeting individual investors, sold a total of 30 million DENSO shares. This helped to increase our shareholder base during the year.

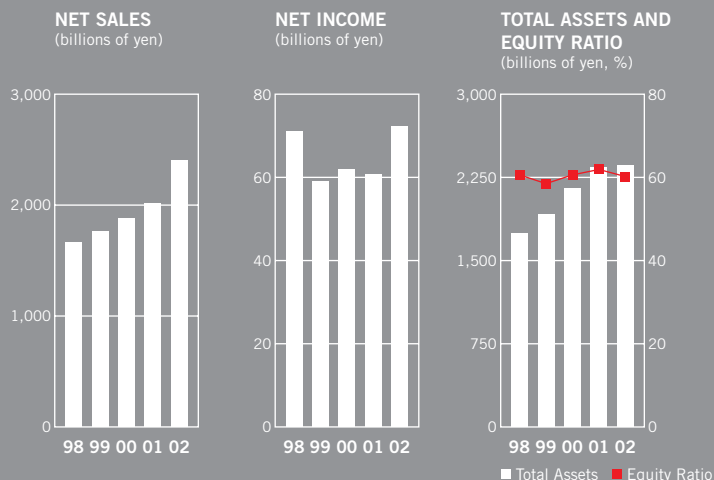
### FINANCIAL HIGHLIGHTS

DENSO CORPORATION and Consolidated Subsidiaries  
Years ended March 31, 2002, 2001, and 2000

	Millions of yen				Percent change 2002/2001	Thousands of U.S. dollars 2002
	2002	2002*	2001	2000		
<b>Net Sales:</b>	<b>¥2,401,098</b>	<b>¥2,183,062</b>	¥2,014,978	¥1,883,407	19.2	<b>\$18,053,368</b>
Sales in Japan	1,277,865	1,277,865	1,245,830	1,161,016	2.6	9,608,007
Sales outside Japan	1,123,233	905,197	769,148	722,391	46.0	8,445,361
<b>Net Income</b>	<b>72,313</b>	<b>70,800</b>	60,799	61,913	18.9	<b>543,707</b>
<b>Total Assets</b>	<b>2,361,048</b>	—	2,343,328	2,154,251	0.8	<b>17,752,241</b>
<b>Shareholders' Equity</b>	<b>1,421,212</b>	—	1,451,211	1,304,400	-2.1	<b>10,685,805</b>
<b>Capital Expenditures</b>	<b>193,599</b>	<b>183,977</b>	140,447	169,953	37.8	<b>1,455,632</b>
<b>Depreciation</b>	<b>147,277</b>	<b>139,991</b>	134,416	134,706	9.6	<b>1,107,346</b>
<b>R&amp;D Expenses</b>	<b>185,627</b>	<b>181,044</b>	176,959	160,055	4.9	<b>1,395,692</b>
<b>Per Share:</b>	Yen				Percent change	U.S. dollars
Net income	¥ 80.22	¥78.54	¥ 66.51	¥ 68.15		
Cash dividends	18.00	—	17.00	17.00	5.9	<b>0.14</b>
<b>Number of Employees</b>	<b>86,639</b>	—	85,371	80,795		

Notes: 1. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year end to March 31 from December 31.\* The italicized figures for the year ended March 31, 2002 represent unaudited amounts including the results of these overseas companies for the 12-month period ended December 31, 2001.

2. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥133=US\$1, the approximate exchange rate prevailing on March 29, 2002, the last trading day of the fiscal year.



### EXTENDING OUR GLOBAL LEAD

DENSO products are found in almost every area of the automobile. Delivering consistently superior quality and reliability, they are used by automobile manufacturers the world over. Testimony to this is the fact that 19 of our automotive and non-automotive products command number one global market share. These products range from compressors and condensers for air conditioners, to fuel pumps and starters. But we are not resting on our laurels; we plan to have the top share in at least 25 product categories by 2005. We are also actively targeting new areas such as products for intelligent transport systems (ITS). We foresee growing demand in this product category as the automobile drives into the information age.

Two actions will be crucial to accomplishing these goals. One is quickly developing reliable products that match the needs of markets and society. That is why we have consistently invested an amount equivalent to approximately 10% of non-consolidated sales in R&D. The second is building supply and sales networks. Here, we are continuing to expand our overseas network. DENSO now boasts a total of 88 overseas operations, including new companies set up in the European and Asian markets during the year under review.

As we develop new products, our commitment to “Quality First,” at the core of the *mono-zukuri* process, is unwavering. We also have the resources to supply a broad range of products, while at the same time developing a steady stream of systems and components that fulfill emerging needs in the market. Comprehensive support of this magnitude is a rare and invaluable commodity in our industry.

### NEW OPPORTUNITIES ARISING FROM TOUGHER GOALS

As automobile manufacturers battle for supremacy, they have handed component suppliers like DENSO a new set of challenges. In an effort to create new synergies, automobile manufacturers are teaming up with rivals to develop common car platforms and procuring components from a smaller number of suppliers. Meanwhile, they are pressuring component suppliers to lower their prices.

In response to these developments, we are striving to cut costs in a number of ways, while remaining fully committed to our “Quality First” concept. These efforts to reduce costs do not run contrary to our dedication to quality. In fact, they are generating new quality improvements. One example is standardization. Essentially, this involves working with automobile manufacturers to reduce costs by paring back the number of product variations. Standardized products also incorporate size, weight, and performance improvements. Another example is modularization. At DENSO, we approach modularization from two angles: as a way of combining the functions of two or more components into a single module, and as an integral part of our efforts to make components smaller, lighter, and more functional.

Automobile manufacturers are not only impressed by lower costs. They are also seeing an improvement in performance from the systems and components we supply. This is an ongoing process. We must continue to look for ways to pare costs and develop inventive, competitive products that our customers really want. This task is certainly well within the reach of DENSO's capabilities.

#### **THE LONG-TERM APPROACH**

Our sustained approach to growth is designed to guarantee DENSO's long-term expansion. Illustrating this approach is our commitment to the telecommunications business. As the automobile becomes progressively more integrated into Information Technology (IT) networks, this investment will begin to pay off with opportunities such as telematics products. In environmentally friendly products, we are also taking the long view by not restricting our imagination to current environmental regulations and technologies ready for commercialization. Instead, we are using our research programs to look even further into the future. This measured approach takes time to convert investments into opportunities in the marketplace. However, we believe the ability to make these far-sighted investments while generating profits demonstrates that we have the necessary strengths to meet our shareholders' expectations.

Many companies implement reforms that cause massive upheaval. Not DENSO. We tenaciously preserve our fundamental corporate principles, specifically our commitment to "Quality First," which we believe must remain constant. This unwavering commitment to quality brings about improvements in the performance of the products we produce. This is, and will remain, the core of DENSO's long-term superiority in the automotive component industry.

July 2002



**HIROMU OKABE** *President and CEO*

Quality is DENSO's lodestar and the lifeblood of the automotive component industry. That's why our unwavering commitment to "Quality First" is critical to DENSO's survival. But DENSO isn't just about superior levels of quality. We are *reaping the benefits of* a range of initiatives covering the entire compass of our operations. These efforts, which build on our renowned strengths in technology, engineering excellence, and our innovative approach to problem solving, seek to propel DENSO to a new level of dominance in the automotive component industry.

# REAPING THE BENEFITS OF ...

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.

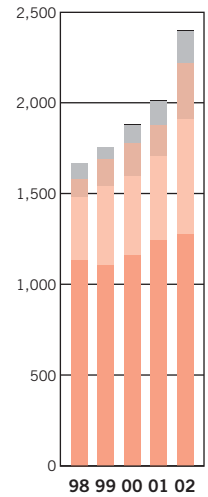


**AN ETC ON-BOARD UNIT WITH  
VOICE GUIDANCE FUNCTION**

**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**

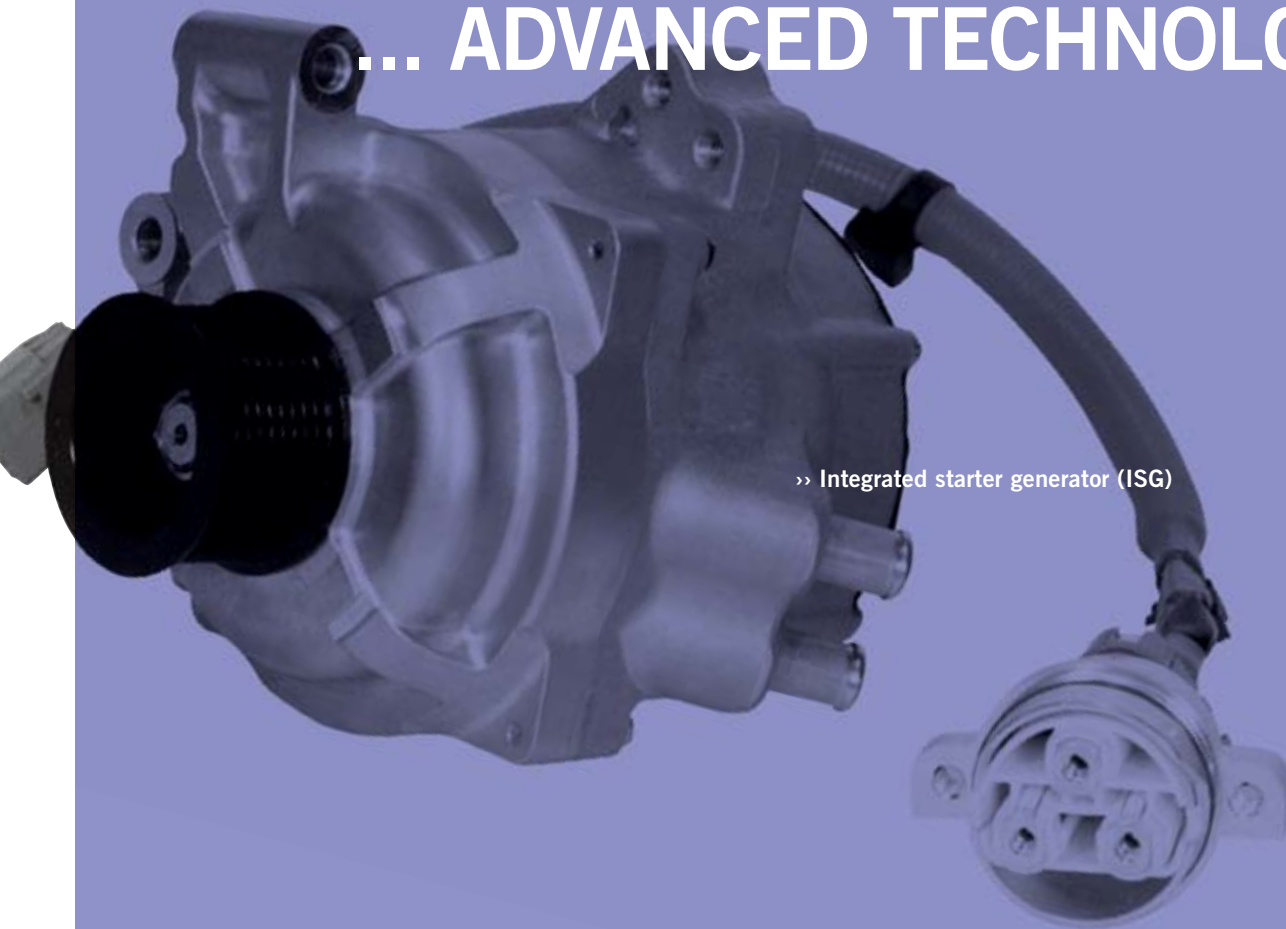
In our flagship air-conditioner product category in Asia, we are within sight of completing a manufacturing network to respond to expected growth in demand. Plants in Thailand, Indonesia, Malaysia, India, the Philippines, China, and Taiwan, have been completed. We have also bolstered our production capabilities 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.

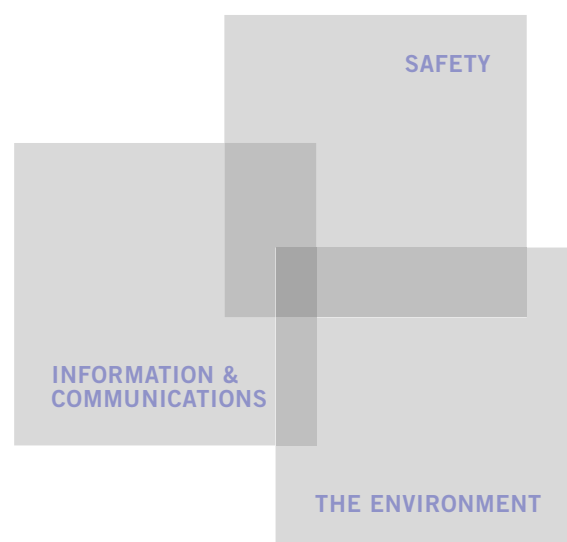
DENSO's drive to develop new technologies is focused on three strategic areas—safety, information and communications, and the environment. As a leading automotive component supplier, our ultimate goal is to create automobile systems that enhance car safety and comfort and reduce the impact of the car on the environment, while at the same time transcending existing product categories and fields. With a product lineup that covers these three areas and proprietary expertise ranging from design to control systems, DENSO has the resources needed to reach this objective.

## ... ADVANCED TECHNOLOGIES



» Integrated starter generator (ISG)

## DENSO'S THREE STRATEGIC AREAS



### **SAFETY:** **NEW LEVELS OF SOPHISTICATION**

DENSO is developing automobile safety technology in two distinct areas: active safety systems for collision prevention and avoidance, and passive safety systems for damage minimization in the event of collision.

In active safety, we are enhancing the performance of DENSO driver support systems already on the market. One example is our adaptive cruise control (ACC) system, which uses a laser radar to scan the road ahead vertically and horizontally. This radar is linked to a distance control unit that works to ensure a safe distance between vehicles. Another example is an engine electronic control unit (ECU) that uses information gleaned from car navigation systems to make appropriate adjustments to the car's gears when road conditions change; braking into a corner for example. This brings enhancements to both driveability and safety. DENSO also has some exciting new technologies under development—sensors that use biosigns such as heart rate and eye

movement to monitor driver drowsiness and fatigue, and control systems that respond as required to the driver's condition. We are also developing a system that aids driver night-vision using infrared technology.

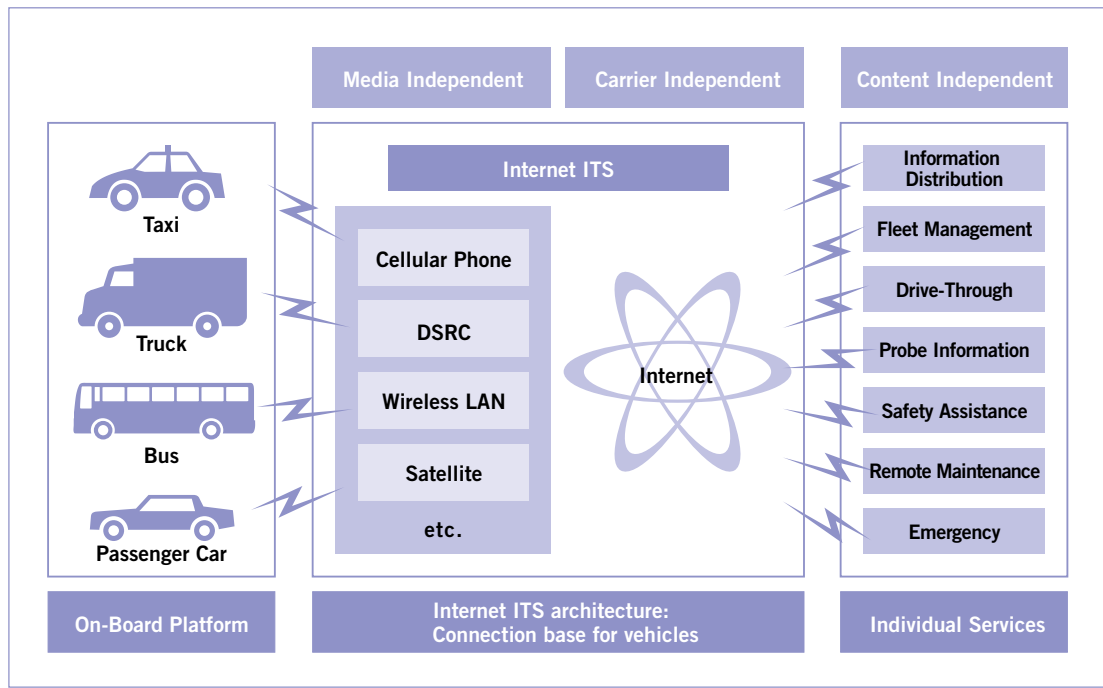
In passive safety, our main focus lies in the development of next-generation airbag sensing systems. DENSO has already captured a commanding lead in this product category. We are planning to reinforce this position by incorporating the latest technologies and looking ahead to our next-generation products. Our goal is to make airbag sensing systems more accurate in detecting collisions, more responsive in deployment, and increasingly sensitive to the size, weight, and position of vehicle occupants. To achieve this, we are targeting the development of dispersed sensing and car occupant sensing technologies, while more advanced ECUs will improve the speed and deployment of the airbag itself using data gleaned from these sensors. DENSO is also developing millimeter wave technology to accurately identify potential obstacles a split second prior to collision,

thereby allowing quicker operation of safety equipment.

### **INFORMATION AND COMMUNICATIONS:** **FROM THE ROAD INTO CYBERSPACE**

The automobile continues to evolve from a simple mode of transport into a mobile terminal seamlessly integrated into information networks. Driving this change is the latest Internet-enabled ITS technology (Internet ITS). Internet ITS uses Internet Protocol Version 6 (IPv6) to ensure the vehicle is always connected to the Internet; anytime, anywhere. This opens up a wealth of possibilities by enabling vehicle occupants to freely access web-based services while on the road. Internet ITS creates other benefits—with on-board electronic components wired into the Internet, their performance can be constantly monitored from a remote location.

Japan is making important strides in this area. DENSO has joined hands with public and private organizations to initiate the Internet ITS Project (<http://www.InternetITS.org/>). This project is aimed at establishing a common



### INTERNET ITS

Internet ITS provides a limitless range of services for access anytime, anywhere.

communications infrastructure for ITS applications, thereby facilitating the development of on-board ITS equipment and software. A number of Internet ITS pilot programs have already started in Japan, the biggest involving 1,570 taxis in Nagoya, conducted from January through March 2002. DENSO supplied on-board equipment for the program.

DENSO has been involved in the development of electronics for automobile components since the transistor age. We will leverage this wealth of knowledge and our experience in telecommunications and network technology in the new field of on-board ITS devices.

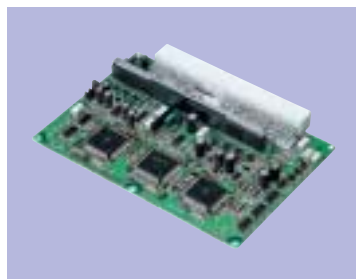
### THE ENVIRONMENT: CARS WITH LESS IMPACT

The majority of the world's car air conditioners use a hydrofluorocarbon refrigerant called HFC-134a. Although this substance does not harm the ozone layer, it does have a high global warming potential (GWP). With DENSO's accumulated expertise in air conditioners, we are naturally at the forefront of efforts to find

a better refrigerant. DENSO's answer to this problem is air-conditioning systems, currently under development, that utilize naturally occurring compounds such as carbon dioxide (CO<sub>2</sub>). Natural refrigerants have an exceptionally low GWP compared with fluorocarbon refrigerants. We have successfully developed an air-conditioning and heat-pump system that uses a CO<sub>2</sub> refrigerant for Toyota's prototype Fuel Cell Hybrid Vehicle (FCHV-4). The FCHV-4, equipped with our system, began public road tests in August 2001. Limited sales are slated to begin at the end of 2002. An earlier spin-off of our research efforts in this area was the development of a household heat-pump water heater that uses CO<sub>2</sub> as the refrigerant. This unit is more economical and has less impact on the environment than the widely used combustion type heat-pump water heaters. Demonstrating its superiority is the strong demand for this technology from home-builders, electric utilities, and electric appliance makers since its launch in May 2001.

Gasoline engine management systems pose equally difficult challenges. Customers

### A CO<sub>2</sub> REFRIGERANT AIR-CONDITIONING AND HEAT-PUMP SYSTEM



### A CAR NAVIGATION SYSTEM-LINKED ENGINE ECU

### A DIESEL PARTICULATE FILTER (DPF)



are demanding engines that are cleaner and offer improved fuel consumption and higher performance. But meeting these requirements and supplying competitively priced components is a daunting prospect. At DENSO, though, we are rising to the challenge with our technological expertise in engine management components used in intake, combustion, and exhaust processes, as well as our control algorithms that ensure both optimal and precise management of combustion parameters such as the air/fuel ratio. One example in this area is our latest, pioneering fuel-injection technology that achieves new levels of fuel atomization, thereby significantly reducing levels of hydrocarbons in exhaust gases. DENSO's advanced processing technology was a vital factor in creating the unique apertures in the fuel injector nozzles that made this improvement possible.

In diesel engine technology, the key issue is not fuel consumption. Instead, engineers are working on ways to reduce concentrations of harmful substances such as particulate matter (PM) and nitrogen oxides (NOx) in

exhaust gases. DENSO is also making great strides in this area, with diesel common rail systems, a technology originally created for trucks and more recently applied to diesel passenger cars. DENSO's new diesel common rail systems use a high injection pressure—at 1,800 bar, the highest in the world—and multiple injections during each combustion stroke to reduce PM and NOx in exhaust gases. With this technology, we have comfortably cleared the regulatory standards set by the European Union in its EURO 4 emission regulations, due to come into force in 2005. DENSO has also developed a diesel particulate filter (DPF) for Toyota's diesel particulate-NOx reduction (DPNR) system. In diesel engine technology, our goal is to prevent exhaust gas issues from standing in the way of more people benefiting from the fuel efficiency and power of diesel engines.

DENSO is also actively developing components for hybrid electric vehicles (HEVs). HEVs, which combine a conventional engine with a battery powertrain, significantly cut fuel consumption and emissions, particularly

in traffic-congested cities. The idea is simple. Power is supplied by the battery instead of the engine when exhaust gas emissions and fuel efficiency would be at their worst—car starts and low speeds. DENSO supplies a range of HEV components, including integrated starter generators (ISGs), inverters, DC-DC converters, and battery ECUs, that make this technological sleight of hand possible. Our reputation for innovation extends to the HEV field: DENSO's development of a belt-driven ISG that enables an idle-stop function was an industry first and was equipped to several HEV models from 2001.

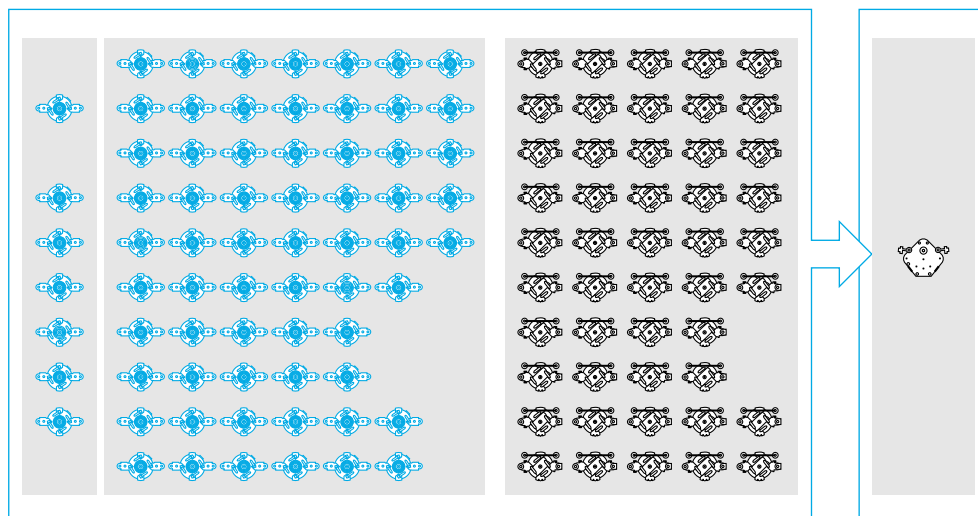
As global automobile manufacturers embark on a new round of corporate reengineering, they are demanding ever-lower prices from component suppliers. Suppliers, in turn, must battle to stay alive in a cut-throat market dictated by cost. At DENSO, we are confident we can rise to this challenge and use it as an opportunity to grow. We are taking a number of approaches to reducing costs—standardization of parts and processes, smaller, lighter components with greater functionality, modularization, shorter development times, and streamlined manufacturing processes. These methods are part of an integrated approach to generate significant cost-saving synergies.

## ... COST REDUCTION



» Supply pump for the 1,800-bar common rail system

## VARIATIONS OF INSTRUMENT CLUSTER MOVEMENTS PARED DOWN FROM 118 TO 1



### ALL ROADS LEAD TO STANDARDIZATION

Reducing the number of different product variations we manufacture—the heart of the standardization concept—helps to streamline manufacturing processes. This creates benefits for DENSO in the form of lower capital investment in machinery and facilities, improved quality, and enhanced productivity. For our customers, it creates advantages such as smaller, lighter, and more functional components, and the opportunity to modularize parts and save costs.

DENSO is also developing individual components that simultaneously meet the needs of multiple customers—creating interchangeability across a wide range of car platforms. This is achieved by carrying out extensive consultations at the planning stages. Meanwhile, as long as cars in the aftermarket continue to use DENSO components, no matter how few, we have a duty to continue to supply these components. Standardizing existing components for this aftermarket will generate significant cost savings. Based on these ideas, we are

broadening the scope of standardization throughout the manufacturing process, from R&D to production; and already seeing the benefits.

One example is the standardization of instrument cluster movements, devices that convert speed and other data into readable form on the dashboard. By moving to a stepper motor with a drive torque 200 times greater than conventional motors, we have succeeded in reducing the types of movements we produce from 118 to just 1. Cost per unit has been cut, while component weight has been reduced by half and accuracy boosted fivefold. This standardized instrument cluster movement entered mass production in November 2001. Another example is our high-pressure supply pump for the 1,800-bar diesel common rail system. The supply pump has an outer cam structure, which allows us to manufacture two types to cover a wide range of engine displacements in both two-cylinder and three-cylinder configurations. This range of pumps also uses an electro-magnetic suction valve, as opposed to two

valves in the past, for inlet-metering, further reducing the cost per unit. Using aluminum for pump housing sections not under high pressure has generated weight savings.

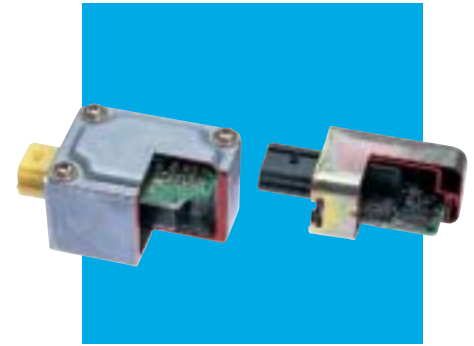
### SMALLER, LIGHTER, MORE FUNCTIONAL

These watchwords are at the heart of our drive to add more value to DENSO products. Making compact, lightweight components incorporating cutting-edge technologies is not new to us. But with ever-tougher demands from automobile manufacturers and increasing component standardization, further progress in this area is vital.

Evaporators used in air conditioners is one product category where we are making headway: We have progressively reduced the core width of our evaporators, from 90mm a decade ago to 58mm today, by redesigning refrigerant pathways and adopting inner fins in evaporator tubes. Our latest product, slated to go into full-scale production in the summer of 2002, is even slimmer, at 38mm, thanks to finer fins and tubes that generate improvements in heat transfer efficiency.

### THINNER EVAPORATORS

We have progressively reduced the core width of our evaporators by almost two thirds.



### SMALLER SIDE IMPACT SENSORS (SIS)

Our latest side impact sensors (right) are over 50% smaller than previous models (left).

This yields reductions in manufacturing costs and on-board volume. In other product categories, our latest side impact sensors (SIS) for airbag sensing systems, which went into production in June 2001, are less expensive and over 50% smaller than previous components.

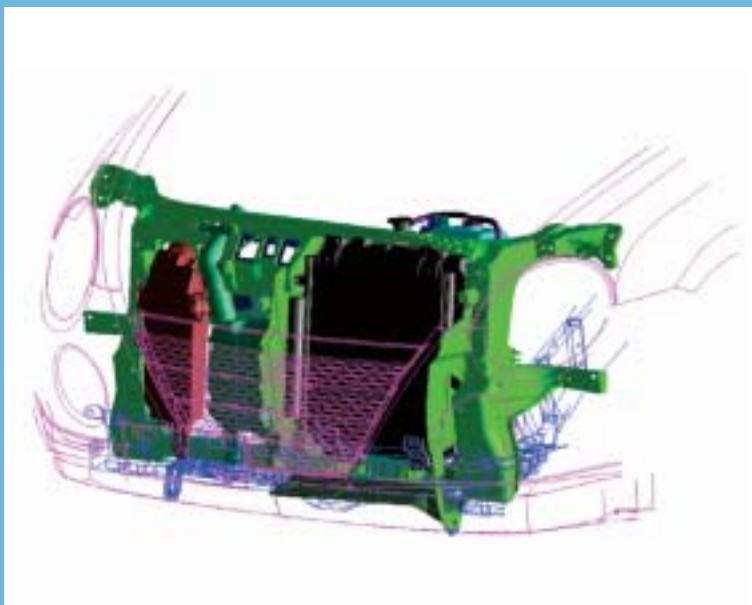
Meanwhile, our most recent electronic throttle body, which controls engine intake air in accordance with travel in the accelerator pedal, is another example of our drive to make components smaller, lighter, and more functional. This latest component is the first in the industry to adopt a built-in non-contact sensor using a Hall IC to detect valve steps. This increases the functional life of the throttle body twofold. The integrated design also means it is 20% smaller and lighter than previous models, while internal parts have been reduced to a minimum. The electronic throttle body went into production in July 2001.

### ENHANCING COMPONENT VALUE: MODULARIZATION

At DENSO, we approach modularization from two angles: as a way of combining the functions of two or more components into a single module, and as an integral part of our efforts to make components smaller, lighter, and more functional. With DENSO's all-round strengths across a wide range of automobile components, it is an area where we can excel. Modularization is also a boon to automobile manufacturers, who can realize enormous efficiency savings on assembly lines and enhance competitiveness.

In 2001, we developed an integrated air/fuel module, launching it in overseas markets in September 2001 and in Japan in June 2002. The configuration for the Japanese market integrates eleven components in one compact unit including an air cleaner, variable intake control system, air flow meter, electronic throttle body, intake manifold, injectors, and an engine ECU. Combining these components in one unit allowed us to design an integrated air intake system covering the entire

## A DENSO FRONT-END MODULE



process—from the air inlets to the cylinder head ports. This leads to lower air intake noise levels, and improved engine performance. Integrating the engine ECU also removed the need for a separate ECU case and reduced the volume of wiring.

In May 2002, we launched an advanced front-end module. This integrates a radiator, condenser, electric fan, engine inter-cooler, and front-frame carrier into one unit for installation in the front of the vehicle. Using new materials for the carrier and redesigning the separate components as one unit, produced weight-savings of around 30% and improved thermal efficiency in the condenser, radiator, and inter-cooler components.

### **DECCS: FOR A BETTER DESIGN PROCESS**

Changing the way automobile components are designed can play a major role in reducing manufacturing costs, by significantly shortening development cycle times. To this end, we have been introducing the DENSO Engineering Core Computing System (DECCS) at design divisions, since 1997.

This system allows us to take advantage of 3D design and virtual prototyping capabilities such as model analysis and testing in a virtual environment. In October 2001, we started introducing the DECCS mass production drawing issuance system at manufacturing divisions, completing its rollout in June of this year. The issuance system enables the rapid distribution of accurate design information, including 3D data, thereby saving time in the manufacturing process. Using DECCS in the early development stages will allow production engineers to step into the design engineer's shoes and make suggestions for changes to component design. We have great hopes for DECCS, not only as a way of reducing development cycle times, but also as a means of improving quality.

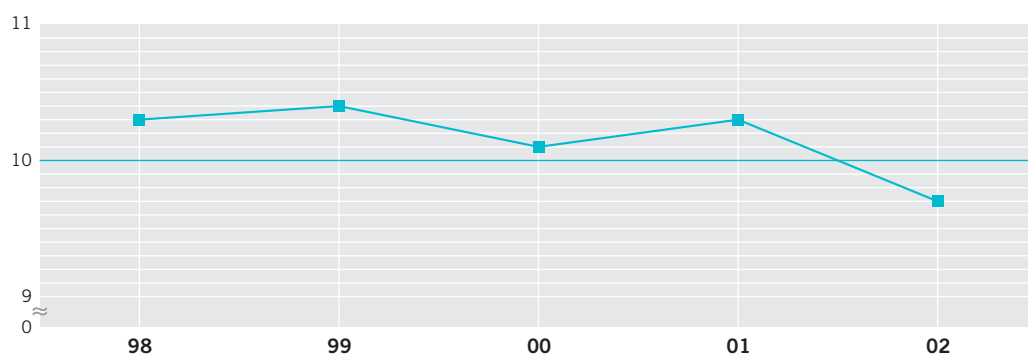
DENSO's basic philosophy is to guarantee the reliable supply of high quality, competitively priced systems and components to automobile manufacturers. To ensure we do, a productive R&D program and sound financial footing are essential. We believe the source of our ability to compete lies in the innovative technology our research facilities can conceive; that is why we have consistently been investing approximately 10% of non-consolidated sales in R&D programs. Meanwhile, to strengthen our financial base and meet shareholders' expectations, we are targeting an ROE of 8% by enhancing our earnings structure, improving asset efficiency, and repurchasing treasury stock. And with the goal of creating a DENSO more responsive to market fluctuations, we are taking a number of initiatives to optimize our corporate structure, including spin-offs.

## ... CORPORATE INITIATIVE —TO BE A GOOD COMPANY



» Targeting an ROE of 8% in 2005

## R&D EXPENDITURE (As a ratio of non-consolidated sales) (%)



### REDUCING FIXED COSTS FOR A STRONGER FINANCIAL FUTURE

At DENSO, we have consistently emphasized stable management underpinned by a healthy balance sheet. This will continue to be our primary goal, but we will strive to become still more efficient by reducing variable costs associated with our products, and by cutting fixed costs through Value Creation (VC) activities, which we introduced in 1999. We are specifically targeting a reduction in depreciation by achieving more savings in machinery manufacturing costs, and paring R&D and indirect manufacturing costs.

We are ultimately aiming to reduce expenses related to machinery manufacturing by a third by shifting to smaller scale, simplified production processes and facilities to match the equivalent move in components. Our assembly line for engine management components, where we have reduced machinery area and costs by 70% and 30% respectively, is a prime example of these efforts. The overall result has been a fall in depreciation as a ratio of non-consolidated

sales, from 6.5% in the year ended March 1999 to 5.6% in the year under review.

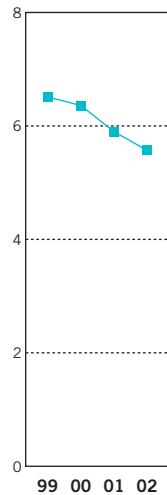
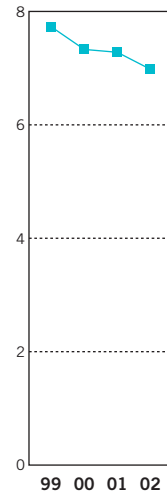
Although we are aiming for a constant level of investment in R&D programs to stay competitive, we are more rigorous in identifying and giving priority to technologies for commercialization. We are also making progress on IT engineering. Again, we are seeing results—R&D expenses have fallen from 10.4% of non-consolidated sales in the year ended March 1999 to 9.7% in the period under review. Despite these cost cutting measures, DENSO remains committed to consistently investing approximately 10% of non-consolidated sales in R&D programs.

In indirect manufacturing costs, we are using sophisticated computer systems to seek new sources of efficiencies in production management systems and production line design. These steps have reduced indirect manufacturing costs as a ratio of non-consolidated sales from 7.7% in the year ended March 1999, to 7.0% in the year under review. As a result of these activities, we succeeded in reducing fixed costs by 2.0%,

on a non-consolidated basis, from the year ended March 1999 to the end of the year under review.

### A GLOBAL CASH MANAGEMENT SYSTEM

In order to increase efficiency in financing and fund management within the DENSO Group, we reorganized our accounting operations into the independent DENSO Finance & Accounting Center Co., Ltd., in July 2000. In conjunction with our move to more unified, group-wide management practices, this step has accelerated the creation of a worldwide group cash management system. Surplus funds at group companies can be efficiently pooled for use by other group members. Progress is also being made on global cash pooling, with the start of U.S. dollar-based pooling in January 2002 at a subsidiary in the Netherlands. This allows the efficient, centralized management of U.S. dollar funds. DENSO also began yen-based global pooling in May 2002, the first Japanese company to do so. In the U.S. and Japan, we started a netting system among group companies and

**DEPRECIATION**(As a ratio of non-consolidated sales)  
(%)**INDIRECT MANUFACTURING COSTS**(As a ratio of non-consolidated sales)  
(%)

expanded the system to Asia. We plan to introduce the system at our European operations by the end of 2002. Another development has seen the Finance & Accounting Center introduce factoring in Japan in February 2002. Targeting DENSO's domestic suppliers, the system is designed to enhance payment efficiency and drive down costs. Plans are already on the table to extend the system to all domestic group companies' suppliers. And in order to increase the efficiency of group accounting procedures and support cost-saving activities, DENSO is working to concentrate some accounting functions by standardizing accounting procedures and systems at all group companies, including those overseas.

**ENHANCING THE GROUP-WIDE R&D STRUCTURE**

A consistently high level of R&D investment has been central to creating DENSO's renowned technological expertise in numerous product categories. Constant investment in promising product areas, seen in our long-term

strategy in the telecommunications field, is how we approach R&D. This has not hobbled the profitability of the company either.

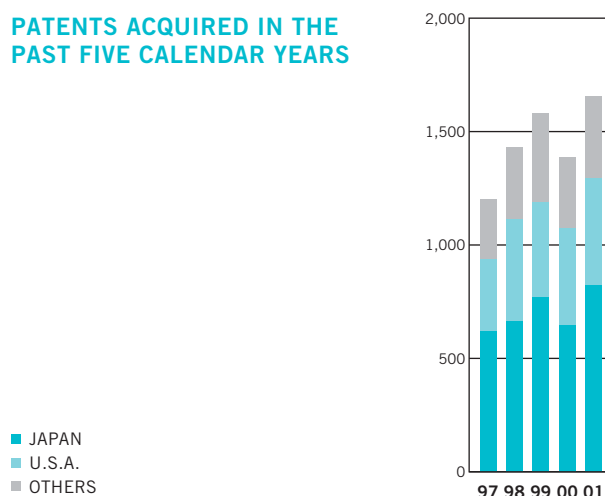
DENSO's fundamental R&D structure is built on a number of organizations in Japan—the DENSO Research Laboratories, Corporate R&D Department, Production Engineering R&D Department, Nippon Soken Inc., and DENSO IT Laboratory. Each of DENSO's six key business groups—Thermal Systems, Powertrain Systems, Electronic Systems, Electric Systems, Small Motors, and ITS—also have independent R&D sections.

Looking ahead, we expect new and exciting products to be borne out of research that integrates multiple technical fields, and further strides toward modularized components. We are therefore forming project teams that cut across research disciplines and organizational barriers, including not only researchers, but also manufacturing and quality experts. This will enhance the efficiency of R&D processes and lead to a DENSO product lineup with higher added value. As DENSO aggressively



**DENSO RESEARCH  
LABORATORIES**

**PATENTS ACQUIRED IN THE  
PAST FIVE CALENDAR YEARS**



targets increased worldwide sales, imbuing our local manufacturing facilities with our reputation for technological excellence and quality is vital in winning the trust of local customers. With this in mind, we are working to rapidly enhance our global R&D structure of technical centers in the U.S., the U.K., Germany, and Sweden, with a particular focus on greater investment in technical centers in Europe.

In new fields, we are forming alliances that complement our own technological strengths. These include the PALAP (Patterned Prepreg Lay Up Process) Consortium, formed with five Japanese printed circuit board (PCB) manufacturers. PALAP board is a next-generation, high-performance PCB developed in-house by DENSO. Made from thermoplastic resin, multi-layered PALAP board can be made using a simplified one-stage pressing operation. PALAP board is also recyclable and resistant to higher temperatures. DENSO has formed the consortium with plans to commercialize PALAP board and make it the de facto standard in the industry.

Finally, we are actively taking steps to protect our newly developed proprietary technologies on a global basis by acquiring patents for DENSO intellectual property (IP). During calendar 2001, we secured 1,654 patents worldwide, including 821 in Japan and 475 in the U.S. DENSO's policy on protecting its intellectual property was completed in the DENSO IP Vision in April 2002. Based on this Vision, the entire group will enhance the efficiency of its patent acquisition programs and be more active in asserting its patent rights.

As one of the world's leading suppliers of automobile systems and components, DENSO is striving to reduce the impact of the car on the environment. With this in mind, we are implementing numerous initiatives that influence all stages of the life of the car, from manufacturing processes where DENSO is directly involved, through car use and end-of-life stages. In June 2000, we formulated DENSO EcoVision 2005. This Vision provides the foundation for environmental action plans initiated by DENSO and its consolidated subsidiaries and affiliates, and details concrete measures and targets related to environmental issues. The result—a comprehensive approach to environmental activities utilizing the resources of the entire DENSO Group. The following are just some of the steps we are taking in this area.

## ... CORPORATE INITIATIVE —TO BE A GOOD CITIZEN



» DENSO volunteers have started planting *kenaf*, a plant that can absorb more CO<sub>2</sub> than many other species.

## IMPROVING COMPONENT RECYCLABILITY

Based on DENSO's own product recyclability appraisal method, we are working to ensure that a higher proportion of the car can be recycled. We set ourselves a clear target: 95% of DENSO automobile components to be recyclable by fiscal 2005. These efforts are aimed at European Union regulations that stipulate an actual recycle rate for end-of-life cars of 95% by 2015. In fact we have already cleared the first hurdle, achieving a 96.9% recyclability rate for automobile components in the year under review. We are now focusing on maintaining this high recyclability rate and achieving more gains. Despite available technology that enables the recycling of some components, the high cost of this technology, the need to build infrastructure, and the degraded quality of recycled material, all mean that actual recycle rates have still not matched the recyclability of components. So at DENSO, we are now developing new recycling technologies and pushing ahead with reuse and remanufacturing businesses to improve the actual component recycle rate.

### DENSO AND DUPONT: DEVELOPING COMPOSITE RECYCLE TECHNOLOGY FOR RADIATOR END TANKS

Nylon-based radiator end tanks currently used in cars are recycled using a crushing process. Unfortunately, the process cannot recover material properties that have severely degraded during the life of the tanks. This limits the reuse of the crushed material. The inherent inefficiency in the process means the great majority of radiator end tank material is sent to landfills. In an attempt to rectify this, DENSO has joined hands with DuPont Engineering Polymers to enable the recycling

of nylon-based radiator end tanks using new technology. The new technology can recover degraded nylon material with minimal losses. DENSO has already succeeded in producing a radiator end tank made from reclaimed material, and it is currently undergoing evaluation in a test vehicle.

### DENSO'S CHEMICAL SUBSTANCE DATABASE

In order to control and reduce the use of environmentally harmful chemicals in its operations, DENSO has compiled a chemical substance database—the Material Chemical Assessment System (MACAS). The database, which became fully operational in April 2001, lists over 1,400 primary chemicals used to produce DENSO products and secondary chemicals such as cleaning agents employed in manufacturing processes. The MACAS database allows DENSO to keep a close watch on chemical usage and releases. The database is a vital tool in reducing the volume of environmentally harmful chemicals used in DENSO's operations.

### ECO-MANAGE—AN INDUSTRIAL WASTE AND RESOURCE MANAGEMENT SYSTEM

DENSO has developed and introduced a system to manage the volume of resources it uses and to verify the amount of waste reused in its operations. Using proprietary bar code scanning systems, DENSO can accurately measure and monitor the volume of waste and scrap materials generated at its facilities. This data helps DENSO to reduce waste volumes, cut back on waste management costs, and utilize resources more effectively. This system can be integrated with another DENSO-developed product—the advanced vehicle operation system (AVOS). AVOS uses GPS and a network of

communication satellites to track the location of vehicles. Fitted to waste disposal vehicles, AVOS allows DENSO to verify that all waste is disposed of appropriately and in accordance with relevant regulations by monitoring waste transportation routes and records. DENSO began sales of this system, sold as “Eco-Manage,” in December 2001.

### PROGRESS ON FLUOROCARBON RECOVERY AND DESTRUCTION

In anticipation of Japan's Fluorocarbon Recovery and Destruction Law that came into effect in April 2002, DENSO joined hands with Japan Automobile Manufacturers Association Inc. and the Japan Auto Parts Industries Association, to help build a recovery and destruction system for chlorofluorocarbon (CFC-12) substitute HFC-134a. The project includes putting in place necessary infrastructure. As part of the system, in May 2001, DENSO started transferring HFC-134a it recovers in one-liter canisters to larger containers. This increases efficiency at destruction facilities. DENSO has carried out similar operations for CFC-12 since 1998. In the year under review, around 31,000 canisters of CFC-12 and 4,000 canisters of HFC-134a were transferred at three facilities in Japan. Moreover, DENSO has put in place its own recovery and destruction system to ensure the safe disposal of refrigeration vehicle fluorocarbons, which are different to those used in car air-conditioning systems.

# REVIEW OF OPERATIONS BY SEGMENT

## AUTOMOTIVE

### THERMAL SYSTEMS

#### Results

Sales in Thermal Systems surged 26.1% to ¥870,676 million. This increase was primarily due to the effects of a change in the fiscal year-ends at overseas subsidiaries. The change caused 15 months of sales at these subsidiaries to be included in the year's results, raising sales in this segment by 15.4%. During the year, DENSO Thermal Systems S.p.A. became a consolidated subsidiary, accounting for 5.7% of the increase. The effects of a weakening yen raised sales by 4.6%, while orders for thermal systems for new models such as the Toyota Yaris in Europe also contributed to the rise.

#### Main Products

- Climate Control Products:  
Air conditioners for cars, buses, and construction equipment
- Powertrain Cooling System Components:  
Radiators, cooling fans, inter-coolers, oil coolers, integrated cooling modules

#### Overview

Car air-conditioning systems account for over 80% of sales in Thermal Systems. DENSO car air-conditioning systems have consistently held the top spot in the global market since 1990, and now boast a market share of around 24%. Europe, Asia, and South America, regions where car air conditioner use is still relatively low, are target markets. We see particular potential in Europe, establishing and enhancing manufacturing facilities in the Czech Republic and Italy in the year ended March 2002, to meet an anticipated increase in demand. During the period, DENSO made further progress in developing innovative and unique air-conditioning products—systems that consume less of the engine's power, are more compact, are highly functional, and use non-fluorocarbon refrigerants.

#### Highlights of the Year

- Development of an air-conditioning and heat-pump system using CO<sub>2</sub> refrigerant
- Development and mass production of an air-conditioning system with humidity control
- Development and mass production of an ultra-thin evaporator with a core width of only 38mm
- Development and commercialization of a front-end module
- Development of a four-seat independent air-conditioning system
- Magneti Marelli S.p.A. Thermal Systems Division acquired, renamed DENSO Thermal Systems S.p.A.
- DENSO Manufacturing Czech s.r.o. established to manufacture car air-conditioning systems
- GAC Corporation de Mexico S.A. de C.V. established to produce hoses and tubes for car air-conditioning systems and spot coolers

## POWERTRAIN CONTROL SYSTEMS

### Results

Sales in Powertrain Control Systems climbed 24.3% to ¥500,892 million. An additional three months of sales at overseas affiliates, owing to the change in their fiscal year-ends, caused sales to rise 9.9%. The effects of a weaker yen also gave a 3.9% boost to sales. In North America, developments such as full-scale local production of stick coils, stronger sales of exhaust gas sensors and injectors, and the start of production of integrated air/fuel modules all helped to expand sales. Common rail systems were another strong performer. Sales of these systems jumped from 96,000 units in the year ended March 2001, to 283,000 units in the year under review.

### Main Products

- Diesel Engine-Related Products:  
Fuel injection systems and components
- Gasoline Engine-Related Products:  
Engine management systems and components
- Transmission Control Components:  
Shift control actuators, automatic transmission (AT) control valves

### Overview

The Powertrain Control Systems Business develops and manufactures a wide variety of systems and products for both diesel and gasoline powertrains. The product lineup encompasses the whole powertrain process, from air induction through combustion and exhaust. Many products are contenders for first or second global market share in their categories. Fuel pumps, exhaust gas sensors, variable valve timing (VVT) units, and ignition coils are just some of the DENSO powertrain products that have consistently held leading global market shares. Looking ahead, the group is targeting the further development of gasoline direct injection and common rail systems to improve fuel efficiency and meet tougher emission regulations, as well as expand sales of these products. Moreover, the group will strengthen its supply structure, introduce new marketing technologies, and enhance its application engineering functions. These actions will create a support framework capable of rapidly responding to the demands of automobile manufacturers.

### Highlights of the Year

- Development and commercialization of a 1,800-bar common rail system
- Development and commercialization of an integrated air/fuel module
- Development of a diesel particulate filter (DPF)
- DENSO exhaust gas sensors and ignition coils capture leading global market share
- Further investment in DENSO Manufacturing Hungary Ltd.
- DENSO Manufacturing Vietnam Co., Ltd. established to produce components for gasoline engines
- Siam DENSO Manufacturing Co., Ltd. established to produce components for gasoline and diesel engines
- Construction started on a new manufacturing facility for DENSO Mexico S.A. de C.V.

## ELECTRONIC SYSTEMS

### Results

Sales in the Electronic Systems Business jumped 15.5% to ¥410,067 million. An additional three months of sales at overseas subsidiaries caused sales to increase 8.4%. The effects of the weak yen added another 3.6% to the figure. Healthy sales of instrument clusters, demand for DENSO's engine ECUs with enhanced functions, and success in expanding sales to customers in Europe such as Volvo and Jaguar, all contributed to the overall rise in sales. Car navigation systems were particularly impressive performers during the year under review. The number of units sold in the year ended March 2002 surged to 414,000, up from 243,000 in the previous period.

### Main Products

- Body Electronics Products:  
Instrument clusters, smart keys, remote keyless entry systems, adaptive cruise control (ACC) systems
- ITS Products:  
Car navigation systems, electronic toll collection (ETC) on-board units and antennas, advanced vehicle operation systems (AVOS)
- Electronic Components and Devices:  
Engine ECUs, hybrid ICs, sensors

### Overview

As cars are equipped with more sophisticated electronic systems, component manufacturers have to clear higher technical hurdles.

DENSO is now required to develop electronic devices such as semiconductors and sensors, and create highly accurate, complex control system technology. In its Electronics Systems Business, DENSO not only has the in-house technological expertise to develop semiconductor products, but also the know-how and resources in software development to meet the needs of individual customers. The ITS field is one example of these all-round strengths. Here, we are involved in development across the board, from component hardware through application software and infrastructure.

### Highlights of the Year

- Development of MP3 sound reproduction software for vehicle navigation systems
- Start of new services for the advanced vehicle operation systems (PATRACS) in Internet-based fleet management systems
- Commercialization of a connection kit linking Internet-compatible cellular phones to car navigation systems
- Commercialization of a navigation computer for high-resolution displays
- Mass production of a stepper motor-type movement for instrument clusters
- Commercialization of NAVISTANT, a package that enables handheld PDAs to be used as car navigation systems
- DENSO participation in the Internet ITS Project
- Start of an Internet-based service to issue Mapcodes, a location code for navigation systems

## ELECTRIC SYSTEMS

### Results

Sales in the Electric Systems Business grew 15.1% to ¥288,004 million. This was primarily due to changes in the fiscal year-ends at overseas subsidiaries and the effects of the weak yen, which accounted for 10.7% and 4.3% of the rise, respectively.

### Main Products

- Starters and Alternators
- Components for hybrid electric vehicles (HEVs):  
Integrated starter generators (ISGs), DC-DC converters, battery ECUs, oil pump motors, inverters and electrical current sensors
- Driving Control and Safety Products:  
Airbag sensors and ECUs, anti-lock brake control system (ABS) actuators

### Overview

With the shift to smaller, lighter, and more functional alternators and starters, progress is being made on standardization. This approach is also helping the Electric Systems Business to enhance cost competitiveness. In components for HEVs, DENSO developed and commercialized ISGs and a number of other products for different types of HEV systems. DENSO is leading the industry in

this field in product development. In components for car safety systems, we are gearing up development of next-generation airbag sensors and ECUs to better protect occupants in the event of a collision. These efforts go hand in hand with DENSO's continuing development of safety systems.

### Highlights of the Year

- Development and commercialization of an ISG and oil pump motor for the Toyota Estima HEV
- Development and commercialization of an ISG, ECU integrated inverter, and magnetic clutch for the Toyota Crown Mild HEV
- Development and commercialization of a side impact sensor (SIS) for airbag systems, less than half the size of previous components

## SMALL MOTORS

### Results

DENSO's small motors business increased sales by 6.9% to ¥167,460 million. Falling automobile sales, overall, in the North, Central, and South American markets led to a 3.4% decline in sales. This was offset by the effect of accounting changes at overseas subsidiaries and the weaker yen, contributing increases of 6.8% and 3.1%, respectively, to the sales growth.

### Main Products

Windshield washer and windshield wiper systems, power window motors, other motors

### Overview

DENSO's small motors are manufactured by group company ASMO Co., Ltd. ASMO's power window motors and washer motors boast leading global market shares in their respective product categories. DENSO is working to maintain its market-leading cost competitiveness in small motors and strengthen its overseas manufacturing network. Moreover, we are accelerating the development of light, highly efficient motors for emission control and fuel saving systems.

### Highlights of the Year

- Start of production of small motors in Italy
- Development and commercialization of a convertible roof motor system

## NON-AUTOMOTIVE

### TELECOMMUNICATIONS

#### Results

With DENSO's shift of focus from its core cellular phone products to telematics, the telecommunications business is currently going through a phase of contraction.

This was reflected in the division's performance during the year ended March 2002, with sales decreasing 10.1% to ¥79,010 million.

#### Main Products

Cellular Phones

#### Overview

During the year, DENSO withdrew from the cellular phone manufacturing business.

Despite this move, we still see mobile communications as a vital area, and will continue research into this technology to keep pace with the car's increasing integration into information networks.

### INDUSTRIAL SYSTEMS, ENVIRONMENTAL SYSTEMS, AND OTHERS

#### Results

Falling demand from overseas markets for industrial systems products was offset by new product launches and efforts to boost sales in the domestic market. These steps led to a rise in sales. In environmental systems, sales of DENSO's CO<sub>2</sub> refrigerant heat-pump water heater for household use beat expectations.

As a result, combined sales in industrial and environmental systems rose 11.6% year on year to ¥62,427 million.

#### Main Products

- Automatic ID Data Capture Devices:  
Bar code handy scanners and terminals, QR code handy scanners and terminals, non-contact IC cards, security systems
- Factory Automation (FA) Products:  
Industrial robots, programmable controllers
- Refrigeration and Air-Conditioning Systems:  
Cooling systems for cellular phone base stations and CPUs, spot coolers and heaters
- Environmental Systems:  
CO<sub>2</sub> refrigerant heat-pump water heaters, garbage disposers, automatic faucets

#### Overview

In industrial systems, DENSO is looking at the possibility of developing IT-enabled and wireless products in three key categories—automatic identification products, FA products, and control systems—by using our technological know-how acquired in developing and manufacturing advanced automobile systems and components. In environmental systems, DENSO is applying technologies developed for automobile systems to new products that meet the emerging needs of society. Based on demand from homebuilders, electric appliance makers, electric utilities, and other market segments, DENSO is bringing a range of

innovative products to markets outside the automobile industry.

#### Highlights of the Year

- **DENSO Industrial Systems Division becomes DENSO Wave Incorporated**  
DENSO Wave Incorporated was formed in October 2001 after the spin-off of DENSO's Industrial Systems Division and its merger with two group companies, Systemkiki Co., Ltd., which sells automatic identification equipment, and DENSO Systems Corporation, a system engineering specialist
- Development and commercialization of an ultra-clean variant of DENSO's mobile robot for use in clean rooms
- Development and commercialization of a wireless bar code handy terminal, capable of handling a maximum 11Mbps of data
- DENSO's CO<sub>2</sub> refrigerant heat-pump water heater for household use wins a Climate Protection Award from the U.S. Environmental Protection Agency (EPA)
- Horizontal articulated robots capture leading global market share

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# FINANCIAL REVIEW

## FINANCIAL SUMMARY

DENSO CORPORATION and Consolidated Subsidiaries  
Years ended March 31

	Millions of yen						Thousands of U.S. dollars
	2002	2002*	2001	2000	1999	1998	2002
<b>Net Sales:</b>	<b>¥2,401,098</b>	<b>¥2,183,062</b>	¥2,014,978	¥1,883,407	¥1,758,842	¥1,667,311	<b>\$18,053,368</b>
Sales in Japan	1,277,865	1,277,865	1,245,830	1,161,016	1,104,579	1,135,834	9,608,007
Sales outside Japan	1,123,233	905,197	769,148	722,391	654,263	531,477	8,445,361
<b>Net Income</b>	<b>72,313</b>	<b>70,800</b>	60,799	61,913	58,969	71,158	<b>543,707</b>
<b>Total Assets</b>	<b>2,361,048</b>	—	2,343,328	2,154,251	1,917,192	1,745,329	<b>17,752,241</b>
<b>Shareholders' Equity</b>	<b>1,421,212</b>	—	1,451,211	1,304,400	1,121,171	1,057,173	<b>10,685,805</b>
<b>Capital Expenditures</b>	<b>193,599</b>	<b>183,977</b>	140,447	169,953	212,745	177,757	<b>1,455,632</b>
<b>Depreciation</b>	<b>147,277</b>	<b>139,991</b>	134,416	134,706	124,289	103,068	<b>1,107,346</b>
<b>R&amp;D Expenses</b>	<b>185,627</b>	<b>181,044</b>	176,959	160,055	154,207	157,615	<b>1,395,692</b>
						Yen	U.S. dollars
<b>Per Share:</b>							
Net income	¥ 80.22	¥78.54	¥ 66.51	¥ 68.15	¥ 65.46	¥ 79.93	\$0.60
Fully diluted net income	78.93	77.29	65.51	66.73	63.51	76.31	0.59
Cash dividends	18.00	—	17.00	17.00	15.00	15.00	0.14
<b>Average Number of Shares (in thousands)</b>	<b>901,489</b>	—	914,121	908,519	900,836	890,226	
<b>Number of Employees</b>	<b>86,639</b>	—	85,371	80,795	72,359	57,084	

Notes: 1. As of March 31, 2002, DENSO CORPORATION had 150 significant consolidated subsidiaries and applied the equity method of accounting with respect to 25 affiliates.  
2. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year end to March 31 from December 31. \*The italicized figures for the year ended March 31, 2002 represent unaudited amounts including the results of these overseas companies for the 12-month period ended December 31, 2001.  
3. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥133=US\$1, the approximate exchange rate prevailing on March 29, 2002, the last trading day of the fiscal year.

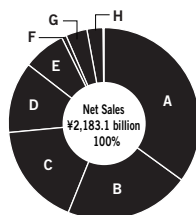
## OPERATING SUMMARY BY INDUSTRY SEGMENT

	Millions of yen (percentage of net sales)			Thousands of U.S. dollars
	2002	2002*	2001	2002
<b>Thermal Systems</b>	<b>¥ 870,676</b> (36.2%)	<b>¥ 764,244</b> (35.0%)	¥ 690,502 (34.3%)	<b>\$ 6,546,436</b>
<b>Powertrain Control Systems</b>	<b>500,892</b> (20.8)	<b>460,974</b> (21.1)	402,829 (20.0)	<b>3,766,105</b>
<b>Electronic Systems</b>	<b>410,067</b> (17.1)	<b>380,152</b> (17.4)	355,178 (17.6)	<b>3,083,210</b>
<b>Electric Systems</b>	<b>288,004</b> (12.0)	<b>261,097</b> (12.0)	250,136 (12.4)	<b>2,165,444</b>
<b>Small Motors</b>	<b>167,460</b> (7.0)	<b>156,810</b> (7.2)	156,608 (7.8)	<b>1,259,098</b>
<b>Other Automotive</b>	<b>18,731</b> (0.8)	<b>18,047</b> (0.8)	15,253 (0.8)	<b>140,835</b>
Automotive sub-total	<b>2,255,830</b> (93.9)	<b>2,041,324</b> (93.5)	1,870,506 (92.9)	<b>16,961,128</b>
<b>Telecommunications</b>	<b>79,010</b> (3.3)	<b>78,347</b> (3.6)	87,854 (4.3)	<b>594,060</b>
<b>Industrial Systems, Environmental Systems, and Others</b>	<b>62,427</b> (2.6)	<b>59,632</b> (2.7)	55,963 (2.8)	<b>469,376</b>
New businesses sub-total	<b>141,437</b> (5.9)	<b>137,979</b> (6.3)	143,817 (7.1)	<b>1,063,436</b>
<b>Others</b>	<b>3,831</b> (0.2)	<b>3,759</b> (0.2)	655 (0.0)	<b>28,804</b>
<b>Total</b>	<b>¥2,401,098</b> (100.0)	<b>¥2,183,062</b> (100.0)	¥2,014,978 (100.0)	<b>\$18,053,368</b>

Notes: 1. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year end to March 31 from December 31. \*The italicized figures for the year ended March 31, 2002 represent unaudited amounts including the results of these overseas companies for the 12-month period ended December 31, 2001.  
2. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥133=US\$1, the approximate exchange rate prevailing on March 29, 2002, the last trading day of the fiscal year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BREAKDOWN OF NET SALES (On a 12-month basis)



A	Thermal Systems	35.0%
B	Powertrain Control Systems	21.1%
C	Electronic Systems	17.4%
D	Electric Systems	12.0%
E	Small Motors	7.2%
F	Other Automotive	0.8%
G	Telecommunications	3.6%
H	Industrial Systems, Environmental Systems, etc.	2.7%
I	Others	0.2%

## Business Overview

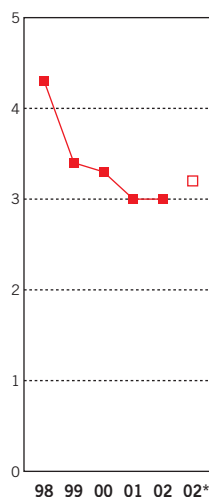
The global economy slowed in the fiscal year ended March 31, 2002, hit by the downturn in the U.S. There, weakening IT-related demand, evident from the start of the year, was exacerbated by the effects of the September 11 terrorist attacks. Meanwhile, in Japan, anemic personal consumption due to the weakening employment market and falling incomes, combined with a drop in exports and capital investment to tip the economy back into recession for the first time in three years.

The automobile industry was not immune from the effects of the slowdown, evidenced by the slight year-on-year decline in global automobile sales during the year under review. After two years of solid gains, automobile production in Japan fell below the 10 million-unit mark due to a drop in sales and a continued shift to overseas production. In the U.S., production saw a substantial decline as manufacturers adjusted inventory levels.

Against this backdrop, DENSO Group net sales increased 19.2% to ¥2,401.1 billion, operating income rose 7.9%, to ¥133.3 billion, and income before income taxes and minority interests was ¥139.0 billion, up 29.5%. Net income climbed 18.9%, to ¥72.3 billion. The surge in net sales was attributable to the irregular 15-month reporting period for this fiscal year, due to the change in the end of the fiscal year from December to March for consolidated overseas subsidiaries and affiliates, as well as the weakening yen, an increase in the number of consolidated subsidiaries, and expanding sales. The improvement in operating income was mainly due to foreign exchange gains and DENSO's efforts to streamline operations.

The results for the year under review include 15 months of business activity at 45 overseas subsidiaries and equity-method affiliates due to a change in these companies' fiscal year-ends. Restated on a 12-month basis, net sales rose 8.3%, to ¥2,183.1 billion, operating income was ¥129.9 billion, a rise of 5.2%, income before income taxes and minority interests increased 26.2%, to ¥135.4 billion, and net income rose 16.4%, to ¥70.8 billion.

## RETURN ON SALES (%)



\* For reference:  
On a 12-month basis

## Net Sales

Net sales for the year under review climbed 19.2% or ¥386.1 billion, to ¥2,401.1 billion, an all-time high. Excluding the effects of a change in the fiscal year-ends at consolidated subsidiaries, net sales restated on a 12-month basis were up ¥8.3%, to ¥2,183.1 billion.

A drop in automobile production did not prevent net sales in the automotive segment from surging 20.6%, to ¥2,255.8 billion. This rise was the result of aggressive sales expansion, growth at overseas businesses, and the effects of a change in the fiscal year-ends at overseas subsidiaries. Restated on a 12-month basis, net sales in the automotive segment rose 9.1%, to ¥2,041.3 billion.

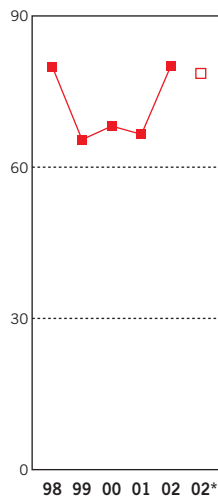
Results were mixed in the new businesses and others segment, with growth in sales of industrial systems offset by a drop in sales of cellular phones. As a result, net sales improved marginally to ¥145.3 billion, up 0.6%, or ¥796 million, and down 1.9% year on year on a 12-month basis.

By geographical segment, net sales in Japan climbed 4.1%, to ¥1,643.1 billion, where expanding sales and increasing exports offset a decline in domestic automobile production. Net sales in the Americas improved 37.6%, to ¥643.3 billion, or a rise of 9.5% to ¥511.9 billion on a 12-month basis. This increase was achieved despite a contraction in the U.S. automobile market. Results were also buoyed by the effects of a weakening yen and the impact of a change in the fiscal year-ends at subsidiaries. In Europe, net sales jumped 93.4%, to ¥309.3 billion, or 51.5%, to ¥242.3 billion on a 12-month basis. This reflected the effect of the purchase in fiscal 2001 of the thermal systems division of Magneti Marelli S.p.A. (renamed DENSO Thermal Systems S.p.A.), the effects of a weakening yen, and the impact of a change in the fiscal year-ends at subsidiaries. In Asia and Oceania, net sales rose 32.0%, to ¥169.4 billion, or 12.8%, to ¥144.7 billion on a 12-month basis. This gain was attributable to a positive contribution from the previous year's investment in small motor and fuel pump manufacturer POONG SUNG ELECTRIC CO., LTD. (renamed DENSO PS CORPORATION), and the change in fiscal year-ends at subsidiaries.

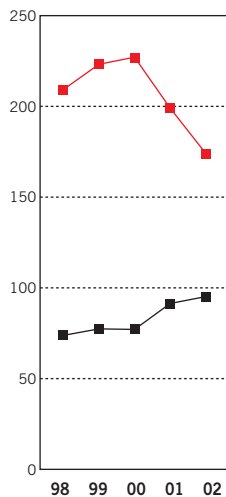
## Operating Income

Operating income for the year ended March 31, 2002 totaled ¥133.3 billion, an increase of ¥9.8 billion, or 7.9%, or an increase of 5.2%, to ¥129.9 billion on a 12-month basis.

In the automotive segment, operating income climbed 8.4% to ¥141.8 billion, or 5.8%, to ¥138.5 billion on a 12-month basis. The principal factors behind this improvement were foreign exchange gains due to the weak yen and benefits from DENSO's efforts to reduce costs and find efficiencies across the entire compass of the group's operations. In new businesses and others, the company incurred an operating loss of ¥8.5 billion, ¥8.6 billion restated on a 12-month basis.

**EARNINGS PER SHARE**  
(Yen)

\* For reference:  
On a 12-month basis

**CURRENT RATIO**  
**FIXED RATIO**  
(%)

■ CURRENT RATIO  
■ FIXED RATIO

By geographical segment, operating income in Japan rose 14.8%, to ¥113.5 billion. In the Americas, operating income fell 32.7% to ¥18.3 billion, or 41.1%, to ¥16.0 billion on a 12-month basis, due to a decrease in production volumes. In Europe, the group recorded an operating loss of ¥5.9 billion, or ¥5.4 billion restated on a 12-month basis. This followed a one-off remaining goodwill amortization of ¥2.6 billion in connection with the purchase of Denso Manufacturing Italia S.p.A., formerly the rotating machines division of Magneti Marelli S.p.A. Operating income in Asia & Oceania was up 78.6%, to ¥7.6 billion, or 39.5%, to ¥5.9 billion on a 12-month basis, as a result of a series of cost reduction initiatives.

**Other Income and Expenses**

For the fiscal year ended March 31, 2002, the total of net other income and expenses on a consolidated basis climbed ¥21.9 billion, to ¥5.6 billion.

This marked improvement was attributable to the net of one-time expenses due to the increase in pension liabilities arising from a change in accounting standards for retirement benefits, and profit related to the establishment of the pension trust recorded in the previous year.

**Income Before Income Taxes and Minority Interests**

Income before income taxes and minority interests improved ¥31.7 billion, or 29.5%, to ¥139.0 billion, reflecting the factors outlined above. Restating results on a 12-month basis, income before income taxes and minority interests climbed ¥28.1 billion, or 26.2%, to ¥135.4 billion.

**Income Taxes**

Income taxes for the year under review jumped ¥18.3 billion, or 40.8% to ¥63.0 billion. This represents an effective income tax rate of 45.4%, up from 41.7% in the previous fiscal year.

**Minority Interests in Net Income**

Minority interests in net income increased ¥1.9 billion, or 110.1%, to ¥3.6 billion, mainly from an increase in net income from consolidated subsidiaries in Japan.

**Net Income**

For the fiscal year ended March 31, 2002, net income rose ¥11.5 billion, or 18.9%, to ¥72.3 billion. Net income as a percentage of net sales was 3.0%, on a par with the previous fiscal year. ROE improved to 5.0% from 4.4% in fiscal 2001. Restated on a 12-month basis, net income rose 16.4% to ¥70.8 billion, while ROE was 4.9%.

Net income per share of common stock was ¥80.22, up from ¥66.51 in the year ended March 31, 2001. Fully diluted net income per share of common stock was ¥78.93, against ¥65.51 in the previous period, or ¥78.54 and ¥77.29, respectively, on a 12-month basis.

**Dividends**

DENSO Corporation has announced an annual dividend of ¥18 per share on a non-consolidated basis, up ¥1 per share from the previous year. During the year under review, the company also repurchased and retired 48,000,000 shares of DENSO treasury stock in order to enhance shareholders' value. The acquisition cost totaled ¥84.9 billion.

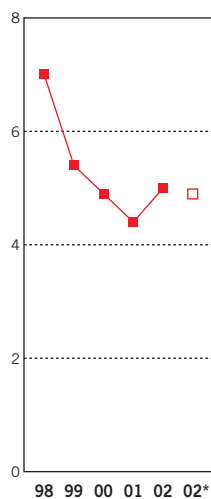
**Liquidity and Source of Funds***Finance and Liquidity Risk Management*

DENSO Corporation's fundamental financial policy is founded on three principles: to secure an optimum level of funds for operational activities, manage liquidity risks appropriately, and ensure a sound financial position.

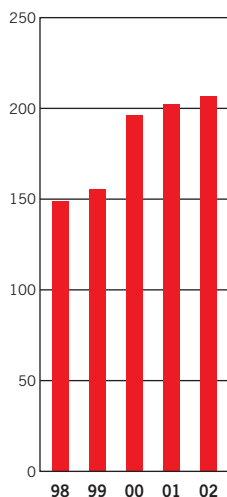
DENSO is creating a global cash management system to increase efficiency. Financing functions for the U.S., Europe, and Asia are being concentrated into each regional headquarters. This is aimed at reducing the interest payment burden, improving the management of funds, and effectively controlling financial risk.

In Japan for example, DENSO Corporation provides integrated cash management support for most of its domestic subsidiaries. This includes pooling surpluses and providing loans to cover deficits. This cash management system has been extended globally to cover DENSO's operations in the U.S., Europe and Asia.

In order to improve the efficiency of fund management on a global basis and prevent uneven regional allocation, the company has also established a dollar/yen cash management system.

**RETURN ON EQUITY**  
(%)

\* For reference:  
On a 12-month basis

**NET CASH PROVIDED BY OPERATING ACTIVITIES**  
(billions of yen)**Financial Position**

Total assets as of March 31, 2002, stood at ¥2,361.0 billion, a slight increase of ¥17.7 billion, or 0.8%, on the previous fiscal year.

Current assets decreased ¥10.2 billion, or 1.0%, to ¥1,007.5 billion. This primarily reflected an increase in notes and accounts receivable of ¥35.3 billion, a drop in cash and cash equivalents of ¥25.6 billion due to the repurchase of DENSO common stock, and a decline in short-term investments of ¥35.5 billion.

Total investments and advances fell by ¥26.6 billion, or 4.2%, to ¥600.0 billion. This was mainly attributable to a drop in investment securities of ¥60.4 billion due to a fall in net unrealized gain on available-for-sale securities, offset by an increase in other investments of ¥29.6 billion due to an increase in deferred income taxes.

Total of net property, plant and equipment (net of accumulated depreciation expenses) rose by ¥54.5 billion, or 7.8%, to ¥753.6 billion, as the company made additional purchases of land, machinery, equipment and vehicles. Capital expenditures increased 37.8%, or ¥53.2 billion, to ¥193.6 billion. By region, Japan was allocated an increase of ¥27.0 billion, or 25.7%, while Europe's allocation rose 219.3%, or ¥12.0 billion, for the increase of new subsidiary companies.

The total of current and long-term liabilities climbed ¥42.5 billion, or 5.1%, to ¥876.4 billion. This was due to a rise in short-term borrowings of ¥28.3 billion, or 210.4%, and an increase in notes and accounts payable of ¥7.6 billion, or 2.6%.

Total shareholders' equity stood at ¥1,421.2 billion, a drop of 2.1% or ¥30.0 billion. This was mainly attributable to a ¥28.9 billion decrease in retained earnings, and net income of ¥72.3 billion, offset by an ¥84.9 billion purchase of treasury stock. As a result, the shareholders' equity ratio declined to 60.2% from 61.9% in the previous year. ROE improved from 4.4% to 5.0%.

**Cash Flows**

Net cash provided by operating activities for the fiscal year ended March 31, 2002, was ¥206.7 billion, an increase of ¥4.5 billion, or 2.2%, on the previous year. This was mainly the result of a decrease in notes and accounts payable of ¥19.6 billion, an increase in operating income of ¥9.8 billion, and an increase in depreciation of ¥12.9 billion.

Net cash used in investing activities was ¥156.3 billion, declining 1.5%, or ¥2.4 billion. This was mainly attributable to an increase in the acquisition of property, plant and equipment of ¥44.0 billion, and a drop in payments for the purchase of consolidated subsidiaries, net of cash acquired of ¥31.2 billion.

Net cash used in financing activities was ¥83.2 billion, a significant increase from the ¥28.0 billion used in the previous year. This mainly reflected an increase in short-term borrowings of ¥29.2 billion and payments of ¥85.6 billion for the purchase of treasury stock.

The foreign currency translation adjustment on cash and cash equivalents was ¥7.1 billion, up from ¥3.7 billion on the previous year.

As a result, cash and cash equivalents at the end of the period stood at ¥277.9 billion, a decrease of ¥25.6 billion, or 8.4%.

**Outlook**

Prospects for the year ending March 31, 2003 are mixed. On the one hand, the world economy is expected to see a mild recovery during the second half of the year, buoyed by a resurgent U.S. economy. But, domestic demand in Japan is expected to remain weak, restricting hopes of a meaningful economic recovery. Negative growth in Japan is forecast to continue.

The number of automobiles manufactured and sold worldwide during the year is projected to fall. Stagnant economic conditions in Japan will affect domestic automobile sales, while there is concern that the effect of zero-interest financing deals introduced by automobile manufacturers in the U.S. in the latter half of the year will run their course.

In its core automobile market, the DENSO Group will face an increasingly challenging operating climate, characterized by tougher environmental restrictions on the automobile, severe price competition on a global scale, and a number of risks associated with the increasingly international nature of the industry.

Under these circumstances, the DENSO Group will step up its marketing efforts, and work to enhance its product lineup and the group's competitive advantage. For the fiscal year ending March 31, 2003, the DENSO Group is targeting net sales of ¥2,200.0 billion, a year-on-year decline of 8.4%, or an increase of 0.8% on a 12-month basis. Operating income is forecast to rise 3.9%, to ¥138.5 billion, or 6.6% after adjustment. The DENSO Group is targeting a 100.5% increase in net income to ¥145.0 billion, or a rise of 104.8% on a 12-month basis. This figure assumes the recording of an extraordinary profit of ¥112.2 billion, due to the liquidation of the entrusted Government portion of benefits provided by Social Welfare Pension Funds.

(These forecasts are based on yen exchange rates of 1US\$=¥125 and 1EURO=¥110.)

The above forecasts are based on the information available as of the date of this report. Business performance is subject to influence from a variety of internal and external factors, such as changes in economic conditions, currency exchange rates, and business operations. Accordingly, actual results could differ materially from plans and expectations.

# CONSOLIDATED BALANCE SHEETS

DENSO CORPORATION and Consolidated Subsidiaries  
March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
<b>Current Assets:</b>			
Cash and cash equivalents (Note 8)	¥ 277,894	¥ 303,493	\$ 2,089,429
Short-term investments (Note 4)	26,594	62,132	199,955
Notes and accounts receivable (Note 8):			
Trade	422,542	385,144	3,177,008
Non-consolidated subsidiaries and affiliates	3,811	5,896	28,654
	426,353	391,040	3,205,662
Less: Allowance for doubtful accounts	(3,837)	(3,839)	(28,850)
	422,516	387,201	3,176,812
Inventories (Notes 5 and 8)	188,418	186,878	1,416,677
Deferred income taxes (Note 6)	36,621	36,277	275,346
Other current assets	55,433	41,665	416,789
Total current assets	1,007,476	1,017,646	7,575,008
<b>Investments and Advances:</b>			
Investment securities (Notes 4 and 8)	458,864	519,244	3,450,105
Investments in and advances to non-consolidated subsidiaries and affiliates	34,869	30,719	262,173
Other investments (Note 6)	106,272	76,642	799,038
Total investments and advances	600,005	626,605	4,511,316
<b>Property, Plant and Equipment (Note 8):</b>			
Buildings and structures	536,296	502,886	4,032,301
Machinery and equipment	1,657,630	1,556,955	12,463,383
	2,193,926	2,059,841	16,495,684
Less: Accumulated depreciation	(1,632,496)	(1,528,040)	(12,274,406)
	561,430	531,801	4,221,278
Land	133,964	115,130	1,007,248
Construction in progress	58,173	52,146	437,391
Net property, plant and equipment	753,567	699,077	5,665,917
<b>Total</b>	<b>¥ 2,361,048</b>	<b>¥ 2,343,328</b>	<b>\$ 17,752,241</b>

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
<b>Current Liabilities:</b>			
Short-term borrowings (Notes 7 and 8)	¥ 41,723	¥ 13,440	\$ 313,707
Current portion of long-term debt (Notes 7 and 8)	34,845	4,882	261,993
Notes and accounts payable:			
Trade	273,761	270,445	2,058,354
Non-consolidated subsidiaries and affiliates	22,098	17,807	166,150
	295,859	288,252	2,224,504
Income taxes payable	24,756	30,695	186,135
Accrued expenses	82,509	83,794	620,368
Accrued bonuses to employees	44,200	42,578	332,331
Other current liabilities (Notes 6 and 8)	54,997	47,786	413,511
Total current liabilities	578,889	511,427	4,352,549
<b>Long-Term Liabilities:</b>			
Long-term debt (Notes 7 and 8)	111,134	141,215	835,594
Liability for employees' retirement benefits (Note 9)	177,382	173,678	1,333,699
Other long-term liabilities (Note 6)	8,966	7,542	67,414
Total long-term liabilities	297,482	322,435	2,236,707
<b>Minority Interests</b>	63,465	58,255	477,180
<b>Contingent Liabilities</b> (Note 10)			
<b>Shareholders' Equity</b> (Note 11):			
Common stock:			
Authorized: 1,426,942,000 shares in 2002 and 2001			
Issued 866,275,848 shares in 2002 and 914,275,229 shares in 2001	173,098	173,098	1,301,489
Additional paid-in capital	251,644	251,643	1,892,060
Retained earnings	895,522	924,467	6,733,248
Net unrealized gain on available-for-sale securities	116,827	154,236	878,399
Foreign currency translation adjustments	(14,634)	(51,485)	(110,030)
Less: Treasury stock—at cost			
589,818 shares in 2002 and 284,278 shares in 2001	(1,245)	(748)	(9,361)
Total shareholders' equity	1,421,212	1,451,211	10,685,805
<b>Total</b>	¥2,361,048	¥2,343,328	\$17,752,241

# CONSOLIDATED STATEMENTS OF INCOME

DENSO CORPORATION and Consolidated Subsidiaries  
Years ended March 31, 2002, 2001, and 2000

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2001	2000	2002
<b>Net Sales</b> (Note 12)	<b>¥2,401,098</b>	¥2,014,978	¥1,883,407	<b>\$18,053,368</b>
<b>Cost of Sales</b>	<b>2,047,171</b>	1,695,344	1,581,856	<b>15,392,263</b>
Gross profit	<b>353,927</b>	319,634	301,551	<b>2,661,105</b>
<b>Selling, General and Administrative Expenses</b>	<b>220,587</b>	196,108	184,869	<b>1,658,549</b>
Operating income	<b>133,340</b>	123,526	116,682	<b>1,002,556</b>
<b>Other Income (Expenses):</b>				
Interest and dividend income	<b>10,033</b>	12,102	13,455	<b>75,436</b>
Interest expense	<b>(5,851)</b>	(4,561)	(6,194)	<b>(43,992)</b>
Equity in earnings of affiliates	<b>2,408</b>	1,858	3,221	<b>18,105</b>
Gain on securities contributed to trust for retirement benefits (Note 9)	—	70,615	—	—
Charge for full amount of transitional obligation for retirement benefits (Note 9)	—	(97,623)	—	—
Restructuring charges	<b>(4,382)</b>	—	—	<b>(32,947)</b>
Foreign exchange gain (loss)	<b>3,243</b>	3,661	(9,889)	<b>24,383</b>
Other, net	<b>192</b>	(2,279)	(8,367)	<b>1,444</b>
Total	<b>5,643</b>	(16,227)	(7,774)	<b>42,429</b>
Income before income taxes and minority interests	<b>138,983</b>	107,299	108,908	<b>1,044,985</b>
<b>Income Taxes</b> (Note 6):				
Current	<b>65,877</b>	69,724	59,175	<b>495,316</b>
Deferred	<b>(2,841)</b>	(24,954)	(12,595)	<b>(21,361)</b>
Total	<b>63,036</b>	44,770	46,580	<b>473,955</b>
<b>Minority Interests in Net Income</b>	<b>3,634</b>	1,730	415	<b>27,323</b>
Net income	<b>¥ 72,313</b>	¥ 60,799	¥ 61,913	<b>\$ 543,707</b>
			Yen	U.S. dollars (Note 3)
<b>Per Share of Common Stock</b> (Note 2(n)):				
Net income	<b>¥ 80.22</b>	¥ 66.51	¥ 68.15	<b>\$0.60</b>
Fully diluted net income	<b>78.93</b>	65.51	66.73	<b>0.59</b>
Cash dividends applicable to the year	<b>18.00</b>	17.00	17.00	<b>0.14</b>
<b>Average Number of Shares</b> (in thousands)	<b>901,489</b>	914,121	908,519	

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

DENSO CORPORATION and Consolidated Subsidiaries  
Years ended March 31, 2002, 2001, and 2000

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2001	2000	2002
<b>Common Stock:</b>				
Balance at beginning of period	¥ 173,098	¥ 173,098	¥ 165,926	\$ 1,301,489
Conversion of convertible bonds	0	—	7,172	0
Balance at end of period	¥ 173,098	¥ 173,098	¥ 173,098	\$ 1,301,489
<b>Additional Paid-in Capital:</b>				
Balance at beginning of period	¥ 251,643	¥ 251,643	¥ 244,480	\$ 1,892,053
Conversion of convertible bonds	1	—	7,163	7
Balance at end of period	¥ 251,644	¥ 251,643	¥ 251,643	\$ 1,892,060
<b>Retained Earnings:</b>				
Balance at beginning of period	¥ 924,467	¥ 879,659	¥ 710,766	\$ 6,950,880
Net income	72,313	60,799	61,913	543,707
Retirement of treasury stock	(84,923)	—	—	(638,519)
Cash dividends	(16,452)	(15,540)	(13,590)	(123,699)
Bonuses to directors and corporate auditors	(435)	(435)	(449)	(3,271)
Adjustment of retained earnings for the adoption of deferred tax accounting method	—	—	121,469	—
(Decrease) in retained earnings due to change of consolidation scope	—	(13)	(455)	—
Other	552	(3)	5	4,150
Balance at end of period	¥ 895,522	¥ 924,467	¥ 879,659	\$ 6,733,248
<b>Net Unrealized Gain on Available-for-sale Securities</b>				
at End of Period	¥ 116,827	¥ 154,236	—	\$ 878,399
Foreign Currency Translation Adjustments at End of Period	¥ (14,634)	¥ (51,485)	—	\$ (110,030)
Treasury Stock at End of Period	¥ (1,245)	¥ (748)	¥ (0)	\$ (9,361)
<b>Total Shareholders' Equity at End of Period</b>	<b>¥1,421,212</b>	<b>¥1,451,211</b>	<b>¥1,304,400</b>	<b>\$10,685,805</b>

	Thousands of shares		
	2002	2001	2000
<b>Issued Number of Shares:</b>			
Balance at beginning of period	914,275	914,275	905,388
Issued on conversion of convertible bonds	1	—	8,887
Retirement of treasury stock	(48,000)	—	—
Balance at end of period	866,276	914,275	914,275

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

DENSO CORPORATION and Consolidated Subsidiaries  
Years ended March 31, 2002, 2001, and 2000

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2001	2000	2002
<b>Operating Activities:</b>				
Income before income taxes and minority interests	¥ 138,983	¥ 107,299	¥ 108,908	\$ 1,044,985
Adjustments for:				
Payment of income taxes	(72,464)	(64,868)	(52,609)	(544,842)
Depreciation	147,277	134,416	134,706	1,107,346
Foreign exchange (gain) loss	518	(438)	4,126	3,895
Equity in earnings of affiliates	(2,408)	(1,858)	(3,221)	(18,105)
Loss on sale or disposal of property, plant and equipment, net	5,691	6,033	4,482	42,789
Marketable securities contributed to trust for retirement benefits	—	19,780	—	—
Changes in assets and liabilities:				
Increase in notes and accounts receivable	(18,893)	(12,612)	(58,430)	(142,053)
Decrease (increase) in inventories	13,003	(20,753)	(12,806)	97,767
Increase (decrease) in notes and accounts payable	(14,201)	5,359	49,479	(106,775)
Increase in liability for retirement benefits	2,912	4,339	10,487	21,895
Other, net	6,245	25,430	10,898	46,955
Total adjustments	67,680	94,828	87,112	508,872
Net cash provided by operating activities	206,663	202,127	196,020	1,553,857
<b>Investing Activities:</b>				
Acquisition of property, plant and equipment	(188,277)	(144,274)	(184,090)	(1,415,617)
Proceeds from sale of property, plant and equipment	12,538	8,014	12,880	94,271
Net decrease in short-term investments	—	—	25,057	—
Purchase of investment securities	—	—	(14,662)	—
Proceeds of investment securities	—	—	3	—
Purchase of available-for-sale securities	(39,332)	(54,385)	—	(295,729)
Proceeds from sale and redemption of available-for-sale securities	74,254	80,536	—	558,301
Payment for purchase of consolidated subsidiaries, net of cash acquired	(342)	(31,557)	(14,438)	(2,571)
Other, net	(15,098)	(16,990)	(6,866)	(113,519)
Net cash used in investing activities	(156,257)	(158,656)	(182,116)	(1,174,864)
<b>Financing Activities:</b>				
Net increase (decrease) in short-term borrowings	22,355	(6,850)	(10,556)	168,083
Increase in long-term debt	3,474	1,852	6,017	26,120
Repayments of long-term debt	(5,843)	(5,906)	(4,335)	(43,932)
Dividends paid	(16,452)	(15,540)	(13,590)	(123,699)
Purchase of treasury stock	(85,582)	(1,501)	(772)	(643,474)
Other, net	(1,155)	(79)	1,562	(8,684)
Net cash used in financing activities	(83,203)	(28,024)	(21,674)	(625,586)
<b>Foreign Currency Translation Adjustments on Cash and Cash Equivalents</b>				
	7,117	3,714	(11,411)	53,511
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(25,680)	19,161	(19,181)	(193,082)
<b>Cash and Cash Equivalents at Beginning of Period</b>	303,493	283,925	298,438	2,281,902
<b>Cash and Cash Equivalents of Newly Consolidated Subsidiaries</b>	81	407	4,668	609
<b>Cash and Cash Equivalents at End of Period</b>	¥ 277,894	¥ 303,493	¥ 283,925	\$ 2,089,429
Additional cash flow information:				
Non-cash investing and financing activities:				
Conversion of convertible bonds to common stock and additional paid-in capital	¥ 1	—	¥ 14,335	\$ 8
Increase in assets due to consolidation of previously non-consolidated companies	—	—	18,844	—
Increase in liabilities due to consolidation of previously non-consolidated companies	—	—	9,688	—
Assets and liabilities increased due to purchase of consolidated subsidiaries:				
Fair value of assets acquired	¥ 1,430	¥ 53,931	¥ 41,326	\$ 10,752
Liabilities assumed	706	22,301	22,046	5,308
Cash paid for the capital	517	31,574	17,319	3,887

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DENSO CORPORATION and Consolidated Subsidiaries  
Years ended March 31, 2002, 2001, and 2000

## 1.

### Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from accounts and records maintained by DENSO CORPORATION (the "Company"), and its domestic and foreign consolidated subsidiaries (together, referred to as the "Companies") in accordance with the provisions set forth in the Securities and Exchange Law of Japan and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The accounts and records of foreign consolidated subsidiaries are maintained in conformity with accounting principles of the countries of their domicile. The accompanying consolidated financial statements are not intended to present the financial position, results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form that is more familiar to readers outside Japan. Most reclassifications of the consolidated financial statements for the years ended March 31, 2001 and 2000 have been made to conform with the presentation for the year ended March 31, 2002. Certain reclassifications regarding the cash flows of short-term securities for the year ended March 31, 2000 could not be made due to difficulties.

## 2.

### Summary of Significant Accounting Policies

#### (a) Principles of Consolidation and Accounting for Investments in Affiliates

The Company had 153 subsidiaries at March 31, 2002 (142 for 2001 and 123 for 2000).

The Company changed its consolidation policy from the application of the ownership concept to the control concept effective April 1, 1999. Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are to be fully consolidated. The consolidated financial statements for the year ended March 31, 2002 include all 150 significant subsidiaries (131 for 2001 and 122 for 2000). Effective April 1, 1999, the Company applied the "power to exercise significant influence" concept to determine affiliates to be accounted for by the equity method. The Company applied the equity method to 25 affiliates for the year ended March 31, 2002 (22 affiliates for 2001 and 24 affiliates for 2000).

The fiscal years of subsidiaries are not necessarily the same as that of the Company. Accounts of subsidiaries, which have different fiscal years, have been adjusted for significant transactions to properly reflect their financial position at March 31 of each year and the results of operations and cash flows for the years then ended. In fiscal 2002, 45 of the Company's major foreign subsidiaries and affiliates, which are consolidated or accounted for by the equity method, decided to change their fiscal year-end from December 31 to March 31. Accordingly, fiscal 2002 operating results included 15 months of operations for these 45 subsidiaries and affiliates whereas fiscal 2001 and 2000 consisted of only 12 months.

Significant intercompany accounts and transactions have been eliminated in consolidation, and the portions attributable to minority interests have been charged against them. The net excess of the acquisition cost of the Company's investments in consolidated subsidiaries and affiliates accounted for under the equity method over the fair value of the net assets of those companies is amortized over the estimated available life or five years.

Investments in non-consolidated subsidiaries and affiliated companies are accounted for on the cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

#### (b) Translation of Financial Statements for Consolidated Foreign Subsidiaries

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate at the balance sheet date, except for shareholders' equity, which is translated at the historical rates. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the annual average rates.

Effective April 1, 2000, differences arising from such translation were shown as "Foreign Currency Translation Adjustments" in as a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency transactions. Until March 31, 2000, such differences were shown as "Foreign Currency Translation Adjustments" as either asset or liability in the balance sheet.

#### (c) Cash and Cash Equivalents

The Company considers all highly liquid debt instruments that have an original maturity of three months or less as cash equivalents.

#### (d) Inventories

Inventories other than raw materials are stated principally at cost. Raw materials are valued principally at the lower of cost or market. In both cases, cost is determined by the annual average method.

**(e) Securities**

Effective April 1, 2000, the Companies adopted a new accounting standard for financial instruments. Under this standard, all securities are classified as available-for-sale securities and are valued at fair value, with unrealized gains and losses, net of applicable taxes, reported in as a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are valued at cost determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

Until March 31, 2000, listed securities were valued principally at the lower of cost or market, while other securities were valued principally at cost. In both cases, cost was determined by the moving-average method.

The effect of this adoption was to increase income before income taxes and minority interests by ¥812 million.

**(f) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost. Depreciation is computed, with minor exceptions, by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 10 to 45 years for buildings and structures and mainly 7 years for machinery. Additional depreciation is charged for machinery operated in excess of normal usage.

**(g) Translation of Foreign Currency Accounts**

The Companies adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.

**(h) Income Taxes**

Effective April 1, 1999, the Companies adopted accounting procedures that provide for allocating of income taxes based on the asset and liability method. The cumulative effect of the application of the interperiod tax allocation in prior years in the amount of ¥121,469 million was included as an adjustment to retained earnings at April 1, 1999.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Future tax benefits are recognized to the extent that such benefits are more likely than not to be realized.

**(i) Liability for Employees' Retirement Benefits**

Effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The full amount of the transitional obligation of ¥97,623 million at April 1, 2001 was charged to income and presented as other expense in the statement of income. In July 2000, the Company contributed certain available-for-sale securities with a fair value of ¥90,395 million to the employees' retirement benefit trust for the Company's non-contributory pension plans, and recognized a gain of ¥70,615 million. The securities held in this trust were qualified as plan assets. As a result, net periodic retirement benefit costs when compared with the prior method, increased by ¥19,545 million and income before income taxes and minority interests decreased by ¥19,431 million for the year ended March 31, 2001.

**(j) Appropriations of Retained Earnings**

Appropriations of retained earnings at each year-end are reflected in the financial statements for the following year on shareholders' approval.

**(k) Research and Development Expenses**

Research and development expenses are charged to income as incurred.

**(l) Leases**

Leases are accounted for mainly as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

**(m) Derivative Financial Instruments**

Effective April 1, 2000, the Companies adopted a new accounting standard for derivative financial instruments. This standard requires that: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts and foreign currency options employed to hedge foreign exchange exposures for export sales to the consolidated subsidiaries are measured at the fair value, and the unrealized gains/losses are recognized in income.

Interest rate swaps are utilized to hedge interest rate exposures of financial assets and long-term debt (bonds). These swaps, which qualify for hedge accounting, are measured at market value at the balance sheet date and the unrealized gains and losses are deferred until maturity as other liability or asset.

**(n) Net Income and Dividends per Share**

Net income per share of common stock is based on the average number of shares of common stock outstanding during each period, adjusted for subsequent free distributions of shares or stock splits. Fully diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the period, adjusted for related interest expense (net of tax). Cash dividends per share shown for each period represent dividends declared for the periods.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133 to U.S.\$1, the approximate rate of exchange at March 29, 2002, the last trading day of the fiscal year. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Short-term investments consisted of time deposits not classified as cash equivalents, debt securities and others. Investment securities consisted of equity securities, debt securities and others.

The carrying amounts and aggregate fair values of available-for-sale securities included in short-term investments and in investment securities at March 31, 2002 and 2001 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cost	Unrealized Gain	Unrealized Loss	Fair Value
				2002				2002
Equity securities	¥132,024	¥199,013	¥(1,854)	¥329,183	\$ 992,662	\$1,496,338	\$(13,940)	\$2,475,060
Debt securities	130,969	2,126	(98)	132,997	984,729	15,985	(737)	999,977
Total	¥262,993	¥201,139	¥(1,952)	¥462,180	\$1,977,391	\$1,512,323	\$(14,677)	\$3,475,037

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
				2001
Equity securities	¥130,223	¥261,073	¥(624)	¥390,672
Debt securities	162,736	2,800	(37)	165,499
Others	5,000	45	—	5,045
Total	¥297,959	¥263,918	¥(661)	¥561,216

The carrying amounts of available-for-sale securities whose fair value was not readily determinable included in short-term investments and in investment securities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Equity securities	¥17,239	¥13,345	\$129,617
Debt securities	245	234	1,842
Others	—	1,004	—
Total	¥17,484	¥14,583	\$131,459

### 3.

**U.S. Dollar Amounts**

### 4.

**Short-term Investments and Investment Securities**

The carrying amounts of debt securities by contractual maturities for available-for-sale securities at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥ 60,673	\$ 456,188
Due after one year through five years	89,495	672,895
Due after five years through ten years	22,655	170,338
Total	¥172,823	\$1,299,421

## 5.

### Inventories

Inventories at March 31, 2002 and 2001, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished products	¥ 85,346	¥ 82,327	\$ 641,699
Work in process	50,743	51,694	381,527
Raw materials and supplies	52,329	52,857	393,451
Total	¥188,418	¥186,878	\$1,416,677

## 6.

### Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in aggregate, resulted in normal statutory tax rates of approximately 41% for the year ended March 31, 2002, 2001, and 2000.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Depreciation	¥ 60,729	¥ 61,022	\$ 456,609
Retirement benefits	57,356	54,483	431,248
Long-term pre-paid expenses	7,571	9,063	56,925
Accrued bonuses to employees	12,236	9,013	92,000
Other	38,046	36,585	286,060
Less: Valuation allowance	(4,439)	(1,861)	(33,376)
Total deferred tax assets	¥171,499	¥168,305	\$1,289,466
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 82,097	¥108,355	\$ 617,271
Depreciation at foreign subsidiaries	4,550	4,997	34,210
Other	6,733	6,031	50,624
Total deferred tax liabilities	¥ 93,380	¥119,383	\$ 702,105
Net deferred tax assets	¥ 78,119	¥ 48,922	\$ 587,361

Net deferred tax assets are presented in the consolidated balance sheets at March 31, 2002 and 2001 as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Current assets—Deferred income taxes	¥36,621	¥36,277	\$275,346
Investments and advances—Other investments	47,586	17,385	357,789
Current liabilities—Other current liabilities	(266)	(42)	(2,000)
Long-term liabilities—Other long-term liabilities	(5,822)	(4,698)	(43,774)
Net deferred tax assets	¥78,119	¥48,922	\$587,361

Reconciliation between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000, and the actual effective tax rates reflected in the accompanying consolidated statements of income were omitted, since the differences between the rates were immaterial.

The reconciliation for the year ended March 31, 2002 was as follows:

Normal effective statutory tax rate	41.24%
Amortization of goodwill	1.45
Tax benefits not recognized on operating losses of subsidiaries	1.06
Other	1.61
Actual effective tax rate	45.36%

## 7.

### Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2002 consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to short-term borrowings at March 31, 2002 was 4.1%.

Long-term debt at March 31, 2002 and 2001, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Unsecured 1.6% convertible yen bonds due 2002	¥ 29,317	¥ 29,318	\$ 220,429
Unsecured 1.32% yen bonds due 2003	40,000	40,000	300,752
Unsecured 1.9% yen bonds due 2008	60,000	60,000	451,128
Other long-term debt (ranged from 1.1% to 8.5%)	16,662	16,779	125,278
Total	¥145,979	¥146,097	\$ 1,097,587
Less: Current portion	(34,845)	(4,882)	(261,993)
Long-term debt, less current portion	¥111,134	¥141,215	\$ 835,594

The terms and conditions of the Company's convertible bonds at March 31, 2002, are summarized as follows:

	1.6% convertible yen bonds
Issued	June 1993
Initial principal amount	¥ 60,000 million
Place of issue	Japan
Type of issue	Public issue
Conversion period	From August 2, 1993 to December 19, 2002
Conversion price per share*	¥ 1,613.00
Accumulated number of shares issued on conversion	
of convertible bonds up to March 31, 2002	19,022 thousand
Shares which would be issued on full conversion	
of convertible bonds as of March 31, 2002	18,175 thousand

\*Subject to adjustments for subsequent stock splits and other conditions.

On June 23, 1998, the Company issued ¥40,000 million in 1.32% unsecured bonds due in June 2003 and ¥60,000 million in 1.90% unsecured bonds due in June 2008, all payable in Japanese yen. Both bonds were issued by public placement.

The aggregate annual maturities of long-term debt subsequent to March 31, 2002, were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥ 34,845	\$ 261,993
2004	43,853	329,722
2005	3,314	24,917
2006	2,500	18,797
2007	1,189	8,940
2008 and thereafter	60,278	453,218
Total	¥145,979	\$ 1,097,587

## 8.

## Pledged Assets

The following assets were pledged as collateral for short-term borrowings of ¥3,038 million (\$22,842 thousand), deposits received included in other current liabilities of ¥280 million (\$2,105 thousand) and long-term debt of ¥420 million (\$3,158 thousand) at March 31, 2002.

	Millions of yen	Thousands of U.S. dollars
Investment securities	¥ 1,095	\$ 8,233
Buildings and structures—net of accumulated depreciation	920	6,917
Machinery and equipment—net of accumulated depreciation	8,494	63,865
Land	3,350	25,188
Others (deposits, notes and accounts receivable, and inventories)	1,862	14,000
<b>Total</b>	<b>¥15,721</b>	<b>\$118,203</b>

## 9.

## Liability for Employees' Retirement Benefits

Employees are generally entitled to lump-sum severance indemnities determined by current basic rates of pay, length of service, and the conditions under which the termination occurs. The Company and its domestic consolidated subsidiaries have unfunded retirement allowance plans and funded non-contributory pension plans for employees. Under the unfunded retirement allowance plans, the amount of severance indemnities to be paid by the Company and domestic subsidiaries is, in most cases, reduced by the benefits payable under the funded pension plan. The foreign consolidated subsidiaries do not recognize such cost. However, certain foreign companies adopted individual pension plans.

Effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits.

The liability (asset) for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Projected benefit obligation	¥ 730,982	¥ 608,440	\$ 5,496,105
Fair value of plan assets	(404,263)	(409,745)	(3,039,571)
Unrecognized actuarial loss	(174,517)	(52,538)	(1,312,158)
Unrecognized prior service cost	25,180	27,439	189,323
Recognized pension cost	—	82	—
<b>Liability for employees' retirement benefits</b>	<b>¥ 177,382</b>	<b>¥ 173,678</b>	<b>\$ 1,333,699</b>

The components of net periodic retirement benefit costs for the year ended March 31, 2002 and 2001, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	¥ 26,665	¥ 23,502	\$ 200,489
Interest cost	17,834	17,556	134,090
Expected return on plan assets	(14,340)	(14,650)	(107,820)
Amortization of prior service cost	(2,843)	(946)	(21,376)
Amortization of transitional obligation	—	97,623	—
Recognized actuarial loss	5,306	—	39,895
<b>Net periodic retirement benefit costs</b>	<b>¥ 32,622</b>	<b>¥123,085</b>	<b>\$ 245,278</b>

Assumptions used for the years ended March 31, 2002 and 2001 were set forth as follows:

	2002	2001
Discount rate	mainly 2.5%	mainly 3.0%
Expected rate of return on plan assets	mainly 4.5%	mainly 4.5%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	—	1 year

Charges to income for pension plan costs and for accrued retirement benefits for the year ended March 31, 2000 were ¥28,512 million.

## 10.

### Contingent Liabilities

At March 31, 2002, the Companies had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans from financial institutions to the Companies' employees and others	¥4,053	\$30,474
Trade notes sold with recourse	161	1,211

## 11.

### Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥43,274 million (\$325,368 thousand) as of March 31, 2002 and 2001. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code. Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2002, the amount of retained earnings recorded on the Company's books was ¥624,293 million (\$4,693,932 thousand) that is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

On June 29, 2000, stock options up to 300,000 shares were granted to the directors and general managers, which will be exercisable from July 1, 2002 to June 30, 2006. On June 28, 2001, stock options up to 320,000 shares were granted to directors and general managers, which will be exercisable from July 1, 2003 to June 30, 2007. The options were generally granted at exercise prices of 105% of the average costing price of the per share value of the Company's common stock, according to the Tokyo Stock Exchange, for the month prior to the month in which the options were granted.

During 2002, the Company retired 48,000 thousand shares of treasury stock, amounting to ¥84,923 million (\$638,519 thousand), by charging the cost to retained earnings, according to the shareholders' meeting held on June 27, 2001.

## 12.

### Significant Shareholder

Toyota Motor Corporation ("Toyota") directly owned 212,414 thousand shares and 228,152 thousand shares of common stock of the Company at March 31, 2002 and 2001, respectively, which accounted for 24.52% and 24.95% of the total shares of the Company outstanding at the respective dates.

Sales of the Companies to Toyota for each of the three years in the period ended March 31, 2002, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Sales to Toyota (Japan headquarters only)	¥719,385	¥686,223	¥621,562	\$5,408,910

## 13.

## Research and Development Expenses

Research and development expenses charged to income were ¥185,627 million (\$1,395,692 thousand), ¥176,959 million, and ¥160,055 million for the years ended March 31, 2002, 2001, and 2000, respectively.

## 14.

## Leases

The Companies lease certain machinery, computer equipment, and other assets. Total lease expense for finance leases for the years ended March 31, 2002, 2001, and 2000 were ¥2,778 million (\$20,887 thousand), ¥2,528 million and ¥2,771 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Acquisition and accumulated depreciation			
Acquisition cost	¥14,448	¥12,824	\$108,632
Accumulated depreciation	8,737	6,897	65,692
Net leased property	¥ 5,711	¥ 5,927	\$ 42,940
Obligations under finance leases			
Due within one year	¥ 2,300	¥ 2,330	\$ 17,293
Due after one year	3,411	3,597	25,647
Total	¥ 5,711	¥ 5,927	\$ 42,940

Obligations under finance leases includes the imputed interest expense portion.

Depreciation expenses, which were not reflected in the accompanying consolidated statements of income for the years ended March 31, 2002, 2001, and 2000, computed by the straight-line method, were ¥2,778 million (\$20,887 thousand), ¥2,528 million and ¥2,771 million, respectively.

The rental commitments under non-cancellable operating leases at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Due within one year	¥1,245
Due after one year	1,966	14,782
Total	¥3,211	\$24,143

## 15.

## Segment Information

## (a) Industry Segments

Years ended March 31		Millions of yen			Thousands of U.S. dollars
		2002	2001	2000	2002
Sales	Automotive	¥2,255,830	¥1,870,506	¥1,740,445	\$16,961,128
	New businesses and others	145,268	144,472	142,962	1,092,240
	Consolidated	¥2,401,098	¥2,014,978	¥1,883,407	\$18,053,368
Operating Income (Loss)	Automotive	¥ 141,836	¥ 130,857	¥ 123,214	\$ 1,066,436
	New businesses and others	(8,496)	(7,331)	(6,532)	(63,880)
	Consolidated	¥ 133,340	¥ 123,526	¥ 116,682	\$ 1,002,556
Assets	Automotive	¥1,944,767	¥1,809,333	¥1,574,640	\$14,622,308
	New businesses and others	70,464	100,874	102,772	529,805
	Corporate	345,817	433,121	476,839	2,600,128
	Consolidated	¥2,361,048	¥2,343,328	¥2,154,251	\$17,752,241
Depreciation	Automotive	¥ 143,911	¥ 130,207	¥ 130,495	\$ 1,082,038
	New businesses and others	3,366	4,209	4,211	25,308
	Consolidated	¥ 147,277	¥ 134,416	¥ 134,706	\$ 1,107,346
Capital Expenditures	Automotive	¥ 190,996	¥ 134,957	¥ 163,696	\$ 1,436,060
	New businesses and others	2,603	5,490	6,257	19,571
	Consolidated	¥ 193,599	¥ 140,447	¥ 169,953	\$ 1,455,631

Effective April 1, 2000, the Company reclassified their automotive telephone business which had been included in the New businesses and others category, to the Automotive category, due to its increase in amount. Industry Segments for 2000 were reclassified to conform to 2001.

## (b) Geographical Segments (by company location)

Years ended March 31			Millions of yen			Thousands of U.S. dollars
			2002	2001	2000	2002
Sales	Japan	Customers	¥1,304,249	¥1,277,731	¥1,192,778	\$ 9,806,383
		Intersegment	338,858	301,300	276,075	2,547,805
		Total	1,643,107	1,579,031	1,468,853	12,354,188
	The Americas	Customers	630,714	457,627	432,111	4,742,210
		Intersegment	12,602	9,802	7,304	94,752
		Total	643,316	467,429	439,415	4,836,962
	Europe	Customers	304,194	158,205	167,913	2,287,173
		Intersegment	5,073	1,708	572	38,143
		Total	309,267	159,913	168,485	2,325,316
	Asia & Oceania	Customers	161,941	121,415	90,605	1,217,602
		Intersegment	7,456	6,878	7,501	56,060
		Total	169,397	128,293	98,106	1,273,662
	Eliminations		(363,989)	(319,688)	(291,452)	(2,736,760)
	Consolidated		¥2,401,098	¥2,014,978	¥1,883,407	\$18,053,368
	Operating Income (Loss)	Japan	¥ 113,454	¥ 98,795	¥ 84,796	\$ 853,037
The Americas		18,261	27,133	26,734	137,301	
Europe		(5,885)	(6,264)	2,299	(44,248)	
Asia & Oceania		7,596	4,253	3,325	57,113	
Eliminations		(86)	(391)	(472)	(647)	
Consolidated		¥ 133,340	¥ 123,526	¥ 116,682	\$ 1,002,556	
Assets	Japan	¥1,456,499	¥1,453,322	¥1,334,005	\$10,951,120	
	The Americas	306,970	261,566	230,146	2,308,045	
	Europe	231,095	193,955	130,641	1,737,557	
	Asia & Oceania	123,322	103,747	86,378	927,233	
	Corporate and Eliminations	243,162	330,738	373,081	1,828,286	
	Consolidated		¥2,361,048	¥2,343,328	¥2,154,251	\$17,752,241

## (c) Sales by Customer Location

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Japan	<b>¥1,277,865</b>	¥1,245,830	¥1,161,016	<b>\$ 9,608,008</b>
	<b>53.2%</b>	61.9%	61.6%	<b>53.2%</b>
The Americas	<b>632,797</b>	461,725	436,710	<b>4,757,872</b>
	<b>26.4%</b>	22.9%	23.2%	<b>26.4%</b>
Europe	<b>310,964</b>	167,252	178,774	<b>2,338,075</b>
	<b>12.9%</b>	8.3%	9.5%	<b>12.9%</b>
Asia & Oceania	<b>174,899</b>	137,585	104,384	<b>1,315,030</b>
	<b>7.3%</b>	6.8%	5.6%	<b>7.3%</b>
Others	<b>4,573</b>	2,586	2,523	<b>34,383</b>
	<b>0.2%</b>	0.1%	0.1%	<b>0.2%</b>
Net Sales	<b>¥2,401,098</b>	¥2,014,978	¥1,883,407	<b>\$18,053,368</b>

The figures in table (b) Geographical Segments are determined based on the locations of the Companies, and therefore, differ from the figures in table (c) Sales by Customer Location.

## 16. Derivatives

The Companies use derivatives for the purpose of reducing their exposures to adverse fluctuations in interest rates and foreign exchange rates. Derivatives used include foreign exchange contracts, foreign currency swaps, foreign currency options, and interest rate swaps. The amounts of derivatives are limited by the Companies' regulations.

Derivatives are subject to risk, such as fluctuations in interest rates and foreign exchange rates. Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

The execution and control of derivatives at the Company, as approved by the Board of Directors at the beginning of each fiscal period, are governed by internal regulations, which stipulate the purpose of derivatives, their scope of use, and the reporting system.

The fair values of the Companies' derivative contracts at March 31, 2002 and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Contract or Notional Amounts	Fair Value	Net Unrealized Loss	Contract or Notional Amounts	Fair Value	Net Unrealized Loss
			2002			2002
Foreign currency options:						
Selling contracts—						
U.S. dollar call options	¥ 1,323	¥ 11	¥ (1)	\$ 9,947	\$ 83	\$ (8)
	<10>			<75>		
EUR put options	733	8	0	5,511	60	0
	<8>			<60>		
Buying contracts—						
U.S. dollar put options	3,174	12	(20)	23,865	90	(150)
	<32>			<241>		
EUR call options	400	8	0	3,008	60	0
	<8>			<60>		
Total	¥ 5,630	¥ 39	¥ (21)	\$ 42,331	\$ 293	\$ (158)
Forward exchange contracts:						
Selling contracts	¥14,505	¥14,896	¥(391)	\$109,060	\$112,000	\$(2,940)
Buying contracts	973	1,005	32	7,316	7,556	241

	Millions of yen		
	Contract or Notional Amounts	Fair Value	Net Unrecognized Loss 2001
Foreign currency options:			
Selling contracts—			
U.S. dollar call options	¥ 2,949	¥ 79	¥ (45)
	<34>		
Buying contracts—			
U.S. dollar put options	6,391	39	(65)
	<104>		
<b>Total</b>	<b>¥ 9,340</b>	<b>¥ 118</b>	<b>¥(110)</b>
Forward exchange contracts:			
Selling contracts	¥14,325	¥15,048	¥(723)
Buying contracts	¥ 465	¥ 463	¥ (2)
<b>Total</b>	<b>¥14,790</b>	<b>¥15,511</b>	<b>¥(725)</b>

Notes: 1. The fair values of foreign currencies are translated at the spot rate at the balance sheet date.  
2. Option premiums within the consolidated balance sheets are disclosed, in brackets (< >), under the contract or notional amounts.  
3. Derivatives for which hedge accounting is applied are excluded from this disclosure.  
4. The contract or notional amounts of derivatives shown in the above tables do not measure the Companies exposure to credit or market risks.

On June 27, 2002, at a meeting of the shareholders of the Company, the appropriation of retained earnings were approved as follows:

**(a) Appropriation of Retained Earnings**

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥8,224	\$61,835
Bonuses to directors and corporate auditors	283	2,128
<b>Total</b>	<b>¥8,507</b>	<b>\$63,963</b>

**(b) Stock Option Plan**

The plan provides for issuing stock options to directors and key employees. The options entitle the holders to purchase shares of the Company's common stock up to the lower of 900 thousand shares. The options will be generally granted at an exercise price of 105% of the average closing price of the per share value of the Company's common stock, according to the Tokyo Stock Exchange, for the month prior to the month in which the options are issued. The Company plans to issue acquired treasury stock on exercise of the stock options. The exercisable period is July 1, 2004 to June 30, 2008.

**(C) Purchase of treasury stock**

The Company is authorized to repurchase up to 40 million shares of the Company's common stock (aggregate amount of ¥100 billion).

The Company has made a contract with contributed national pension program and has been bearing a portion of responsibility to operate the program. Based on this contract, the Company has recognized their portion of employees' retirement liabilities. However, the Company applied to release their future responsibility and obtained an approval from the Minister of Health, Labor and Welfare on April 1, 2002. The Company recognized extinguishment of their portion of liabilities as of the approval date in accordance with applicable regulation. As a result, a gain of ¥112,172 million (\$843,398 thousand) is expected to be recorded in the fiscal year ending March 31, 2003.

# 17.

## Subsequent Events

# INDEPENDENT AUDITORS' REPORT

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**Deloitte  
Touche  
Tohmatsu**

To the Board of Directors of  
DENSO CORPORATION

We have examined the consolidated balance sheets of DENSO CORPORATION, and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2002, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of DENSO CORPORATION, and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As discussed in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and revised accounting standard for foreign currency transactions.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu*

June 27, 2002

# CORPORATE DATA

## OPERATIONS IN JAPAN

	Main Products	Start of Operations	Employees	Location (Prefecture)
Headquarters	Monolithic carriers, integrated circuit wafers, and applied electronic products	1949*	9,600	Aichi
Ikeda Plant	Radiators and oil coolers	1965	760	Aichi
Hiroshima Plant	Radiators and electric fans	1965	150	Hiroshima
Anjo Plant	Starters and alternators	1967	2,600	Aichi
Nishio Plant	Air conditioners, radiators, fuel injection pumps, and electronic fuel injection components	1970	7,600	Aichi
Takatana Plant	Instrument clusters and displays	1974	2,100	Aichi
Daian Plant	Ignition devices, safety-related equipment, oxygen sensors, and various other actuators and sensors	1982	4,200	Mie
Kota Plant	Integrated circuits and electronic control components	1987	4,100	Aichi
Toyohashi Plant	Air-conditioning units, compressors, and CO <sub>2</sub> refrigerant heat-pump water heaters	1987	1,100	Aichi
Agui Plant	Machinery, tools, and robots	1990	880	Aichi
Kitakyushu Plant	Air conditioners	1993	170	Fukuoka
Zenmyo Plant	Electronic fuel injection systems	1998	430	Aichi
DENSO Research Laboratories	Research and development in regard to semiconductors, information and communications systems, and human interface technologies	1991	330	Aichi

\*The start of operations at the headquarters and Kariya Plant is recorded as the date of DENSO's independence from Toyota Motor Co., Ltd.

## SUBSIDIARIES AND AFFILIATES IN JAPAN

Company	Established	Location (Prefecture)	% owned by DENSO	Capital	Employees
ASMO CO., LTD.	1979	Shizuoka	73.3	¥4,500 million	5,076
ANDEN CO., LTD.	1950	Aichi	100.0	¥1,002 million	1,384
HAMANAKODENSO CO., LTD.	1950	Shizuoka	76.4	¥479 million	1,266
DAISHINSEKI CO., LTD.	1960	Aichi	99.2	¥295 million	604
KYOSANDENKI CO., LTD.	1949	Ibaraki	62.2	¥1,090 million	1,584
GAC CORPORATION	1966	Nagano	57.5	¥800 million	930
ASAHI MANUFACTURING CO., LTD.	1966	Aichi	100.0	¥487 million	352
SANKYO RADIATOR CO., LTD.	1939	Tokyo	61.5	¥100 million	323
TECHMA CORPORATION	1998	Gifu	100.0	¥495 million	943
DENSO AIRS CORPORATION	1971	Aichi	62.5	¥490 million	606
DENSO ELECS CO., LTD.	1976	Aichi	100.0	¥95 million	256
DENSO KATSUYAMA CO., LTD.	1971	Okayama	96.3	¥93 million	162
DENSO KIKO CO., LTD.	1973	Aichi	100.0	¥160 million	187
DENSO TAIYO CO., LTD.	1984	Aichi	51.0	¥15 million	220
DENSOTRIM CO., LTD.	1990	Mie	80.0	¥310 million	382
DENSO PREAS CO., LTD.	1953	Aichi	100.0	¥33 million	131
NIPPON WIPER BLADE CO., LTD.	1965	Saitama	70.0	¥450 million	860
IPICS CORPORATION	1993	Aichi	100.0	¥59 million	47
OSAWA INC.	2002	Tokyo	100.0	¥460 million	69
DENSO EMC ENGINEERING SERVICE CORPORATION	2000	Aichi	100.0	¥50 million	24
DENSO ISM CORPORATION	2001	Aichi	100.0	¥275 million	166
DENSO IT LABORATORY, INC.	2000	Tokyo	100.0	¥95 million	22
DENSO INFORMATION TECHNOLOGY CORPORATION	1997	Aichi	100.0	¥240 million	83
ABASHIRI PROVING GROUND	2002	Hokkaido	100.0	¥10 million	8
DENSO WAVE INC.	1976	Tokyo	75.0	¥495 million	499
DENSO WELL CORPORATION	2001	Aichi	100.0	¥15 million	63
DENSO ACE CORPORATION	1983	Tokyo	100.0	¥100 million	146
DENSO MTEC CORPORATION	2000	Aichi	100.0	¥50 million	105
DENSO E & TS TRAINING CENTER CORPORATION	2001	Aichi	100.0	¥220 million	145
DENSO KYUJO SERVICE CORPORATION	2001	Aichi	100.0	¥10 million	19
DENSO CREATE INC.	1991	Aichi	100.0	¥95 million	133
DENSO FINANCE & ACCOUNTING CENTER CO., LTD.	1987	Aichi	100.0	¥50 million	89
DENSO SQUARE CORPORATION	2002	Aichi	100.0	¥10 million	5
DENSO SEIBI CO., LTD.	1971	Aichi	100.0	¥30 million	45
DENSO TECHNO CO., LTD.	1984	Aichi	100.0	¥180 million	2,228
DENSO TOPIX CORPORATION	1998	Aichi	55.0	¥95 million	84
DENSO YUSEN TRAVEL CORPORATION	2001	Aichi	70.0	¥10 million	9
DENSO UNITY SERVICE CORPORATION	1999	Aichi	100.0	¥45 million	667
DENSO REMANI CORPORATION	2000	Aichi	100.0	¥40 million	32
DENSO LOGITEM CORPORATION	1999	Aichi	100.0	¥120 million	201
NIPPON SOKEN, INC.	1970	Aichi	75.0	¥2,500 million	359
MOBILE MEDIANET INC.	1996	Tokyo	58.0	¥300 million	36
DENSO HOKKAIDO CORPORATION	1973	Hokkaido	100.0	¥89.7 million	127
DENSO TOHOKU CORPORATION	1989	Miyagi	100.0	¥89.3 million	97
NIPPONDENSO SERVICE IBARAKI CO., LTD.	1975	Ibaraki	100.0	¥50 million	153
DENSOTEC TOKYO CO., LTD.	1975	Tokyo	100.0	¥50 million	121
DENSO CHUBU CORPORATION	1973	Aichi	100.0	¥94 million	317
DENSO KANSAI CORPORATION	1996	Osaka	100.0	¥98 million	141
DENSO CHUGOKU CORPORATION	1998	Hiroshima	100.0	¥99 million	101
DENSO SHIKOKU CORPORATION	1981	Kagawa	100.0	¥80 million	118
DENSO KYUSHU CORPORATION	1971	Fukuoka	100.0	¥98 million	131
DENSO SERVICE OKINAWA CO., LTD.	1972	Okinawa	50.0	¥10 million	52
ADVICS CO., LTD.	2001	Aichi	20.0	¥2,000 million	734
ITOH SEIKO CO., LTD.	1948	Aichi	25.0	¥48 million	390
G. S. ELECTECH INC.	1969	Aichi	34.0	¥60 million	751
JECO CO., LTD.	1952	Saitama	34.2	¥1,563 million	478
SHIMIZU INDUSTRY CO., LTD.	1952	Aichi	20.8	¥100 million	497
SHINSEI INDUSTRIAL CO., LTD.	1957	Aichi	22.9	¥300 million	424
TSUDA INDUSTRIES CO., LTD.	1948	Aichi	22.0	¥1,315 million	1,211
NIHON PAKKIN CO., LTD.	1936	Shizuoka	36.2	¥40 million	185

MIYAZAKI ASMO CO., LTD.  
APINES CO., LTD.  
SUAB CO., LTD.  
MARCON DENSO CO., LTD.  
HAMADEN P & S CO., LTD.

KYOSAN SERVICE CORPORATION  
KYOSAN TECS CO., LTD.  
YASAKA GAC CO., LTD.  
GAC HUMAN CO., LTD.  
OTARI GAC CO., LTD.

GAC MECHATRONICS CO., LTD.  
TOMEI BRAZING CO., LTD.  
DENSO SERVICE NISHISAITAMA CO., LTD.

(As of July 5, 2002)

## GLOBAL NETWORK

	Company	Business	Established	% owned by DENSO*	Employees
U.S.A.	★ DENSO INTERNATIONAL AMERICA, INC.	<ul style="list-style-type: none"> <li>Regional headquarters for North America</li> <li>Sale of automotive components</li> <li>Engineering services, design, testing, and R&amp;D</li> </ul>	1985	100	650
	★ DENSO SALES CALIFORNIA, INC.	<ul style="list-style-type: none"> <li>Assembly and sale of air conditioners and spot-coolers</li> <li>Sale of automotive components</li> <li>Remanufacture of electrical automotive components</li> </ul>	1971	80	336
	☆ DENSO MANUFACTURING MICHIGAN, INC.	<ul style="list-style-type: none"> <li>Manufacture and sale of heaters, evaporators, condensers, cooling units, and air-conditioning units</li> </ul>	1984	100	2,108
	☆ AMERICAN INDUSTRIAL MANUFACTURING SERVICES, INC.	<ul style="list-style-type: none"> <li>Remanufacture and sale of electrical automotive components</li> </ul>	1987	100	113
	☆ DENSO MANUFACTURING TENNESSEE, INC.	<ul style="list-style-type: none"> <li>Manufacture and sale of starters, alternators, instrument clusters, and automotive electronic products</li> </ul>	1988	100	2,826
	☆ MICHIGAN AUTOMOTIVE COMPRESSOR, INC.	<ul style="list-style-type: none"> <li>Manufacture and sale of compressors and magnetic clutches</li> </ul>	1989	40	857
	☆ TBDN TENNESSEE COMPANY	<ul style="list-style-type: none"> <li>Manufacture and sale of air cleaners, oil filters, fuel filters, and air elements</li> </ul>	1989	49	434
	☆ ASSOCIATED FUEL PUMP SYSTEMS CORPORATION	<ul style="list-style-type: none"> <li>Manufacture and sale of fuel pumps and bracket assemblies</li> </ul>	1989	50	358
	☆ DENSO WIRELESS SYSTEMS AMERICA, INC.	<ul style="list-style-type: none"> <li>Manufacture of automotive electronic products</li> </ul>	1997	100	154
	☆ ACTIS MANUFACTURING, LTD. LLC.	<ul style="list-style-type: none"> <li>Remanufacture of compressors</li> </ul>	2001	20	20
CANADA	☆ DENSO MANUFACTURING CANADA, INC.	<ul style="list-style-type: none"> <li>Manufacture and sale of air conditioners</li> <li>Sale of heaters, radiators, pump components, and electrical automotive components</li> </ul>	1972	100	288
MEXICO	☆ DENSO MEXICO S.A. DE C.V.	<ul style="list-style-type: none"> <li>Manufacture and sale of instrument clusters, valves, and radiators</li> </ul>	1994	95	2,034
BRAZIL	☆ DENSO DO BRASIL LTDA.	<ul style="list-style-type: none"> <li>Manufacture and sale of air conditioners, compressors, heaters, boost ventilators, radiators, and inter-coolers</li> </ul>	1980	90.6	963
	☆ DENSO INDUSTRIAL DA AMAZONIA LTDA.	<ul style="list-style-type: none"> <li>Manufacture and sale of bus air conditioners, two-wheel drive magnetos, and CDI amplifiers</li> </ul>	1996	100	122
	☆ DENSO MAQUINAS ROTANTES do BRASIL LTDA.	<ul style="list-style-type: none"> <li>Manufacture and sale of small motors and alternators</li> </ul>	1999	100	96
	☆ DENSO SISTEMAS TERMICOS do BRASIL LTDA.	<ul style="list-style-type: none"> <li>Manufacture and sale of cockpit modules</li> </ul>	2001	100	360
ARGENTINA	☆ DENSO MANUFACTURING ARGENTINA S.A.	<ul style="list-style-type: none"> <li>Manufacture and sale of heaters, air conditioners, heater cores, and condensers</li> </ul>	1996	98.3	92
NETHERLANDS	★ DENSO INTERNATIONAL EUROPE B.V.	<ul style="list-style-type: none"> <li>Holding company</li> </ul>	1991	100	-
	★ DENSO EUROPE B.V.	<ul style="list-style-type: none"> <li>Regional headquarters for Europe</li> <li>Sale of automotive components</li> <li>Remanufacture of electrical automotive components</li> </ul>	1973	100	203
	★ DENSO FINANCE HOLLAND B.V.	<ul style="list-style-type: none"> <li>Financing</li> </ul>	1987	100	-
UNITED KINGDOM	★ DENSO INTERNATIONAL (UK) LTD.	<ul style="list-style-type: none"> <li>Holding company</li> </ul>	1990	100	-
	★ DENSO SALES UK LTD.	<ul style="list-style-type: none"> <li>Sale of automotive components</li> <li>Engineering services, design, and testing</li> </ul>	1984	100	163
	☆ DENSO MARSTON LTD.	<ul style="list-style-type: none"> <li>Manufacture and sale of radiators, oil coolers, and inter-coolers</li> </ul>	1989	100	842
	☆ DENSO MANUFACTURING UK LTD.	<ul style="list-style-type: none"> <li>Manufacture and sale of air conditioners and heaters</li> </ul>	1990	100	1,387
	☆ DENSO MANUFACTURING MIDLANDS LTD.	<ul style="list-style-type: none"> <li>Manufacture and sale of starters and alternators</li> </ul>	1999	100	455

☆ Production company ★ Other

\*including subsidiaries

	Company	Business	Established	% owned by DENSO*	Employees
GERMANY	★ DENSO AUTOMOTIVE Deutschland GmbH	•Sales support of automotive components •Technology research and R&D support	1984	100	229
	☆ TD Deutsche Klimakompressor GmbH	•Manufacture and sale of compressors and magnetic clutches •Remanufacture of compressors	1998	35	139
SPAIN	☆ DENSO BARCELONA S.A.	•Manufacture and sale of engine control components and automotive electronic products	1989	100	405
ITALY	★ DENSO SALES ITALIA S.R.L.	•Sale of automotive components	1990	100	14
	☆ DENSO THERMAL SYSTEMS S.p.A.	•Manufacture and sale of air conditioners, heaters, and radiators	1990	100	2,378
	☆ DENSO MANUFACTURING ITALIA S.p.A.	•Manufacture and sale of starters, alternators, and small motors	1999	100	1,935
FRANCE	★ DENSO SALES FRANCE S.A.R.L.	•Sale of automotive components	1995	100	16
HUNGARY	☆ DENSO MANUFACTURING HUNGARY LTD.	•Manufacture and sale of diesel injection pumps	1997	100	588
SWEDEN	★ DENSO SALES SWEDEN AB	•Sale of automotive components •Engineering services	1998	100	29
POLAND	☆ DENSO MANUFACTURING POLSKA Sp.z.o.o.	•Manufacture and sale of small motors	1999	100	39
	☆ DENSO THERMAL SYSTEMS POLSKA Sp.z.o.o.	•Manufacture and sale of heaters and cockpit modules	2001	100	132
BELGIUM	★ DENSO SALES BELGIUM N.V.	•Sale of automotive components	2000	100	13
PORTUGAL	☆ JOAO DE DEUS & FILHOS S.A.	•Manufacture and sale of radiators, inter-coolers, and heater cores	2001	100	442
CZECH REPUBLIC	☆ DENSO MANUFACTURING CZECH s.r.o.	•Manufacture and sale of air-conditioning units, evaporators, condensers, and radiators	2001	100	10
AUSTRALIA	★ DENSO INTERNATIONAL AUSTRALIA PTY. LTD.	•Regional headquarters for Australia •Sale of automotive components	1998	100	120
	☆ AUSTRALIAN AUTOMOTIVE AIR PTY. LTD.	•Manufacture and sale of air conditioners, heaters, and radiators	1989	100	329
	☆ FLEXDRIVE INDUSTRIES LIMITED	•Manufacture and sale of instrument clusters, motors, cables, and washer systems	1992	100	202
SINGAPORE	★ DENSO INTERNATIONAL ASIA PTE. LTD.	•Regional headquarters for ASEAN and Taiwan	1998	100	30
	★ DENSO INTERNATIONAL SINGAPORE PTE. LTD.	•Sale of aftermarket products	1995	100	21
THAILAND	☆ DENSO (THAILAND) CO., LTD.	•Manufacture, import, and sale of electrical automotive equipment, air conditioners, magnetos, and spark plugs	1972	51.3	1,563
	☆ DENSO TOOL & DIE (THAILAND) CO., LTD.	•Manufacture and sale of dies and jigs for automotive equipment	1987	100	117
	☆ SIAM DENSO MANUFACTURING CO., LTD.	•Manufacture and sale of injection pumps for common rail systems	2002	100	3
	☆ TOYODABO FILTRATION SYSTEM (THAILAND) CO., LTD.	•Manufacture and sale of oil filters	2002	40	-
INDONESIA	☆ P.T. DENSO INDONESIA CORP.	•Manufacture and sale of air conditioners, radiators, spark plugs, filters, alternators, and starters	1975	58.3	1,691
	★ PT.DENSO SALES INDOPARTS UTAMA	•Sale and repair of automotive components	2001	51	81
REPUBLIC OF KOREA	☆ DENSO PS ELECTRONICS CORPORATION	•Manufacture and sale of instrument clusters	1976	51	533
KOREA	★ DENSO SALES KOREA CORP.	•Sales of automotive and non-automotive components	1997	51	13
	☆ DENSO PS CORPORATION	•Manufacturing and sale of small motors, fuel pumps, and electrical automotive components	2000	40	1,491

	Company	Business	Established	% owned by DENSO*	Employees
MALAYSIA	☆ DENSO (MALAYSIA) SDN. BHD.	•Manufacture and sale of electrical automotive equipment, air conditioners, radiators, heaters, engine ECUs, relays, and programmable controller units •Sale of fuel pump components	1980	72.7	1,244
INDIA	☆ DENSO INDIA LTD.	•Manufacture and sale of alternators, starters, electric fans, ventilators, magnetos, CDIs, ignition coils, windshield wiper motors, and links	1984	52.9	810
	☆ DENSO HARYANA PVT. LTD.	•Manufacture and sale of fuel pumps, injectors, engine ECUs, and idle speed control valves	1997	100	315
	☆ DENSO KIRLOSKAR INDUSTRIES PVT. LTD.	•Manufacture and sale of radiators and air conditioners	1998	89	122
	★ DENSO SALES INDIA PVT. LTD.	•Sale of automotive components	1999	100	40
	☆ DENSO FARIDABAD PVT. LTD.	•Manufacture and sale of air-conditioning units and heaters	2001	100	39
TAIWAN	☆ DENSO TAIWAN CORP.	•Manufacture and sale of electrical automotive components, radiators, air conditioners, and other products	1987	80	357
CHINA	☆ YANTAI SHOUGANG DENSO CO., LTD.	•Manufacture and sale of air conditioners	1994	30	219
	☆ TIANJIN DENSO ENGINE ELECTRICAL PRODUCTS CO., LTD.	•Manufacture and sale of alternators and starters	1995	40	509
	☆ CHONGQING DENSO CO., LTD.	•Manufacture and sale of magnetos, CDI amplifiers, and ignition coils	1996	94.2	126
	☆ TIANJIN DENSO ELECTRONICS CO., LTD.	•Manufacture and sale of automotive electronic control components	1997	85.9	48
	☆ TIANJIN DENSO AIR-CONDITIONER CO., LTD.	•Manufacture and sale of air conditioners	1997	51	160
PHILIPPINES	☆ PHILIPPINE AUTO COMPONENTS, INC.	•Manufacture and sale of instrument clusters and air conditioners	1995	97.3	319
SAUDI ARABIA	☆ DENSO ABDUL LATIF JAMEEL CO., LTD.	•Manufacture and sale of air conditioners	2001	50	19
VIETNAM	☆ DENSO MANUFACTURING VIETNAM CO., LTD.	•Manufacture and sale of air flow meters, and other engine-related products	2001	95	8

(As of March 31, 2002)

**OTHER GROUP COMPANIES**

U.S.A.	★ ASMO NORTH AMERICA LLC.	MEXICO	☆ GAC CORPORATION DE MEXICO S.A.DE C.V.
	☆ ASMO MANUFACTURING, INC.	REPUBLIC OF KOREA	☆ KOREA WIPER BLADE CO., LTD.
	☆ ASMO NORTH CAROLINA, INC.	MALAYSIA	☆ NIPPON WIPER BLADE (M) SDN. BHD.
	★ ASMO DETROIT, INC.	CHINA	☆ TIANJIN ASMO AUTOMOTIVE SMALL MOTOR CO., LTD.
	☆ AUTOMOTIVE MOTORS OF THOMASVILLE, INC.	INDONESIA	☆ P.T. ASMO INDONESIA
	☆ ASMO GREENVILLE OF NORTH CAROLINA, INC.		☆ P.T. HAMADEN INDONESIA MANUFACTURING
	☆ ASMO APPALACHIAN CORPORATION		
	☆ NORTH CAROLINA ASAHU, INC.		
	☆ NWB U.S.A., INC.		
	☆ TECHMA U.S.A., INC.		
	☆ KYOSAN DENKI AMERICA, INC.		
	★ TD SCAN (U.S.A.), INC.		

☆ Production company ★ Other

\*including subsidiaries

(As of March 31, 2002)

## DIRECTORS AND AUDITORS

### Chairman

Akira Takahashi

### President and CEO

Hiromu Okabe

### Executive Vice Presidents

Takao Inukai

Norio Omori

### Senior Managing Directors

Hiroshi Uchiyama

Kazuo Matsumoto

Isao Maekawa

Koichi Fukaya

### Managing Directors

Ryuzo Tsuyama

Masami Manabe

Oyuki Ogawa

Shinro Iwatsuki

Masatoshi Ano

Nobuhiro Miyake

Satoshi Watanabe

Susumu Harada

### Directors

Shoichiro Toyoda

Mitsunobu Takeuchi

Michio Fukuzaki

Mitsuharu Kato

Mineo Hanai

Tatsuhiko Nishio

Hiroshi Fujinami

Hiromi Tokuda

Nobuaki Katoh

Kenji Ohya

Mitsuo Matsushita

Minoru Ohta

Kazuo Hironaka

Sojiro Tsuchiya

Hikaru Sugi

Takeshige Tabuchi

### Corporate Auditors and Members of the Corporate Auditors' Board

Yoshihiro Oishi

Nobuaki Horiuchi

Hiroshi Okuda

Gyouji Kusuda

(As of June 27, 2002)





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