

**DENSO**

SUSTAINED GROWTH

QUALITY FIRST

FUSING TECHNOLOGIES

GLOBAL REACH

CUSTOMER SATISFACTION

## STAYING THE COURSE

**Annual Report 2003**  
for the year ended March 31, 2003

DENSO Corporation is a leading global supplier of advanced automotive technologies, systems and components. DENSO works hand-in-hand with all major automakers worldwide in the fields of climate control, engine management, body electronics, driving control and safety, and information and communications. DENSO also utilizes its proprietary technologies and expertise in the fields of industrial systems and non-automotive thermal systems. Since DENSO's establishment in 1949, our pioneering research and development and superior quality products have spurred industry growth. DENSO currently employs approximately 90,000 people in 31 countries and regions including Japan.

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**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.

## A NEW LEADER FOR A NEW ERA

On June 27, 2003, DENSO put in place a new senior management team. Hiromu Okabe, formerly president and CEO, was appointed vice chairman, while Koichi Fukaya, a leading exponent of our “Quality First” approach, and a manager with extensive leadership experience both overseas and in Japan, was chosen as his successor. Akira Takahashi will remain as chairman.

Koichi Fukaya’s unstinting commitment to quality, the fundamental tenet of the DENSO way, and his global outlook, make him the ideal choice to lead your company into this new and challenging era in the automotive industry.



# FINANCIAL HIGHLIGHTS

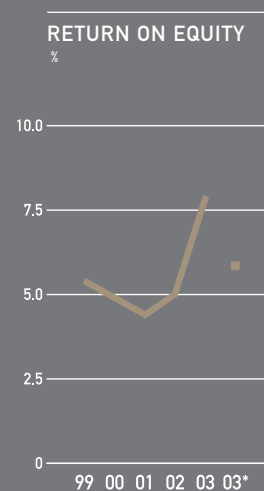
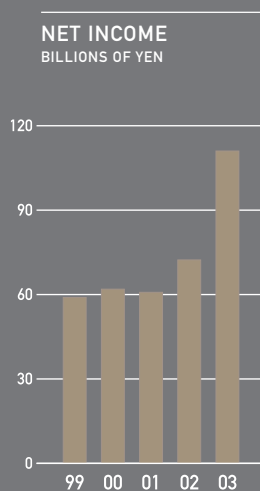
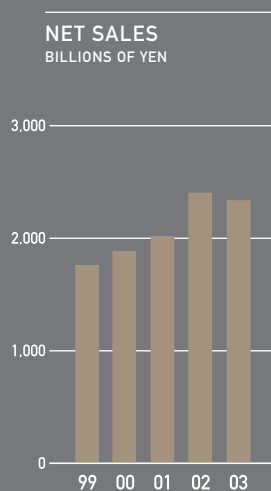
DENSO CORPORATION AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2003, 2002, AND 2001

	Millions of yen				Percent change	Percent change <sup>*1</sup>	Thousands of U.S. dollars
	2003	2002	2002 <sup>*1</sup> unaudited	2001	2003/2002	2003/2002 <sup>*1</sup>	2003
<b>Net Sales:</b>	<b>¥2,332,760</b>	¥2,401,098	¥2,183,062	¥2,014,978	(2.8)	6.9	<b>\$19,439,667</b>
Sales in Japan	<b>1,325,637</b>	1,277,865	<i>1,277,865</i>	1,245,830	3.7	3.7	<b>11,046,975</b>
Sales outside Japan	<b>1,007,123</b>	1,123,233	<i>905,197</i>	769,148	(10.3)	11.3	<b>8,392,692</b>
<b>Net Income</b>	<b>111,018</b>	72,313	<i>70,800</i>	60,799	53.5	56.8	<b>925,150</b>
<b>Total Assets</b>	<b>2,354,657</b>	2,361,048	—	2,343,328	(0.3)	—	<b>19,622,142</b>
<b>Shareholders' Equity</b>	<b>1,397,888</b>	1,421,212	—	1,451,211	(1.6)	—	<b>11,649,067</b>
<b>Capital Expenditures</b>	<b>171,108</b>	193,599	<i>183,977</i>	140,447	(11.6)	(7.0)	<b>1,425,900</b>
<b>Depreciation</b>	<b>146,651</b>	147,277	<i>139,991</i>	134,416	(0.4)	4.8	<b>1,222,091</b>
<b>R&amp;D Expenses</b>	<b>182,886</b>	185,627	<i>181,044</i>	176,959	(1.5)	1.0	<b>1,524,050</b>
<b>Per Share:</b>				Yen	Percent change	Percent change <sup>*1</sup>	U.S. dollars
Basic net income	<b>¥128.37</b>	¥ 80.22	¥78.54	¥ 66.51	60.0	63.4	<b>\$1.07</b>
Cash dividends	<b>20.00</b>	18.00	—	17.00	11.1	—	<b>0.17</b>
<b>Number of Employees</b>	<b>89,380</b>	86,639	—	85,371			

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.

\*1 The italicized figures for the year ended March 31, 2002 represent unaudited amounts calculated by management to reflect comparative income statement information 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 ¥120=US\$1, the approximate exchange rate prevailing on March 31, 2003, the last trading day of the fiscal year.



\* Excludes non-recurring extraordinary items

# TO OUR SHAREHOLDERS

## HIGHLIGHTS OF THE YEAR:

### THRIVING IN AN UNCERTAIN ENVIRONMENT

The year ended March 31, 2003, was an excellent year for DENSO. Although net sales dipped 2.8% to ¥2,333 billion, due to the irregular 15-month reporting period at overseas subsidiaries and affiliates in the previous fiscal year, net sales rose 6.9% excluding this effect. We also posted net income of ¥111 billion. On a comparable 12-month basis, net income was 56.8% or ¥40.2 billion higher.

These results were achieved in a varied and uncertain operating environment: while demand in our home market was flat, an increase in car exports, particularly to North America, boosted domestic car production. And despite global geopolitical instability, which dragged down overall car sales in both the United States and Europe, we expanded sales of components to automakers in these markets. These were the primary factors behind our higher sales.

The increase in sales, a relentless drive to develop the most technologically advanced and cost-competitive components, and an ongoing program of corporate restructuring, were the main factors behind our improved bottom-line profitability. Even after excluding non-recurring extraordinary items, we still achieved an impressive 20.2% increase in net income on a comparable 12-month basis.

Returning profits to shareholders remains a high priority for DENSO. And the year under review was no exception. We repurchased 40 million shares of treasury stock to boost capital efficiency and maximize value for shareholders, while ROE improved to 7.9%, or 6.3% after excluding the impact of the above-mentioned extraordinary items. We also announced an annual dividend of ¥20 per share, an increase of ¥2 per share on the previous period.

## DENSO VISION 2005:

### INTO THE FINAL STRETCH

We are now into the last stage of DENSO Vision 2005, our long-term management initiative announced in January 1997. With the completion date fast approaching, **we formulated a three-year medium-term plan in the fall of 2002, replete with measures to guide us to our final objectives of net sales of ¥2.5 trillion and ROE of 8%.**

**KOICHI FUKAYA**  
President and CEO



In order to reach our top-line target, we are working to increase sales to automakers overseas, wherever they choose to operate. Strengthening our presence in new growth markets such as China and the ASEAN\* region will also be key to growing sales. We believe we are making good advances in all these areas. To attain our goal of ROE of 8%, we are working to find additional cost savings, increase returns on investments in new automotive fields, and improve the profitability of our European operations. These steps go hand-in-hand with efforts to streamline our capital structure through an ongoing share buyback program, and initiatives to improve asset turnover by optimizing fixed assets.

Based on this approach, we are confident of achieving the goals in DENSO Vision 2005. Therefore, we are now looking further into the future to ensure that we continue to deliver sustainable growth over the long term.

\* Association of Southeast Asian Nations

## **ACHIEVING SUSTAINABLE GROWTH: STAYING TRUE TO THE BASICS**

With automakers under intense pressure to become more competitive, the goalposts for DENSO are constantly being moved. A round of mega-mergers and business tie-ups in the auto industry has also thrown up new challenges for automotive component suppliers, as automakers develop common platforms to reduce sourcing costs and shorten development cycles. At DENSO, we must respond to these

fundamental shifts and rolling demands from automakers for the global supply of lower-priced, higher-quality, more functional components. Overcoming these challenges will not be easy.

**But underpinned by our unshakeable commitment to “Quality First,” we are confident we can rapidly develop and supply more cost-competitive, high value-added products that anticipate the needs of automakers and society.**

To some people, the idea that quality can be improved while paring back costs may seem contradictory. Not at DENSO. In fact we believe that we can translate cost savings into higher quality and enhanced functionality by using our renowned technological and *mono-zukuri*\* capabilities. Continuing to build an optimal global supply network, will also be vital to quickly take advantage of business opportunities and efficiently provide customers with competitively priced, high-quality components—anywhere in the world.

Of course, realizing sustainable long-term growth is not something that is achieved overnight, but we believe our track record shows we have the ability and the fundamentals in place to deliver.

\* The art of making (*zukuri*) things (*mono*)

**AUTOMOTIVE TECHNOLOGIES:  
A RESERVOIR OF EXPERTISE**

**Our R&D efforts are focused on three strategic areas: the environment, safety, and information and communications.**

In the environmental field, our technologies and products are already having a positive impact on reducing the car's footprint on the environment. In the year under review, these included the world's first non-fluorocarbon air conditioner using carbon dioxide (CO<sub>2</sub>) as the refrigerant, an integral component of Toyota Motor Corporation's fuel cell hybrid vehicle (FCHV). Our diesel common rail system was also chosen by Mazda Motor Corporation for its MPV and Mazda 6 models, now on sale in Europe. These systems achieve world-leading standards in reducing exhaust gas emissions, and also comfortably clear the EURO 4 emission regulations that come into force in 2005.

In safety, we worked closely with Toyota to develop the world's first pre-crash safety system that automatically tightens passenger seatbelts in the instant before a collision. And we achieved another pioneering first with the development of an electronic control unit (ECU) for an adaptive front lighting system (AFS). This new system realizes significant improvements in visibility for nighttime cornering.

In the information and communications field, we have been channeling our resources into car navigation and data communication technologies. This has paid off, with a four-fold increase in our production of car navigation systems over the last four years and the successful development of a data communications module for Toyota's G-BOOK telematics system. We believe our considerable expertise in this field will hold us in good stead as navigation systems evolve into advanced information terminals providing a vast array of data services for car users.



For more than 50 years, DENSO has worked to create a pool of expertise in core automotive technology fields.

Maintaining and broadening this vital resource is now more important than ever, as global trends show that the lines between technological fields are blurring and new products are increasingly the result of interdisciplinary development.

For DENSO, this represents a real growth opportunity:

**our proven success in adapting technologies to new applications, and our expertise in a wide range of fields, means we are ideally positioned to develop an entirely new generation of products that transcend traditional technological boundaries.**

This, we believe, together with our commitment to “Quality First,” represents another strength that sets us apart from our peers.

## **DENSO: A COMPANY TO RELY ON**

In an increasingly unpredictable world, characterized by seismic shifts in operating environments and breathtaking technological innovation, companies like DENSO are few and far between—we have shown time and again that we can stay the course and deliver stable growth, no matter what changes have occurred. And importantly, we have achieved this organically, based on our ability to supply automakers with a steady stream of highly reliable products. As a result, we have been able to provide shareholders with a stable return on their investment.

Finally, I am greatly honored to have been appointed DENSO’s new president and CEO. I am wholly committed to leading your company to further success as we take on the challenges of a new era in the automotive industry. I ask you to join us as we open an exciting new chapter in DENSO’s corporate history.

July 2003



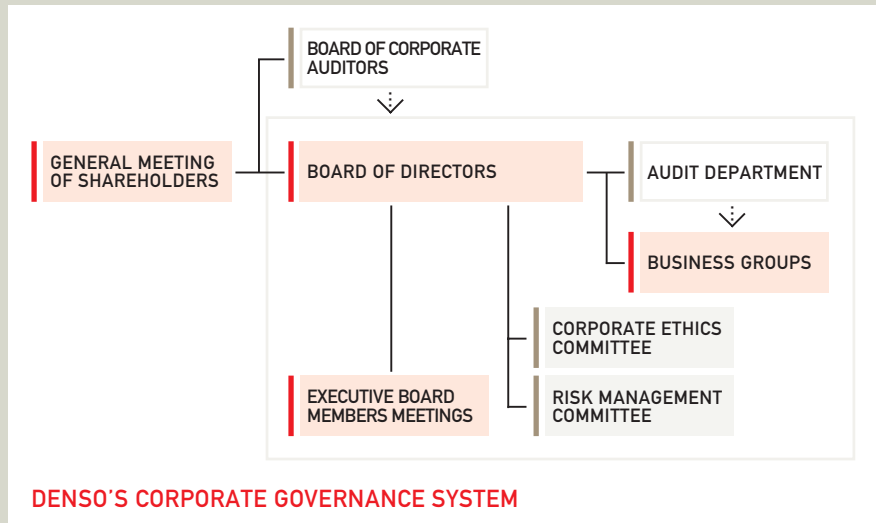
**KOICHI FUKAYA** President and CEO

# CORPORATE GOVERNANCE

## DECISION-MAKING AND MONITORING FRAMEWORK

DENSO operates under a system of autonomous business group management. Daily operations are entrusted to directors in charge of business groups, ensuring rapid and flexible decision-making, while important management issues are discussed at weekly Executive Board Members Meetings, which are attended by all DENSO directors from the senior managing director level upward. Final decisions on issues discussed at Executive Board Members Meetings are made by the Board of Directors, which is also responsible for monitoring the business conduct of each director in charge of DENSO's business groups. As a rule, the Board of Directors meets more than once a month to decide on important management matters stipulated by law and the Board's regulations.

DENSO's Board of Corporate Auditors consists of two standing auditors and three external auditors. The number of external auditors was recently increased to three to enhance corporate governance and introduce a more independent perspective. This additional post was filled by Tamiki Kishida, an academic expert in business administration. Corporate auditors participate in meetings of the Executive Board Members and Board of Directors, to monitor whether management decisions are being made in a proper manner and in accordance with relevant regulations. They are also responsible for monitoring the business conduct of directors and



for auditing the operations and financial position of all the company's domestic and overseas subsidiaries and affiliates.

In addition to these legal requirements, DENSO operates an Audit Department in order to ensure more robust operations. This department is mandated to carry out various site audits that go beyond investigations of legal compliance.

## CORPORATE ETHICS AND RISK MANAGEMENT

In 1997, DENSO established a Corporate Ethics Committee to strengthen its compliance activities. This committee is responsible for making sure DENSO's operating activities are carried out in accordance with all relevant laws and regulations and the company's own ethical code. In 1998, the committee formulated a document titled *The DENSO Code of Business Conduct*, outlining the company's policy on the expected behavior of all DENSO associates. Revisions to the code were

carried out in 2002 with the inclusion of specific examples to provide practical advice on key legal and ethical issues associates may face. This document is distributed throughout the company, and is used in training programs on corporate ethics for all associates at every level of the organization.

Plans are also on the table to establish a confidential helpline to allow associates with knowledge of business misconduct or violations of the code to readily report their information, thereby enabling the rapid identification and resolution of any issues arising.

DENSO has always taken a thorough approach to risk management. However, because of the global nature of its business, the Company is exposed to an increasingly wide range of risks. In response, DENSO established a Risk Management Committee in May 2003, to lead the DENSO Group in avoiding, rapidly detecting, assessing, and managing this risk.

# TECHNOLOGY INVESTMENT: STAYING THE COURSE

- A sustained commitment to research has led to an ever-growing portfolio of DENSO products
- The innovative reapplication of core technologies in new ways and in new fields has been the catalyst for DENSO's growth

## EXPERTISE IN ALL KEY AUTOMOTIVE FIELDS

Since DENSO was founded, the emerging needs of automakers, society and car users have consistently guided our decisions on investment and research into new technologies. These decisions have resulted in an independent knowledge base in all the key automotive technology fields, allowing us to rapidly respond to shifts in any area of the industry.

Enduring relationships with automakers and DENSO's foresight have played a vital role in our ability to respond to future market needs. Joint research and product development programs with automakers have also spawned a raft of groundbreaking products—from advanced engine management systems to cutting-edge components for hybrid electric vehicles (HEVs).

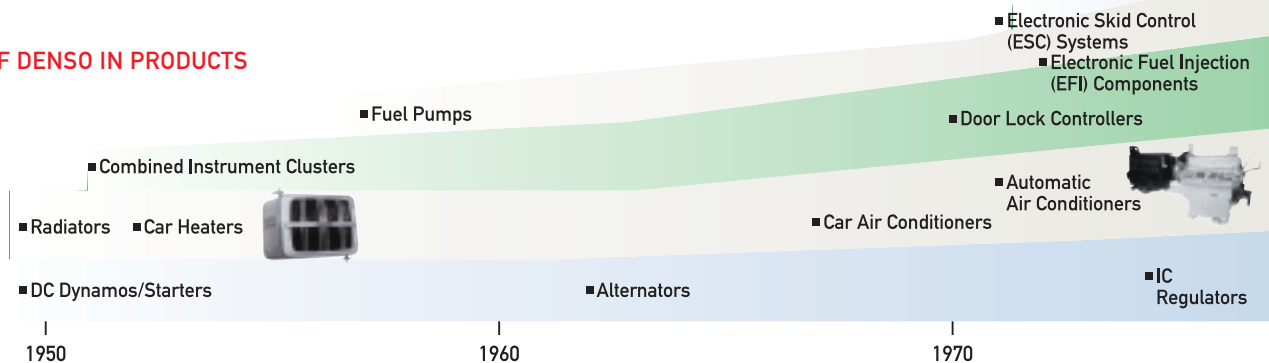
Underpinned by our bold management decisions, we have channeled our resources into three main areas that anticipated emerging needs: climate control technology, automotive electronics, and communications technology. Beyond paying dividends in the form of new technologies or products, our sustained and long-term commitment to research in these areas has directly led to new business opportunities and products in related fields. We believe our strength across these core technological areas represents a clear DENSO difference that our rivals find hard to emulate.

### A KEY REVENUE STREAM:

#### CLIMATE CONTROL TECHNOLOGY

DENSO's current strength in car air conditioning products was born out of heat exchange technology used in early car radiator components. In the 1950s, when household air conditioners were still a luxury, the market for car air conditioners was given scant attention by automotive component suppliers and automakers alike.

## THE HISTORY OF DENSO IN PRODUCTS



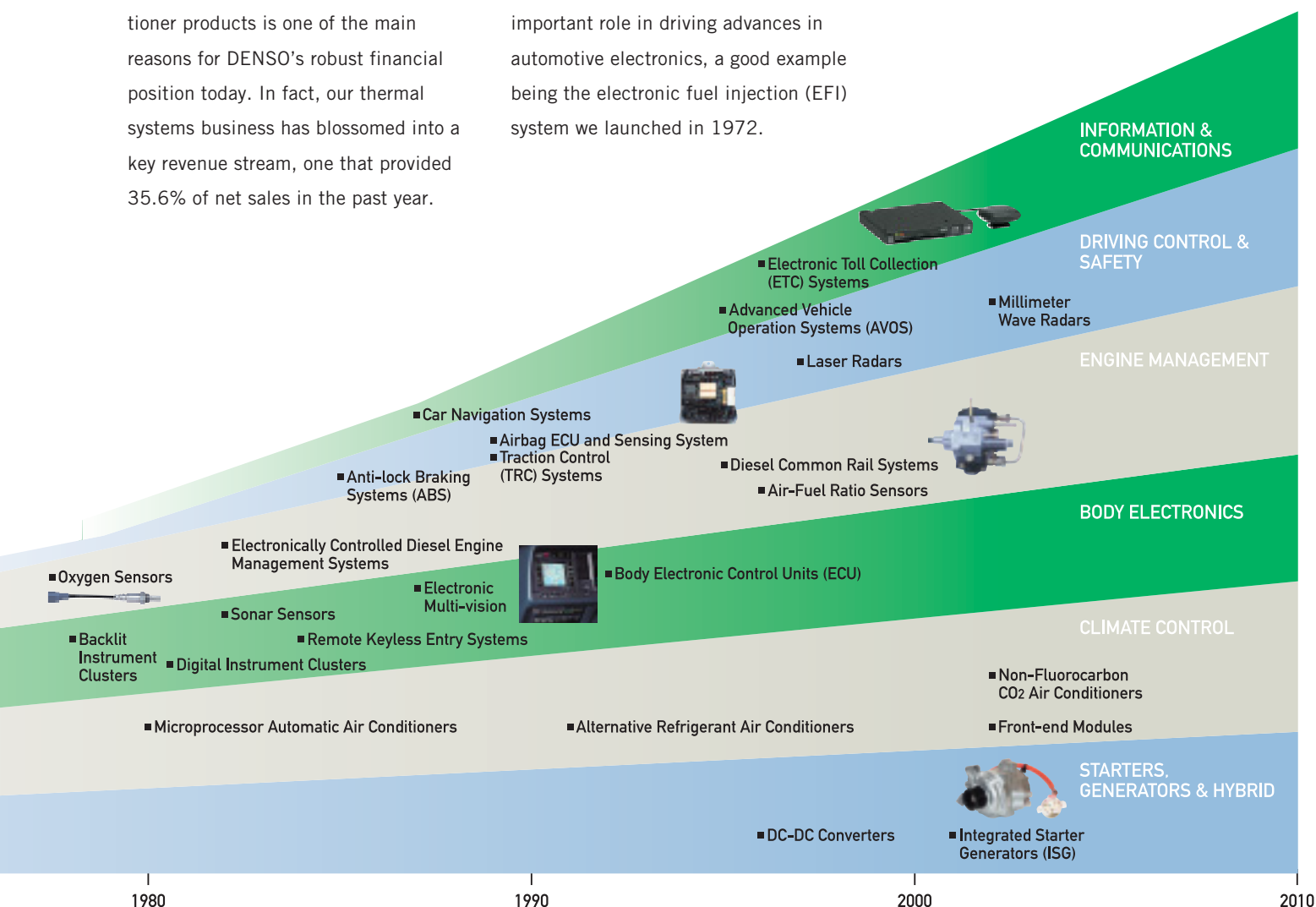
DENSO, however, made a conscious decision early on to start an independent development program, based on the belief that air conditioners would soon become an indispensable option in cars. This move has been vindicated: as times have changed, consumers have wanted more from the automobile than just a means of getting around, with growing demands for better safety and improved cabin comfort. Thanks to our climate control technology, passengers and drivers now enjoy more in-car comfort, while the success of our car air conditioner products is one of the main reasons for DENSO's robust financial position today. In fact, our thermal systems business has blossomed into a key revenue stream, one that provided 35.6% of net sales in the past year.

**THE CATALYST FOR CHANGE:**

**AUTOMOTIVE ELECTRONICS**

At DENSO, we realized early on that electronics would be fundamental to the future of the automobile, prompting us to establish an IC Research Laboratory in 1968. This step allowed us to take a pioneering lead in the development of automotive electronics. More than three decades of work in this field has resulted in semiconductors becoming one of our core technologies, and has directly led to a raft of groundbreaking products. These products have subsequently played an important role in driving advances in automotive electronics, a good example being the electronic fuel injection (EFI) system we launched in 1972.

This groundbreaking success was the starting point for the development of a range of engine management-related products that control the whole powertrain process, from air induction through combustion and exhaust. These products showcase how we applied our expertise in automotive electronics to respond to stricter emissions regulations and calls for more efficient engines.



## DATA COMMUNICATIONS MODULE



Our know-how in automotive electronics has also been harnessed and applied to climate control components, helping to improve cabin comfort. We achieved a major leap forward in this area in 1971, with the launch of an air conditioning system that automatically controlled cabin temperature in accordance with manual switch instructions—something we take for granted today, but a pioneering development at the time. This system was one of the first steps in an ongoing R&D program that led most recently to the development of a four-seat independent air conditioning system in 2002. Without a doubt, our dominant position in car electronics has been founded on this kind of relentless development and innovation.

### ***TRANSFORMING THE CAR ITSELF: COMMUNICATIONS TECHNOLOGY***

DENSO entered the communications field at the same time it moved into automotive electronics. Initial research focused on developing radio technology to create communications systems

specifically designed for the car. Results were soon in coming with the launch of our first car transceiver in 1973. And in 1985, following the deregulation of the telecommunications industry in Japan, we used this knowledge to begin the development of car and mobile phones. This investment gave us the technology and expertise to become a player in the nascent market for intelligent transport systems (ITS) and telematics products. During the past year, our efforts in this area have culminated in the launch of a data communications module for Toyota's G-BOOK telematics system, which offers users high-speed seamless Internet connectivity while on the move. With this kind of product, DENSO is driving the pace of change in the industry as the car increasingly becomes a mobile terminal integrated into information networks.

DENSO was also among the first in the industry to start development of car navigation systems in the 1980s, achieving a pioneering success in 1987 with the launch of a car navigation system using digitized map data stored in on-board CD-ROMs. Car navigation systems are rapidly becoming highly advanced information and communication terminals offering a range of new services for car users. Not surprisingly, DENSO is at the forefront of this revolution too.

## FUSING DENSO TECHNOLOGIES IN INNOVATIVE WAYS

DENSO has grown in tandem with its technological capabilities. This is no coincidence—the innovative reapplication of core technologies in new ways and in new fields has been the catalyst for our growth. Now, as the pace of change in our business environment accelerates and product categories merge at an even faster speed, DENSO is being asked to raise its game to new heights to create the kind of groundbreaking products that society and automakers need. We believe that fusing core technologies in exciting new ways is the key to our future growth. Here we outline just two examples:

### ***ENGINE/AIR CONDITIONER PARALLEL CONTROL***

One example of how we are merging core technologies is a new air conditioner compressor launched in 2001. Until the launch of this component, compressors had been designed to shut down briefly during acceleration to reduce the load on the engine. This eliminated any drag on engine performance, but it also meant the air conditioner stopped functioning

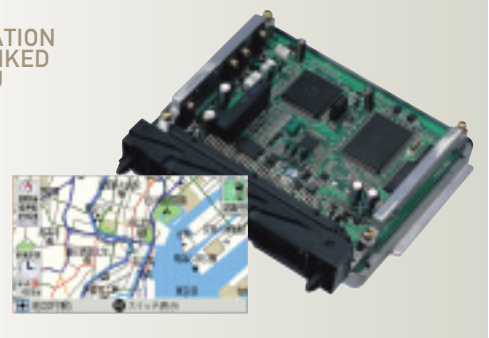
for a time, leading to deterioration in cabin comfort. DENSO's latest compressor solves this problem—compressor drive torque is more carefully controlled to match car speed without requiring a total shutdown. This ensures the air conditioner keeps running and optimum cabin comfort is maintained. Only our depth of expertise in both climate control technology and engine management systems in automotive electronics made this proprietary innovation possible.

### ***CAR NAVIGATION SYSTEM-LINKED ENGINE ECU***

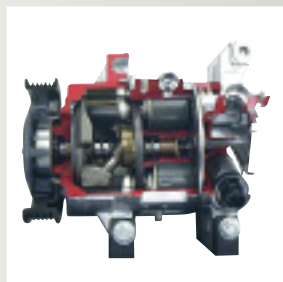
Another example is an engine electronic control unit (ECU) that uses information gleaned from car navigation systems to make appropriate adjustments to the

car's gears when road conditions change; braking into a corner for instance. This brings enhancements to both drivability and safety. At DENSO though, we believe this represents only the first step in the evolution of car navigation systems and their combination with other automotive systems. In fact, we are currently developing products that channel car navigation system data into safety and air conditioning systems to improve protection, drivability and comfort for car users. One example is a control unit for a new adaptive front lighting system (AFS). This system monitors steering angle and vehicle speed while turning and redirect headlamps individually, thereby ensuring a full, well-lit view for safer driving at night while cornering. By linking the AFS control unit to the navigation system, the control unit will make highly accurate headlight adjustments in anticipation of road conditions ahead.

CAR NAVIGATION SYSTEM-LINKED ENGINE ECU



AIR CONDITIONER COMPRESSOR WITH PARALLEL CONTROL FUNCTIONS



# COST REDUCTION: RELENTLESS IMPROVEMENT

- At DENSO, reducing costs and improving quality are intrinsically linked
- Finding more cost-efficient ways to manufacture new and existing products is an enduring DENSO theme

## ENHANCING QUALITY AND REDUCING COSTS IN TANDEM

For DENSO, making cheaper products is not a goal in itself. But developing cost-competitive products that meet the needs of society and automakers, while adhering to our commitment to “Quality First,” is. For us, improvements in cost and quality go hand-in-hand.

We are employing a number of approaches to reduce costs: standardization of parts; smaller, lighter components with greater functionality; modularization; shorter development times; and streamlined manufacturing processes. At the earliest stages of the product development process, we bring together design and production engineers to make sure all

these approaches are adhered to and realized, because creating products that are more cost competitive is a vital consideration right from the birth of a new product. It is this kind of approach that allows us to achieve one of the holy grails of the automotive component industry—reducing costs and enhancing quality at the same time—another clear DENSO difference.

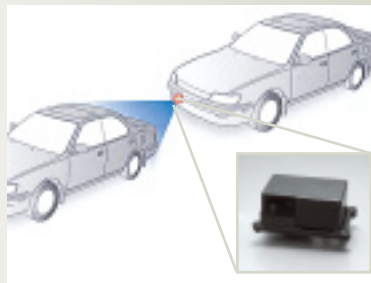
## COMPONENTS: SMALLER, LIGHTER, MORE FUNCTIONAL

This year saw the launch of a whole range of new components that are smaller, lighter, and more functional than their predecessors, and consequently cost less to produce. Our family of heat exchange

components—evaporators, condensers and heater cores for air conditioners, and radiators for engine cooling—is one example. New versions of all these components were launched in the past year, all with enhanced heat-exchange efficiency, and all boasting improvements in weight and width reductions of between 20% and 40%\*. Because all these products are essentially built around the same basic structure: flat, compressed tubing with internal and external fins for maximum heat-exchange performance, we were able to apply advances in functionality and design across this entire range. The result? All these DENSO heat-exchange components are now class-leaders in weight and size in their respective product categories.

The latest version of our laser radar for adaptive cruise control (ACC) systems is another example of how we are seeking to design components that are smaller, lighter, and more functional. Launched in January 2003, this radar, which provides distance data on obstacles such as preceding vehicles, is 50% lighter than previous components, thanks to the increased use of plastic, while size has been reduced by 30%. Despite these reductions in size and weight, the DENSO-developed wide-angle collecting lens in the radar is now capable of detecting obstacles over a wider horizontal plane than any other rival product on the market.

LASER RADAR  
FOR ACC SYSTEMS



\* Comparisons made on the basis of identical performance.

FUEL INJECTOR  
(UC-TYPE)



### MANUFACTURING: THE CONSTANT SEARCH FOR A BETTER WAY

DENSO production engineers help devise production techniques at the earliest stages of the design and development process, advising design engineers on how to create components that are simpler to manufacture. This approach, born out of years of manufacturing experience, leads to products that are both lower in cost and higher in quality.

One example of how we are doing this is our latest UC-type fuel injector, which we began delivering to customers in September 2002. By moving to a hollow needle valve, we achieved overall weight reductions, while improvements made to magnetic circuits resulted in industry-leading fuel injection responsiveness.

These changes were made possible by valuable contributions from production engineers. They were able to realize the hollow needle valve concept, despite cost issues and significant problems presented by precisely manufacturing the guide section on the valve to allow it

to slide smoothly within the valve seat. Our production engineers overcame this hurdle by turning the problem on its head: incorporating the guide section in the valve seat, instead of the valve itself. This resulted in a simplified needle valve that is both cheaper and easier to manufacture.

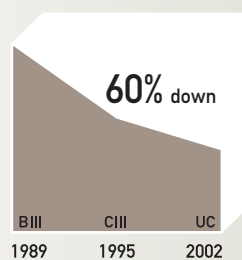
Employing a unique DENSO-designed ultra-precise injection nozzle, this fuel injector is capable of delivering a fuel spray of 50-micron particles, finer than any rival components on the market. A finer fuel spray means more efficient combustion, resulting in a

lower volume of residual hydrocarbons in exhaust emissions.

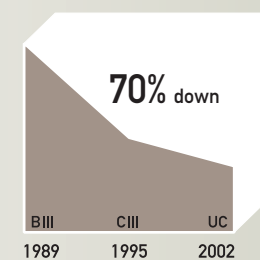
Despite the highly advanced machining techniques needed to realize the improvements to the needle valve and nozzle, our latest fuel injector components are now made using significantly fewer production processes—approximately 30% less than the previous CIII-type fuel injector. And thanks to a streamlined production process, we successfully reduced capital expenditure by approximately 30%. More strikingly, compared to the BIII-type, a fuel injector two generations before this latest component, production processes and capital expenditure have been reduced by 60% and 70% respectively. This is leading to quality improvements too, due to the likelihood of fewer production errors in a streamlined and simplified manufacturing process.

### INCREMENTAL FUEL INJECTOR IMPROVEMENTS

MANUFACTURING PROCESSES



CAPITAL EXPENDITURE



# GLOBAL OPERATIONS: EXTENDING OUR REACH

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

## JAPAN

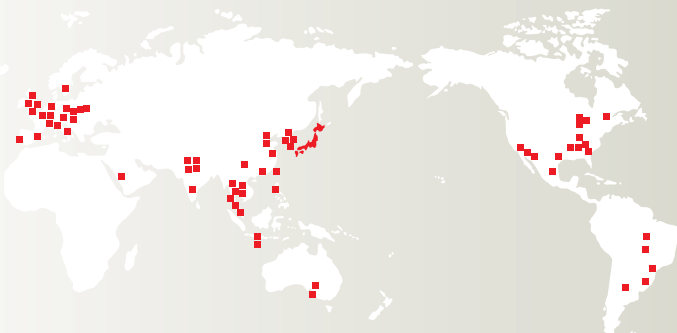
In Japan, a stable but maturing car market in terms of units produced, there is little anticipation of a significant increase in market growth. DENSO is therefore working to grow its domestic business by focusing on the development and production of a new generation of high value-added products in three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

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

## THE AMERICAS

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

## THE DENSO GLOBAL NETWORK



## DENSO MANUFACTURING TENNESSEE, INC.



### EUROPE

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

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

### ASIA & OCEANIA

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

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

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

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

### 1,800-BAR DIESEL COMMON RAIL SYSTEM



# SOCIAL RESPONSIBILITY: AN ENDURING COMMITMENT

- Real progress in reducing the environmental footprint of DENSO products and operations
- Ranked as one of Japan’s leading companies in corporate social responsibility (CSR)

## DENSO ECOVISION 2005

As awareness of global environmental issues grows, corporations are being asked to play a greater role in addressing these problems. In June 2000, we announced DENSO EcoVision 2005, the cornerstone of our ongoing efforts to protect the environment. This vision outlines four key policies: promoting environmental management, encouraging environmentally friendly product development and design, reducing the impact of our operations on the environment, and enhancing disclosure. DENSO EcoVision 2005 underpins the real progress we have made so far in efforts to reduce our environmental footprint. In this section we look at just some of our recent initiatives.

## ENVIRONMENTAL MANAGEMENT

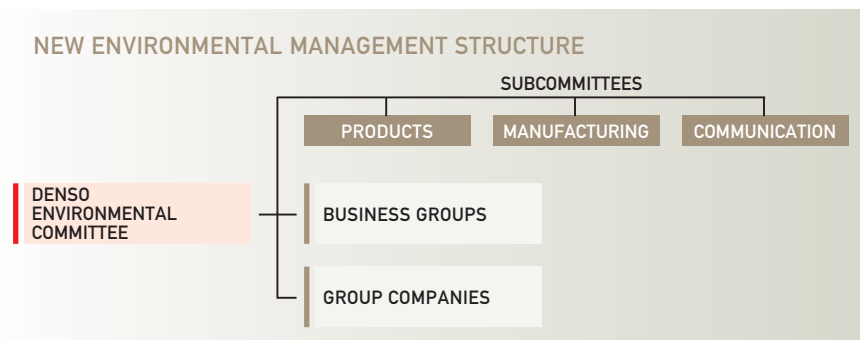
In December 1992, we established the DENSO Environmental Committee, chaired by the president, with the express aim of promoting environmental management across the entire compass of the Group’s operations. This committee is responsible for discussing and formulating

performance targets and measures for group-wide environmental activities, and assessing progress and results. In 2003, we reorganized the environmental management structure by concentrating responsibility for three areas—products, manufacturing, and communication—in individual subcommittees. Each subcommittee is chaired by a member of the board of directors, reflecting the importance we attach to these activities. In order to promote environmental management throughout the Group, we established a system in 2002 to share environmental information. This ensures that all areas of our operations are on the same page regarding environmental enhancements and regulations, and enables DENSO to more closely monitor and guide Group companies in their environmental activities.

## ENVIRONMENTALLY FRIENDLY PRODUCT DEVELOPMENT AND DESIGN

DENSO has consistently developed products that take environmental issues into consideration. The past year was no exception with the development of the world’s first non-fluorocarbon car air conditioner that uses CO<sub>2</sub> as the refrigerant. This product, developed for Toyota’s fuel cell hybrid vehicle (FCHV), has a significantly reduced impact on the environment, thanks to its use of CO<sub>2</sub>. The global warming coefficient of CO<sub>2</sub> is 1/1,300 that of the most common existing refrigerant, HFC-134a, making it an ideal candidate as the next-generation air conditioner refrigerant.

Our efforts to develop and design environmentally friendly products aren’t restricted to new components; we are also actively seeking ways of reducing the environmental impact of existing products. A perfect example is electric motors. DENSO produces a wide variety of automotive electric motors, with between 30 and 60 of these components used in a single vehicle. However, brushes in



electric motors can contain small quantities of lead, a substance with a potentially damaging impact on the environment. In March 2003, we reached an important milestone by completing the switch to lead-free brushes for all automotive electric motors manufactured by DENSO. Our motors now conform to new European legislation that prohibits the use of lead brush motors in new models sold after July 2003. DENSO became the first global automotive component supplier to conform to this new regulation.

### REDUCING THE IMPACT OF DENSO OPERATIONS ON THE ENVIRONMENT

DENSO is working to reduce the environmental impact of manufacturing and distribution processes integral to the creation of its products. Key objectives include the elimination of landfill waste and the reduction of CO<sub>2</sub> emissions and other substances that can have a negative affect on the environment. Considerable progress has already been made in these areas. In November 2002, we achieved a long-sought-after goal

when all 14 of our operating sites in Japan succeeded in eliminating the generation of all landfill waste, including general waste. By recycling waste as a valuable resource instead of disposing of it, we are helping to protect the environment, and saving approximately ¥100 million per year in waste disposal expenses in the process.

In reducing emissions of CO<sub>2</sub>, in terms of the ratio of CO<sub>2</sub> emissions to net sales, we have reduced total CO<sub>2</sub> emissions by 25% compared with 1990, the year we began our efforts in this area.

### ENVIRONMENTAL DISCLOSURE

DENSO is committed to the active disclosure of environmental information to all its stakeholders. We believe that by providing more information to society as a whole, we can promote better understanding of our environmental initiatives. Publishing regular environmental reports\*, holding dialogues with stakeholders, and offering plant tours, are just some of the ways we are working to foster understanding and improve communication with the community.

Our website is also an important window on the DENSO world, allowing anyone access to detailed information on our environmental activities.

### INTERNATIONAL RECOGNITION FOR CORPORATE SOCIAL RESPONSIBILITY (CSR)

Growing interest by investors and markets in CSR has led to the creation of Socially Responsible Investment (SRI) indexes. SRI indexes identify and highlight best practice in CSR by listed companies in areas such as promoting environmental sustainability, upholding relevant laws and regulations, and community involvement. DENSO has been ranked as one of the leading companies in CSR by two influential SRI indexes: the Dow Jones Sustainability Index (DJSI) World and the FTSE4Good index, highlighting the international recognition we have earned for CSR.

ENVIRONMENTAL EDUCATION PROGRAM, 'ECO-RANGER 21'



ENVIRONMENTAL REPORT 2003



DJSI

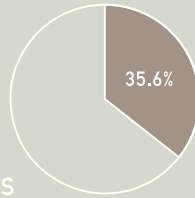


\* For people wishing to receive a hard copy of the DENSO Environmental Report, please visit our website at [www.globaldenso.com](http://www.globaldenso.com) or refer to the contact details on the inside back cover of this annual report.

# REVIEW OF OPERATIONS BY SEGMENT

## AUTOMOTIVE

### THERMAL SYSTEMS



PERCENTAGE OF NET SALES

#### RESULTS

Sales in Thermal Systems dipped 4.7% to ¥830 billion. However, sales grew 8.6% after excluding the effects of a change in the fiscal year-ends at overseas subsidiaries and affiliates in the previous year. This increase was primarily the result of higher global car production, with more than half of this increase coming from the Americas. In addition to higher sales to Japanese automakers, Thermal Systems succeeded in expanding sales to GM and Volkswagen AG.

#### MAIN PRODUCTS

- Climate Control Products  
Air conditioning systems for cars, buses, and construction equipment, truck refrigeration units, and air purifiers
- Engine Cooling Components  
Radiators, cooling fans, intercoolers, oil coolers, front-end modules, and cooling modules

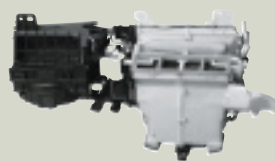
#### NEW PRODUCTS

- Front-end modules integrating a radiator, condenser, electric fan, engine inter-cooler, and front-frame carrier
- The world's first non-fluorocarbon air conditioner using CO<sub>2</sub> as refrigerant

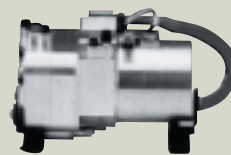
- Slimmer, more efficient evaporators, condensers, and heater cores for air conditioning systems and radiators for engine cooling
- The world's first hot gas heater system, employing components used in the air conditioner cooling cycle to create an auxiliary heat source

#### OVERVIEW

Car air conditioners account for more than 80% of sales in Thermal Systems, and DENSO car air conditioners have consistently held the top spot in the global market since 1990, currently boasting a market share of around 25%. DENSO is aiming to boost its share of the global car air conditioner market to 30% by 2005, based on efforts to increase overseas sales. A clear roadmap has been created to achieve this objective: increasing business in European and Asian markets, which are projected to grow as more cars are fitted with air conditioners; expanding sales in the United States; and developing cost-competitive next-generation products. DENSO is also continuing to strengthen its supply framework in every major region as part of its efforts to boost market share. In the year under review, manufacturing capabilities were strengthened in the Czech Republic, Turkey, South Korea, and China. Plans are also on the table to establish a sixth thermal product facility in North America. Meanwhile, the development of innovative air conditioners that further enhance cabin comfort, consume less energy, and use natural refrigerants continues. The past year saw major strides in this area with the development and launch of pioneering climate control products such as a non-fluorocarbon CO<sub>2</sub> air conditioner and a hot gas heater system.



AIR CONDITIONING UNIT



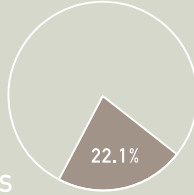
COMPRESSOR FOR NON-FLUOROCARBON CO<sub>2</sub> AIR CONDITIONER



COOLING MODULE

## POWERTRAIN CONTROL SYSTEMS

PERCENTAGE OF NET SALES



### RESULTS

Sales in Powertrain Control Systems grew 2.7% to ¥515 billion, or 11.6% excluding the effect of the new fiscal periods overseas. This increase was mainly attributable to higher sales in Japan and North America. Gasoline engine-related components, including VCT components, ignition stick coils, fuel injectors, and exhaust gas sensors sold well to the Big Three, Toyota, and Honda Motor Co., Ltd.

### MAIN PRODUCTS

- Diesel Engine-Related Products  
Diesel engine management systems and their constituent components (common rail systems, and others)
- Gasoline Engine-Related Products  
Gasoline engine management systems and their constituent components (fuel injectors, fuel pumps, VCT components, throttle bodies, air flow meters, ignition coils, exhaust gas sensors, ceramic substrates, and others)
- Transmission Control Components  
Automatic transmission (AT) control valves, and AT solenoids

### NEW PRODUCTS

- Diesel common rail systems achieving the world's highest injection pressure of 1,800 bar and five injections per combustion stroke
- Long-life iridium spark plugs for natural gas engines

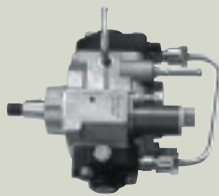
- Fuel injectors capable of delivering a fuel spray of 50-micron particles
- Accelerator pedal module with a non-contact sensor that uses a Hall IC to detect accelerator pedal travel
- Miniature AT linear solenoid components achieving a 70% reduction in solenoid size compared to previous components
- Highly precise purge valves to prevent leakage of hydrocarbon emissions from fuel tanks
- ECUs for the world's first adaptive front lighting system that automatically adjusts the direction of headlights to improve visibility during nighttime cornering

### OVERVIEW

Powertrain Control Systems develops and manufactures a wide variety of products for both gasoline and diesel powertrains. The product lineup encompasses the whole powertrain process, from air induction through combustion and exhaust. DENSO is working to increase sales centered on components for gasoline engines and common rail systems for diesel engines, as well as enhancing its global supply framework.

In the past year, in addition to the domestic production of common rail systems, manufacturing got under way in Hungary, while production of these systems is also set to begin in Thailand in 2004. Similarly, VCT component manufacturing is also becoming more global, with the start of production in Hungary and Mexico.

Looking ahead, DENSO is targeting further advances in engine fuel efficiency and working to meet increasingly stringent emission regulations. One product currently in development is a next-generation common rail system that uses piezo injectors. This system will help to further reduce concentrations of harmful substances in emissions and reduce diesel engine noise.



SUPPLY PUMP FOR  
COMMON RAIL SYSTEM

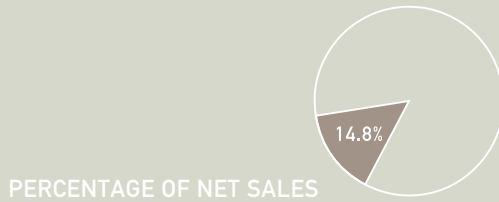


VCT COMPONENT



CERAMIC  
SUBSTRATES

## ELECTRONIC SYSTEMS



### RESULTS

Sales in Electronic Systems slipped 2.1% to ¥346 billion, but increased 6.6% excluding the effect of the irregular reporting periods at overseas subsidiaries in the previous year. More than half of this increase came from Japan, where engine ECUs and automotive sensors were standout performers. Most of the remaining increase primarily came from Asia, on the back of strong sales of engine ECUs and instrument clusters.

### MAIN PRODUCTS

- Body Electronics Products  
Instrument clusters, integrated climate control panels, smart keys, remote keyless entry controllers, rear and corner sonars, car security systems, and body ECUs
- Engine-related Components  
Engine ECUs
- Electronic Components and Devices  
Microcontrollers, hybrid ICs, relays, and semiconductor sensors

### NEW PRODUCTS

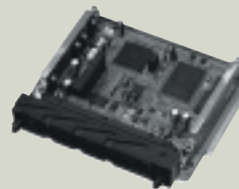
- Head-up displays for the night view system, the first product of its kind in the industry offering infrared assisted vision
- The world's first integrated component combining an electronic driver unit and an ECU for common rail systems
- Inertial sensors for vehicle stability control with controller-area-network (CAN) protocol capabilities

### OVERVIEW

Electronic Systems develops and manufactures engine ECUs, a wide range of body ECUs, instrument clusters, semiconductor sensors, and related IC components. Instrument clusters is just one of the product categories where DENSO has captured the leading global share, maintaining this position for more than ten years. DENSO also started production of instrument clusters in China in the past year, a promising market for these components. With a growing trend towards automotive component systemization and modularization, electronic systems are becoming more complex—electronic components are now unquestionably the basic building block of the modern automobile. DENSO's broad knowledge base across all automotive fields, and its years of experience in developing both hardware and software, will be key to its future, competitiveness. In order to rapidly develop the kinds of products society and automakers need, Electronics Systems is enhancing cooperation with other DENSO business segments and partners outside the Group. It is also working to generate higher sales overseas as it aims to become the global leader in the automotive electronics field.



INSTRUMENT CLUSTER



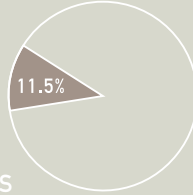
ENGINE ECU



INERTIAL SENSOR

## ELECTRIC SYSTEMS

PERCENTAGE OF NET SALES



### RESULTS

Sales in Electric Systems declined 6.4% to ¥270 billion, but increased 3.2% excluding the effect of the irregular reporting periods in the previous year. This increase was primarily achieved on higher sales of driving control and safety products, such as airbag sensors and ECUs, ABS actuators, and electric power steering systems. In addition to sales growth in Japan, sales to Japanese automakers based in the Americas also rose.

### MAIN PRODUCTS

- Engine-related Components  
Starters and alternators
- Components for HEVs  
Integrated starter generators (ISGs), DC-DC converters, battery ECUs, electric power steering motors and ECUs
- Driving Control and Safety Products  
Airbag sensors and ECUs, ABS actuators and ECUs, laser radars and ECUs for ACC systems

### NEW PRODUCTS

- Side impact sensors (SIS) for airbag sensing systems, 50% smaller than previous components
- Japan's first rollover detection system that automatically deploys side-curtain air bags in the event of a rollover
- Brake control units that control braking as part of vehicle stability control (VSC) and ACC systems

- Japan's first semiconductor wheel speed sensor capable of detecting reverse rotation
- The world's first millimeter-wave radar and ECUs for pre-crash safety systems, which automatically tighten passenger seatbelts in the instant before a collision
- Electronic front sensors for airbag systems

### OVERVIEW

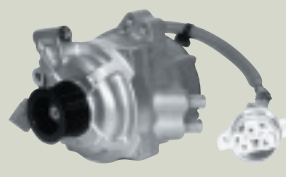
Electric Systems is focusing on winning more overseas business. In particular, this strategy is based on expanding sales in North America and Europe of value-added, cost-competitive electric components, such as segment conductor (SC) alternators. SC alternators, launched in 2000, are lightweight components capable of efficiently generating a higher power output, and are expected to become the next de facto standard. Production of these components got under way in the United States in the past year.

DENSO is aiming to become a leading global supplier of HEV products, based on extensive experience in developing components in this field, particularly ISGs. R&D projects are currently focused on developing a new family of HEV products designed to meet the emerging needs of automakers and society.

As car safety becomes an increasingly important selling point for automakers due to growing consumer concerns, Electric Systems is channeling resources into the promising, high-growth field of driving control and safety. In the past year, DENSO launched a number of innovative new products in the area of passive safety, including a pre-crash safety system and a brake control unit. Next-generation products, such as SIS and ACC radar components, which are more cost-competitive, smaller, and more functional than preceding versions, were also launched.



SEGMENT CONDUCTOR (SC)  
ALTERNATOR

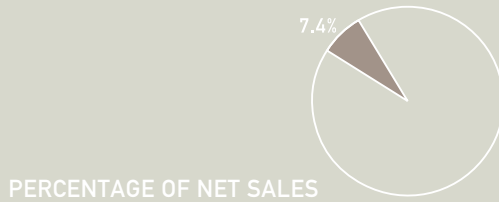


INTEGRATED STARTER  
GENERATOR (ISG)



MILLIMETER-WAVE  
RADAR

## SMALL MOTORS



### RESULTS

DENSO's small motors business increased sales to ¥172 billion, up 2.7%, or 9.6% excluding the effect of the irregular reporting periods in the previous year. Sales were boosted by higher production by Japanese automakers based at home and abroad, particularly at their operations in North America and Asia.

### MAIN PRODUCTS

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

### NEW PRODUCTS

- Motors for variable gear ratio steering systems—these systems enhance steering responsiveness in reaction to vehicle speed
- Smaller, lighter power window motors using internal clutches to prevent reverse drive
- Electric fan motors smaller and lighter than previous components
- Quieter and lighter motors for automotive blowers
- Lighter, next-generation car sunroof motors

### OVERVIEW

DENSO's small motors are developed and manufactured by Group company ASMO Co., Ltd. ASMO's motors for windshield washer systems, power windows, and automotive blowers already boast the leading global position in their respective product categories. To maintain its market lead, the company is accelerating the development of environmentally friendly motors, and lighter, highly efficient motors for emission control and fuel efficiency systems. In the year under review, all brushes for motors were switched to lead-free versions, and new, advanced motors for variable gear ratio steering systems were also launched.

ASMO will seek to further expand sales and market share by winning new business in Europe and North America, with a particular focus on motors for windshield wiper systems and power windows. Although production is carried out globally in six areas—Japan, North America, Europe, China, South Korea, and the ASEAN region—steps to further enhance this framework will focus on the latter three areas. Current plans call for building a new small motor plant in South Korea, to be managed by DENSO PS Corporation.



WINDSHIELD WIPER SYSTEM

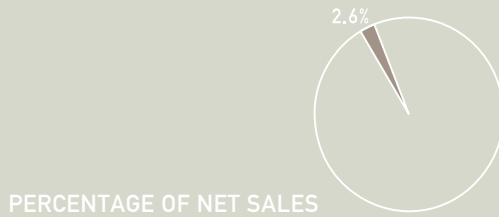


WINDSHIELD WASHER SYSTEM



POWER WINDOW MOTOR

## ITS



### RESULTS

During the year, ITS-related operations became an independent business segment, a move that reflects the importance DENSO attaches to this field. Sales of car navigation products, electronic toll collection (ETC) systems and other on-board communication equipment, previously included in Electronic Systems, have been transferred to this segment. Sales of these products grew 5.8% to ¥60 billion, up 8.0% excluding the effect of the irregular reporting periods in the previous year. This was due to higher sales of car navigation systems to Toyota, GM, Ford, and Jaguar Cars Ltd. ETC products benefited from Japanese government initiatives to encourage the use of ETC systems on the nation's expressways.

### MAIN PRODUCTS

- Car navigation systems, ETC on-board equipment, and advanced vehicle operation systems (AVOS)

### NEW PRODUCTS

- Four new versions of ETC on-board equipment, including market-leading compact models and models aimed at the lower end of the market
- Data communications modules for the Toyota G-BOOK telematics system
- Navigation boards for car navigation systems that link the car to providers of vehicle security monitoring services

### OVERVIEW

DENSO continues to win high acclaim for its car navigation products. This was evidenced by a survey carried out by JD Power and Associates in the past year that ranked a DENSO car navigation system number one in customer satisfaction for the second year running. While the development of new DENSO car navigation products continues, DENSO formed a joint venture with Robert Bosch GmbH of Germany to develop large-scale integrated (LSI) circuits and other core components for the next generation of car navigation and multimedia systems. DENSO is aiming to win a greater share of the global market for car navigation products by focusing on expanding sales in Europe, the United States, China, and South Korea; all are areas with real potential for growth.

DENSO's ETC on-board equipment has already captured the top position in the domestic market. In the year under review, DENSO broadened its product lineup with four new models, including new lower-end versions and more choice on specifications. Centered on these products, DENSO will seek to capture an even larger share of the market in Japan. Other developments in the year saw the launch of new data communications modules for Toyota's G-BOOK telematics system. Also in the ITS area, DENSO participated in field tests with a range of public and private organizations, such as the Internet ITS Project, aimed at realizing the enormous possibilities offered by ITS technology.

As the car becomes increasingly integrated into information networks and demand for higher levels of automotive safety grows, this business segment will continue to expand. DENSO will develop new technologies and products that respond to these trends, based on its pool of expertise in car navigation and communication technologies.



CAR NAVIGATION SYSTEM



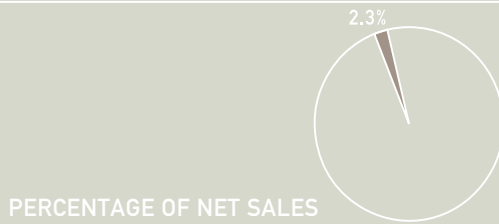
ETC ON-BOARD EQUIPMENT



DATA COMMUNICATIONS MODULE

# NON-AUTOMOTIVE

## INDUSTRIAL SYSTEMS AND ENVIRONMENTAL SYSTEMS



### RESULTS

Sales in Industrial & Environmental Systems grew 10.8% to ¥53 billion, or an increase of 17.2% excluding the effect of the irregular reporting periods in the previous year. This strong performance primarily reflected strong sales growth of DENSO's groundbreaking CO<sub>2</sub> refrigerant heat-pump water heater.

### MAIN PRODUCTS

- Automatic ID Data Capture Devices  
Bar code handy scanners and handy terminals, QR code scanners and handy terminals, smart cards and reader/writers, radio frequency-identification (RF-ID) systems, and security systems
- Factory Automation (FA) Products  
Mobile robots, industrial robots, and programmable controllers
- Refrigeration and Air-Conditioning Systems  
Cooling units for electronic devices (mobile phone base stations, PCs, and others), kerosene heat pumps, and spot cooler/heaters
- Environmental Systems  
CO<sub>2</sub> refrigerant heat-pump water heaters, automatic faucets, and electrically powered kitchen systems

### NEW PRODUCTS

- New bar code handy terminals with large, high-definition color screens, using the Windows (R) CE. NET operating system
- CO<sub>2</sub> refrigerant heat-pump water heaters, incorporating the world's first CO<sub>2</sub> ejector cycle system to improve heat pump efficiency

### OVERVIEW

DENSO's industrial systems are developed and manufactured by Group company DENSO Wave Incorporated. DENSO Wave is applying technology and expertise nurtured over many years by DENSO in the automotive field to manufacturing, logistics, and services. In the past year, this company worked to launch new products and services aimed at growing business related to QR code, a proprietary two-dimensional code technology that DENSO developed in 1994. This paid off with the signing of a major contract with the Coca-Cola Group to begin using QR code. Recently, demand is growing rapidly for services allowing movie- and concert-goers to use QR codes displayed on their mobile phone screens as credits and tickets. In response, DENSO Wave has launched new fixed QR code scanner devices for use at concert venues and movie theaters.

In environmental systems, DENSO is developing a broader lineup of appealing products to drive growth. The CO<sub>2</sub> refrigerant heat-pump water heater, employing technology used in DENSO car air conditioners, is the first product of its kind for household use. This water heater reduces CO<sub>2</sub> emissions by approximately 50% compared to a conventional combustion-type water heater. New products slated for launch include water heaters for apartment and condominium buildings, floor heaters, and dryers for bathrooms.



BAR CODE HANDY  
TERMINAL



INDUSTRIAL ROBOT



CO<sub>2</sub> REFRIGERANT HEAT-  
PUMP WATER HEATER

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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

	2003	2002	2002*1		2000	1999	1998	2003
			unaudited	2001				
<b>Net Sales:</b>	<b>¥2,332,760</b>	¥2,401,098	¥2,183,062	¥2,014,978	¥1,883,407	¥1,758,842	¥1,667,311	<b>\$19,439,667</b>
Sales in Japan	1,325,637	1,277,865	1,277,865	1,245,830	1,161,016	1,104,579	1,135,834	11,046,975
Sales outside Japan	1,007,123	1,123,233	905,197	769,148	722,391	654,263	531,477	8,392,692
<b>Operating Income</b>	<b>159,893</b>	133,340	129,888	123,526	116,682	101,663	112,786	<b>1,332,442</b>
<b>Net Income</b>	<b>111,018</b>	72,313	70,800	60,799	61,913	58,969	71,158	<b>925,150</b>
<b>Total Assets</b>	<b>2,354,657</b>	2,361,048	—	2,343,328	2,154,251	1,917,192	1,745,329	<b>19,622,142</b>
<b>Shareholders' Equity</b>	<b>1,397,888</b>	1,421,212	—	1,451,211	1,304,400	1,121,171	1,057,173	<b>11,649,067</b>
<b>Capital Expenditures</b>	<b>171,108</b>	193,599	183,977	140,447	169,953	212,745	177,757	<b>1,425,900</b>
<b>Depreciation</b>	<b>146,651</b>	147,277	139,991	134,416	134,706	124,289	103,068	<b>1,222,091</b>
<b>R&amp;D Expenses</b>	<b>182,886</b>	185,627	181,044	176,959	160,055	154,207	157,615	<b>1,524,050</b>
<b>Net Cash Provided by Operating Activities</b>	<b>267,344</b>	206,663	—	202,127	196,020	155,540	—	<b>2,227,867</b>
							Yen	U.S. dollars
<b>Per Share:</b>								
Basic net income	¥128.37	¥80.22	¥78.54	¥66.51	¥68.15	¥65.46	¥79.93	\$1.07
Fully diluted net income	126.65	78.93	77.29	65.51	66.73	63.51	76.31	1.06
Cash dividends	20.00	18.00	—	17.00	17.00	15.00	15.00	0.17
<b>Ratios:</b>								
Return on Sales (%)	4.8	3.0	3.2	3.0	3.3	3.4	4.3	
Current Ratio (%)	161.2	174.0	—	199.0	227.1	223.2	209.2	
Fixed Ratio (%)	97.3	95.2	—	91.4	77.1	77.4	73.8	
Return on Equity (%)	7.9	5.0	4.9	4.4	4.9	5.4	7.0	
<b>Average Number of Shares (in thousands)</b>	<b>860,828</b>	901,489	—	914,121	908,519	900,836	890,226	
<b>Number of Employees</b>	<b>89,380</b>	86,639	—	85,371	80,795	72,359	57,084	

Notes: 1. As of March 31, 2003, DENSO CORPORATION had 155 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.  
\*1 The italicized figures for the year ended March 31, 2002 represent unaudited amounts calculated by management to reflect comparative income statement information 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 ¥120=US\$1, the approximate exchange rate prevailing on March 31, 2003, the last trading day of the fiscal year.

## OPERATING SUMMARY BY INDUSTRY SEGMENT

Millions of yen  
(percentage of net sales)

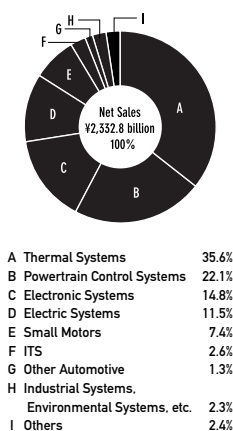
Thousands of  
U.S. dollars

	2003	2002	2002*1		2000	2003
			unaudited	2001		
<b>Thermal Systems</b>	<b>¥ 830,018</b>	¥ 870,676	¥ 764,244	¥ 690,502	¥ 660,659	<b>\$ 6,916,817</b>
	(35.6%)	(36.2%)	(35.0%)	(34.3%)	(35.1%)	
<b>Powertrain Control Systems</b>	<b>514,604</b>	500,892	460,974	402,829	357,123	<b>4,288,367</b>
	(22.1)	(20.8)	(21.1)	(20.0)	(19.0)	
<b>Electronic Systems</b>	<b>345,543</b>	353,052	324,274	315,740	294,177	<b>2,879,525</b>
	(14.8)	(14.7)	(14.8)	(15.6)	(15.6)	
<b>Electric Systems</b>	<b>269,567</b>	288,004	261,097	250,136	243,150	<b>2,246,392</b>
	(11.5)	(12.0)	(12.0)	(12.4)	(12.9)	
<b>Small Motors</b>	<b>171,914</b>	167,460	156,810	156,608	142,493	<b>1,432,617</b>
	(7.4)	(7.0)	(7.2)	(7.8)	(7.6)	
<b>ITS</b>	<b>60,328</b>	57,015	55,878	39,438	29,183	<b>502,733</b>
	(2.6)	(2.4)	(2.6)	(2.0)	(1.5)	
<b>Other Automotive</b>	<b>30,816</b>	22,562	21,806	15,908	14,702	<b>256,800</b>
	(1.3)	(1.0)	(1.0)	(0.8)	(0.8)	
Automotive sub-total	2,222,790	2,259,661	2,045,083	1,871,161	1,741,487	18,523,251
	(95.3)	(94.1)	(93.7)	(92.9)	(92.5)	
<b>Industrial Systems and Environmental Systems</b>	<b>53,353</b>	48,167	45,530	42,800	38,373	<b>444,608</b>
	(2.3)	(2.0)	(2.1)	(2.1)	(2.0)	
<b>Others</b>	<b>56,617</b>	93,270	92,449	101,017	103,547	<b>471,808</b>
	(2.4)	(3.9)	(4.2)	(5.0)	(5.5)	
New businesses sub-total	109,970	141,437	137,979	143,817	141,920	916,416
	(4.7)	(5.9)	(6.3)	(7.1)	(7.5)	
<b>Total</b>	<b>¥2,332,760</b>	¥2,401,098	¥2,183,062	¥2,014,978	¥1,883,407	<b>\$19,439,667</b>
	(100.0)	(100.0)	100.0	(100.0)	(100.0)	

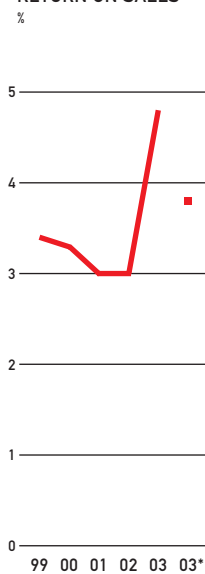
Notes: 1. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year end to March 31 from December 31.  
\*1 The italicized figures for the year ended March 31, 2002 represent unaudited amounts calculated by management to reflect comparative income statement information 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 ¥120=US\$1, the approximate exchange rate prevailing on March 31, 2003, the last trading day of the fiscal year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BREAKDOWN OF NET SALES



## RETURN ON SALES



\* Excludes non-recurring extraordinary items

## BUSINESS OVERVIEW

In the year ended March 31, 2003, the global economy slowed as a spate of terrorist incidents and the war in Iraq led to a deterioration in the geopolitical situation. Excluding the relatively buoyant Asian market, automobile sales in all major markets were generally lower than in the previous fiscal period. In Japan, the economy achieved real GDP growth for the first time in two years, helped by strong exports to Asia, particularly to the rapidly growing Chinese market, and comparatively strong consumer spending despite the difficult labor market and falling personal incomes.

Although domestic car sales were stable, a significant year-on-year increase in exports, mainly to the United States and Asia, pushed car production in Japan past the 10 million-unit level for the first time in two years. In the automotive component industry, there was renewed emphasis on cost reduction initiatives and efforts to accelerate the development of new technologies, as global competition reached new levels of intensity.

DENSO followed a strategy designed to ensure Group competitiveness in the face of this intensifying global competition. The main tenets of this strategy were: sustaining growth by upgrading the global supply framework and developing innovative technologies and products; enhancing DENSO's reputation for reliable, high-quality products based on its "Quality First" commitment; and strengthening the Group's corporate structure through further cost reduction and thorough risk management. During the year under review, DENSO also remained committed to its program of global environmental protection activities.

As a result, DENSO net sales decreased 2.8% to ¥2,332.8 billion, operating income increased 19.9% to ¥159.9 billion, and net income grew 53.5% to ¥111.0 billion.

Due to a change in the fiscal year-ends at 45 overseas subsidiaries and equity-method affiliates, 15 months of business activity at these companies were included in the previous period's results. Excluding this effect by restating DENSO's results for the previous period on a comparable 12-month basis, net sales increased 6.9% or ¥149.7 billion, operating income rose 23.1% or ¥30.0 billion, and net income increased 56.8% or ¥40.2 billion. The increase in net sales primarily reflected higher automobile production in Japan, the Americas, and Oceania, as well as aggressive efforts to boost sales. The rise in operating income was mainly attributable to higher margins due to improved capacity utilization as sales rose, measures to reduce the cost of sales, and other efforts to rationalize and streamline operations. Net income grew in line with the increase in operating income and was also boosted by the gain on exemption from future pension obligation of the governmental program of ¥112.2 billion.

## NET SALES

Consolidated net sales fell 2.8% or ¥68.3 billion, to ¥2,332.8 billion. Excluding the effect of a change in the fiscal periods of subsidiaries and affiliates in the previous year by restating results for that fiscal year on a comparable 12-month basis, net sales increased 6.9% or ¥149.7 billion.

### BY GEOGRAPHIC SEGMENT

Comparison of percentage figures and amounts in the following segment analysis of net sales are made on a 12-month basis.

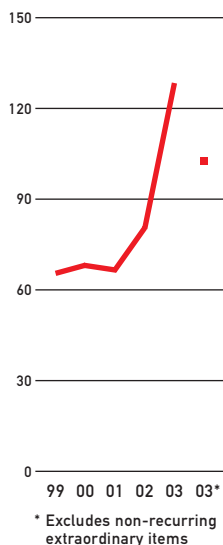
In Japan, higher automobile production and exports, together with success in winning new business, led to an increase in segment sales of 5.3% or ¥87.6 billion, to ¥1,730.7 billion. Increased automobile production and a rise in new business were also factors in higher sales in the Americas, up 5.6% or ¥28.7 billion, to ¥540.6 billion. Despite the impact of weak car sales in Europe, DENSO increased sales in the region by 13.1% or ¥31.7 billion, to ¥274.0 billion, owing to concerted efforts to win new orders and the benefits of a weaker yen. In Asia and Oceania, higher automobile production and the weaker yen combined to drive sales up 28.4% or ¥41.2 billion, to ¥185.9 billion.

### BY BUSINESS SEGMENT

Comparison of percentage figures and amounts in the following segment analysis of net sales are made on a 12-month basis.

In the year under review, DENSO recorded a ¥177.7 billion increase in net sales in the automotive field, approximately 80% of which was generated by the following three business segments. Thermal systems: sales rose 8.6% or ¥65.8 billion due to strong demand for air conditioners and cooling systems from North America, Europe, and Asia and Oceania. Powertrain control systems: stable demand for system control components, filters, and diesel injection systems in Japan, and ignition stick coils, fuel injectors, and idle-speed control valves in North America, led to an 11.6% or ¥53.6 billion increase in sales. Electronic systems: sales were up 6.6% or ¥21.3 billion, thanks to strong performances from engine ECUs and semiconductor products in Japan, and meters and engine ECUs in Asia and Oceania.

**EARNINGS PER SHARE  
YEN**



**OPERATING INCOME**

Operating income rose 19.9% or ¥26.6 billion, to ¥159.9 billion. Excluding the effect of a change in the fiscal periods of subsidiaries and affiliates in the previous year by restating results for the year under review on a 12-month basis, the increase in operating income was 23.1% or ¥30.0 billion.

**BY GEOGRAPHIC SEGMENT**

Comparison of percentage figures and amounts in the following segment analysis of net sales are made on a 12-month basis. Operating income in Japan rose 8.6% to ¥123.2 billion, primarily reflecting higher margins due to improved capacity utilization as sales rose and efforts to streamline operations. In the Americas, operating income increased 76.2% to ¥28.2 billion, chiefly attributable to the same factors that boosted operating income in Japan. DENSO posted an operating loss of ¥4.0 billion in Europe, primarily due to sluggish operations in Italy. In Asia and Oceania, operating income more than doubled, rising 108.4% to ¥12.4 billion. Again, this was due to improved capacity utilization in line with higher sales and measures to rationalize operations.

**OTHER INCOME AND EXPENSES**

DENSO recorded net other income of ¥73.6 billion, ¥68.0 billion higher than the previous period. This consisted of gain of ¥112.2 billion on exemption from future pension obligation of the governmental program, and impairment loss on goodwill of ¥37.2 billion in subsidiaries in Italy and other countries.

**INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS**

Income before income taxes and minority interests rose 68.0% or ¥94.6 billion, to ¥233.5 billion, reflecting the factors outlined above. Excluding the effect of a change in the fiscal periods of subsidiaries and affiliates in the previous year by restating results for the previous fiscal year on a comparable 12-month basis, income before income taxes and minority interests increased 72.5% or ¥98.2 billion.

**INCOME TAXES**

Income taxes for the year under review increased 86.1% or ¥54.3 billion, to ¥117.3 billion. The effective tax rate was 50.2%, compared with 45.4% in the previous period, mainly due to items for which no deferred tax assets were recognized such as impairment loss on goodwill.

**MINORITY INTERESTS IN NET INCOME**

Minority interests in net income increased 43.0%, or ¥1.6 billion year on year, to ¥5.2 billion.

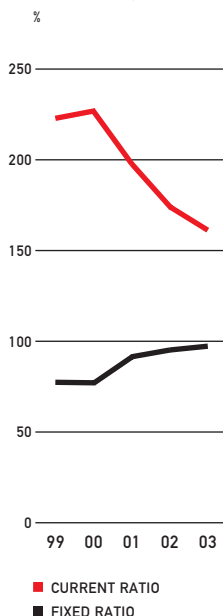
**NET INCOME**

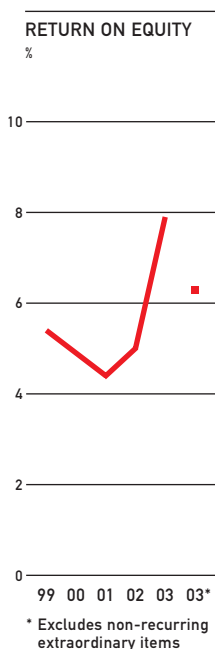
DENSO recorded net income of ¥111.0 billion for the year ended March 31, 2003, ¥38.7 billion or 53.5% (¥40.2 billion or 56.8%\*) higher year on year. ROE rose to 7.9%, against 5.0% (4.9%) in the previous period, while net income per share of common stock increased from ¥80.22 (¥78.54) to ¥128.37. Fully diluted net income per share of common stock was ¥126.65, against ¥78.93 (¥77.29) in the previous year.

Excluding non-recurring items in other income and expenses, net income was ¥88.8 billion, ROE 6.3%, net income per share ¥102.56, and fully diluted net income per share ¥101.23. Non-recurring items were: gain on exemption from future pension obligation of the governmental program of ¥112.2 billion; gain on transfer to a defined contribution plan of ¥ 6.2 billion; loss on redemption of bonds of ¥5.0 billion; restructuring charges of ¥6.9 billion; impairment loss on goodwill of ¥37.2 billion; and other, net expenses of ¥2.0 billion.

\*Figures in brackets are restated on a 12-month basis

**CURRENT RATIO  
FIXED RATIO  
%**





## POLICY ON ALLOCATION OF EARNINGS

### DIVIDENDS

DENSO is committed to paying shareholders a stable dividend over the long term, while taking into consideration the company's operating results and the dividend payout ratio.

DENSO has announced an annual dividend for the year ended March 31, 2003, of ¥20 per share, an increase of ¥2 per share compared with the previous fiscal year.

### TREASURY STOCK REPURCHASES

During the year under review, DENSO repurchased 40 million shares of treasury stock with a value of ¥76.3 billion. This move was made as part of DENSO's strategy to improve ROE and return profits to shareholders, as well as to ensure an expeditious capital funding policy in response to shifts in the operating environment and other factors. DENSO has repurchased a total of 113.3 million shares including repurchases made in the year under review, with a value of ¥221.0 billion, since the beginning of its share buyback program in the year ended March 31, 1997. This represents a repurchase of 13% of all DENSO's issued shares at the time the share buyback program was initiated. In the future, while giving due consideration to cash flows, DENSO will maintain this strategy as an important tool in improving ROE and increasing shareholder value.

## SOURCE OF FUNDS AND LIQUIDITY RISK MANAGEMENT

DENSO's fundamental financial policy is designed to: ensure efficient funding of the operational activities of the entire Group; secure an optimum level of funds and liquidity; and maintain a sound financial position.

### GLOBAL CASH MANAGEMENT SYSTEM

A subsidiary created from DENSO accounting operations, DENSO Finance & Accounting Center Co., Ltd., established in July 2000, manages funds throughout the Group more efficiently. In addition, financing functions for the Americas, Europe, and Asia have been concentrated into regional headquarter subsidiaries. This move has been taken to ensure the optimum supply and management of funds for each region by unifying efforts to reduce the interest payment burden, enhance fund management, and centralize the control of financial risks.

DENSO has also put in place a cash pooling system for US dollar and Japanese yen funds to achieve efficient distribution of global funds and improve cash management. This included the pooling of all US dollar funds held by DENSO subsidiaries in the United States, Canada, Mexico and Japan, in a single regional headquarters subsidiary in the United States from 2001. In the following year, the pooling of Japanese yen funds also began, bringing together all Japanese yen held in Japan and in Europe, where many yen-based transactions are carried out by Group subsidiaries, under the management of the DENSO Finance & Accounting Center. Using this system, DENSO can now more efficiently use excess cash available in one part of the Group to finance subsidiaries that may lack resources in another, thereby reducing the Group's borrowing from bank and payment of interests.

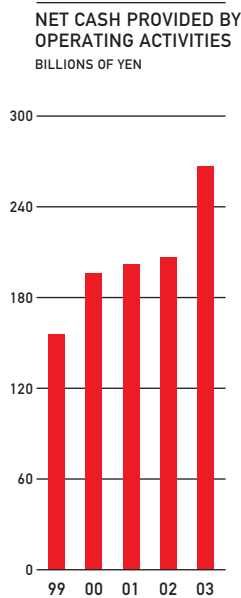
## FINANCIAL POSITION

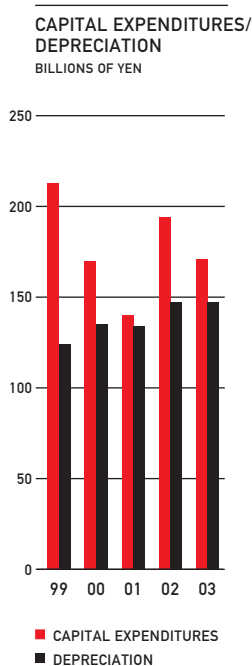
Total assets as of March 31, 2003, were ¥2,354.7 billion, 0.3% or ¥6.4 billion lower than at the end of the previous fiscal year.

Current assets fell 1.3% or ¥12.8 billion, to ¥994.7 billion, primarily reflecting a decline in cash and cash equivalents of ¥18.0 billion.

Total investments and advances increased 0.3% or ¥1.9 billion, to ¥601.9 billion. This was chiefly attributable to an increase of ¥100.1 billion in prepaid pension costs, offset by a decline of ¥38.4 billion in goodwill and a decrease of ¥66.6 billion in investment securities due to a fall in net unrealized gain on available-for-sale securities.

Total of net property, plant, and equipment (net of accumulated depreciation) increased 0.6% or ¥4.5 billion, to ¥758.1 billion. This was mainly attributable to a fall of ¥6.3 billion in buildings and structures and a decline of ¥8.2 billion in machinery and equipment, offset by a rise in land of ¥4.3 billion, and an increase in construction in progress of ¥13.5 billion.





The total of current and long-term liabilities rose 1.6% or ¥13.7 billion year on year, to ¥890.1 billion. This was mainly due to net increases in bonds of ¥40.0 billion and in notes and accounts payable of ¥10.6 billion, outweighing the ¥36.8 billion decline in liability for employees' retirement benefits.

At the end of the year under review, total shareholders' equity totaled ¥1,397.9 billion, a 1.6% or ¥23.3 billion decline compared with the end of the previous fiscal period. This mainly reflected an increase from net income of ¥111.0 billion, against a ¥43.6 billion decline in net unrealized gain on available-for-sale securities and a ¥76.3 billion purchase of treasury stock. As a result, the shareholders' equity ratio declined to 59.4% from 60.2% in the previous fiscal year.

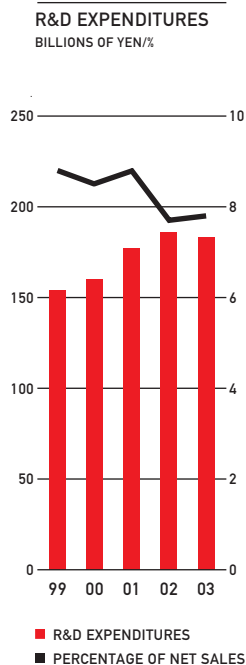
### CASH FLOWS

Net cash provided by operating activities for the fiscal year ended March 31, 2003, was ¥267.3 billion, 29.4% or ¥60.7 billion more than in the previous year. This increase was chiefly attributable to a rise in operating income of ¥26.6 billion, a decrease of ¥23.6 billion in notes and accounts receivable, and an increase of ¥24.7 billion in notes and accounts payable.

Investing activities used net cash of ¥210.6 billion, 34.8% or ¥54.4 billion more than in the previous year. This primarily reflected a decrease in cash used for the acquisition of property, plant, and equipment of ¥8.9 billion, which was more than offset by a rise in the net outflow of cash from the purchase and sale of available-for-sale securities of ¥57.5 billion.

Net cash used in financing activities was ¥73.9 billion, 11.1% or ¥9.3 billion less than in the previous period. This was mainly due to a ¥100.0 billion inflow from the issuance of bonds, against payments of ¥76.3 billion for the purchase of treasury stock, ¥9.3 billion less than the previous fiscal year, a ¥30.8 billion change in net increase in short-term borrowings, and ¥65.0 billion for the repayments of bonds.

As a result, cash and cash equivalents at the end of the period stood at ¥259.8 billion, 6.5% or ¥18.0 billion lower than at the end of the previous period.



### CAPITAL EXPENDITURES / DEPRECIATION

DENSO applies a number of benchmarks to ensure appropriate decisions be made related to capital expenditures. These benchmarks include projected cash flow, ROA, payback period, and forecasts of profitability. As part of its efforts to pare back medium-term fixed costs, DENSO is reducing the size and complexity of production lines, standardizing components, and pursuing global materials sourcing at key manufacturing facilities, as it seeks to achieve a reduction in capital expenditures of more than 30%.

Capital expenditures during the year under review totaled ¥171.1 billion, an 11.6% or ¥22.5 billion decline on the previous period. Depreciation fell 0.4% or ¥0.6 billion, to ¥146.7 billion. Excluding the effect of a change in the fiscal periods of subsidiaries and affiliates in the previous year by restating results for the previous fiscal year under review on a comparable 12-month basis, capital expenditures declined 7.0% or ¥12.9 billion, while depreciation increased 4.8% or ¥6.7 billion.

### BY GEOGRAPHIC SEGMENT

Comparisons in the following segment analysis of capital expenditures and depreciation are made on a 12-month basis. Against declines in capital expenditures in Japan of 16.8% or ¥22.2 billion, to ¥110.1 billion, and in the Americas of 2.9% or ¥0.8 billion, to ¥25.1 billion, capital expenditures in Europe rose 69.8% or ¥10.1 billion, to ¥24.5 billion, and increased 0.4% or ¥0.1 billion, to ¥11.4 billion in Asia and Oceania. The increase in Europe was primarily attributable to investment for the production of common rail systems and VCT components at DENSO Manufacturing Hungary Ltd., and investments related to the start of air conditioner manufacturing at DENSO Manufacturing Czech s.r.o.

Depreciation by region was as follows: 3.9% higher in Japan, at ¥106.4 billion, 1.1% lower in the Americas, at ¥20.8 billion, 19.0% higher in Europe, at ¥11.4 billion, and 16.1% higher in Asia and Oceania, at ¥8.1 billion.

## RESEARCH AND DEVELOPMENT (R&D) ACTIVITIES

DENSO's R&D framework is built around the DENSO Research Laboratories, its basic research facility, Corporate R&D Departments, and R&D sections in production fields controlled by each business segment. All of these facilities are situated in Japan.

Overseas research facilities are located in the United States, and Germany, and are mainly responsible for determining local market needs and the latest automotive industry developments.

DENSO aims to spend an amount equivalent to 8% of net sales on R&D expenses. In the year under review, R&D expenses declined 1.5% or ¥2.7 billion, to ¥182.9 billion, representing an amount equivalent to 7.8% of net sales, up from 7.7% in the previous period. Excluding the effect of a change in the fiscal periods of subsidiaries and affiliates in the previous year by restating results for previous fiscal year on a 12-month comparative basis, R&D expenses increased 1.0% or ¥1.8 billion, representing an amount equivalent to 7.8% of net sales, compared to 8.3% in the previous year.

## OUTLOOK

The outlook for the global economy remains difficult to forecast owing to continuing uncertainty in the geopolitical situation. In Japan, corporate performances will be hamstrung by deflation, while fears of weak consumer spending will persist due to an expected further deterioration in the labor market and personal income levels.

In the automotive industry, DENSO expects sluggish automobile sales and production both at home and abroad. Developments in the United States, the world's largest automobile market, need to be followed particularly closely, as buoyant consumer spending begins to cool and incentives to boost car sales in the year under review start to lose their effect.

In this climate, DENSO will work to further enhance the competitiveness of its products and implement an aggressive sales strategy. Consequently, DENSO is forecasting net sales of ¥2,370.0 billion, an increase of 1.6%, operating income of ¥166.0 billion, up 3.8%, and net income of ¥92.0 billion for the year ending March 31, 2004. Net income is forecast to fall 17.1% in the current year, as the impact of non-recurring items recorded in the year under review, such as the gain on exemption from future pension obligation of the governmental program, will no longer be a factor.

DENSO is projecting net income per share of ¥108.52, capital expenditures of ¥189.0 billion, depreciation of ¥151.0 billion, and R&D expenses of ¥183.0 billion.

(These forecasts are based upon the assumption of yen exchange rates of 1US\$=¥115 and 1EURO=¥120)

The above forecasts are based on 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, we caution readers that actual results could differ materially from plans and expectations.

# CONSOLIDATED BALANCE SHEETS

DENSO CORPORATION AND CONSOLIDATED SUBSIDIARIES  
MARCH 31, 2003, AND 2002

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 259,845	¥ 277,894	\$ 2,165,375
Short-term investments (Note 4)	35,341	26,594	294,508
Notes and accounts receivable (Note 8):			0
Trade	415,821	422,542	3,465,175
Non-consolidated subsidiaries and affiliates	4,103	3,811	34,192
	419,924	426,353	3,499,367
Less: Allowance for doubtful accounts	(2,397)	(3,837)	(19,975)
	417,527	422,516	3,479,392
Inventories (Notes 5 and 8)	196,581	188,418	1,638,175
Deferred income taxes (Note 6)	39,495	36,621	329,125
Other current assets	45,901	55,433	382,508
Total current assets	994,690	1,007,476	8,289,083
<b>Investments and Advances:</b>			
Investment securities (Notes 4 and 8)	392,232	458,864	3,268,600
Investments in non-consolidated subsidiaries and affiliates	39,126	34,869	326,050
Prepaid pension cost (Note 9)	100,135	—	834,458
Other investments (Note 6)	70,396	106,272	586,634
Total investments and advances	601,889	600,005	5,015,742
<b>Property, Plant and Equipment (Note 8):</b>			
Buildings and structures	549,811	536,296	4,581,758
Machinery and equipment	1,695,672	1,657,630	14,130,600
	2,245,483	2,193,926	18,712,358
Less: Accumulated depreciation	(1,697,389)	(1,632,496)	(14,144,908)
	548,094	561,430	4,567,450
Land	138,283	133,964	1,152,358
Construction in progress	71,701	58,173	597,508
Net property, plant and equipment	758,078	753,567	6,317,317
<b>Total</b>	¥ 2,354,657	¥ 2,361,048	\$ 19,622,142

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
<b>Current Liabilities:</b>			
Short-term borrowings (Notes 7 and 8)	¥ 33,898	¥ 41,723	\$ 282,483
Current portion of long-term debt (Notes 7 and 8)	44,805	34,845	373,375
Notes and accounts payable:			
Trade	284,994	273,761	2,374,950
Non-consolidated subsidiaries and affiliates	21,433	22,098	178,608
	306,427	295,859	2,553,558
Income taxes payable	40,342	24,756	336,184
Accrued expenses	97,068	82,509	808,900
Accrued bonuses to employees	46,356	44,200	386,300
Other current liabilities (Notes 6 and 8)	48,164	54,997	401,367
Total current liabilities	617,060	578,889	5,142,167
<b>Long-Term Liabilities:</b>			
Long-term debt (Notes 7 and 8)	108,404	111,134	903,367
Liability for employees' retirement benefits (Note 9)	140,546	177,382	1,171,217
Other long-term liabilities (Note 6)	24,101	8,966	200,841
Total long-term liabilities	273,051	297,482	2,275,425
<b>Minority Interests</b>	<b>66,658</b>	63,465	555,483
<b>Contingent Liabilities</b> (Note 10)			
<b>Shareholders' Equity</b> (Note 11):			
Common stock:			
Authorized: 1,426,942,000 shares in 2003 and 2002			
Issued 884,068,713 shares in 2003 and 866,275,848 shares in 2002	187,457	173,098	1,562,142
Capital surplus	266,005	251,644	2,216,708
Retained earnings	989,198	895,522	8,243,317
Net unrealized gain on available-for-sale securities	73,237	116,827	610,308
Foreign currency translation adjustments	(40,452)	(14,634)	(337,100)
Total	1,475,445	1,422,457	12,295,375
Less: Treasury stock at cost			
40,716,911 in 2003 and 589,818 shares in 2002	(77,557)	(1,245)	(646,308)
Total shareholders' equity	1,397,888	1,421,212	11,649,067
<b>Total</b>	<b>¥2,354,657</b>	¥2,361,048	<b>\$19,622,142</b>

# CONSOLIDATED STATEMENTS OF INCOME

DENSO CORPORATION AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2003, 2002, AND 2001

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
<b>Net Sales</b> (Note 12)	<b>¥2,332,760</b>	¥2,401,098	¥2,014,978	<b>\$19,439,667</b>
<b>Cost of Sales</b> (Note 13)	<b>1,948,636</b>	2,047,171	1,695,344	<b>16,238,633</b>
Gross profit	<b>384,124</b>	353,927	319,634	<b>3,201,034</b>
<b>Selling, General and Administrative Expenses</b> (Note 13)	<b>224,231</b>	220,587	196,108	<b>1,868,592</b>
Operating income	<b>159,893</b>	133,340	123,526	<b>1,332,442</b>
<b>Other Income (Expenses):</b>				
Interest and dividend income	<b>9,358</b>	10,033	12,102	<b>77,983</b>
Interest expense	<b>(4,103)</b>	(5,851)	(4,561)	<b>(34,192)</b>
Equity in earnings of affiliates	<b>2,322</b>	2,408	1,858	<b>19,350</b>
Foreign exchange (loss) gain	<b>(1,156)</b>	3,243	3,661	<b>(9,633)</b>
Gain on exemption from future pension obligation of the governmental program (Note 9)	<b>112,172</b>	—	—	<b>934,767</b>
Gain on transfer to a defined contribution pension plan (Note 9)	<b>6,206</b>	—	—	<b>51,717</b>
Gain on securities contributed to trust for retirement benefits	—	—	70,615	—
Loss on redemption of bonds (Note 7)	<b>(4,964)</b>	—	—	<b>(41,367)</b>
Restructuring charges	<b>(6,912)</b>	(4,382)	—	<b>(57,600)</b>
Impairment loss on goodwill	<b>(37,226)</b>	—	—	<b>(310,217)</b>
Charge for full amount of transitional obligation for retirement benefits (Note 9)	—	—	(97,623)	—
Other, net	<b>(2,056)</b>	192	(2,279)	<b>(17,133)</b>
Total	<b>73,641</b>	5,643	(16,227)	<b>613,675</b>
Income before income taxes and minority interests	<b>233,534</b>	138,983	107,299	<b>1,946,117</b>
<b>Income Taxes</b> (Note 6):				
Current	<b>78,193</b>	65,877	69,724	<b>651,608</b>
Deferred	<b>39,126</b>	(2,841)	(24,954)	<b>326,050</b>
Total	<b>117,319</b>	63,036	44,770	<b>977,658</b>
<b>Minority Interests in Net Income</b>	<b>5,197</b>	3,634	1,730	<b>43,309</b>
Net income	<b>¥ 111,018</b>	¥ 72,313	¥ 60,799	<b>\$ 925,150</b>

	Yen			U.S. dollars (Note 3)
<b>Per Share of Common Stock</b> (Notes 2(n) and 17):				
Basic net income	<b>¥ 128.37</b>	¥ 80.22	¥ 66.51	<b>\$1.07</b>
Fully diluted net income	<b>126.65</b>	78.93	65.51	<b>1.06</b>
Cash dividends applicable to the year	<b>20.00</b>	18.00	17.00	<b>0.17</b>
<b>Average Number of Shares</b> (in thousands)	<b>860,828</b>	901,489	914,121	

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

DENSO CORPORATION AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2003, 2002, AND 2001

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
<b>Common Stock:</b>				
Balance at beginning of period	¥ 173,098	¥ 173,098	¥ 173,098	\$ 1,442,483
Conversion of convertible bonds	14,359	0	—	119,659
Balance at end of period	¥ 187,457	¥ 173,098	¥ 173,098	\$ 1,562,142
<b>Capital Surplus:</b>				
Balance at beginning of period	¥ 251,644	¥ 251,643	¥ 251,643	\$ 2,097,033
Gain on disposal of treasury stock	20	—	—	167
Conversion of convertible bonds	14,341	1	—	119,508
Balance at end of period	¥ 266,005	¥ 251,644	¥ 251,643	\$ 2,216,708
<b>Retained Earnings:</b>				
Balance at beginning of period	¥ 895,522	¥ 924,467	¥ 879,659	\$ 7,462,683
Net income	111,018	72,313	60,799	925,150
Retirement of treasury stock	—	(84,923)	—	—
Cash dividends	(16,848)	(16,452)	(15,540)	(140,400)
Bonuses to directors and corporate auditors	(465)	(435)	(435)	(3,874)
(Decrease) in retained earnings due to change of consolidation scope	(29)	—	(13)	(242)
Other	—	552	(3)	—
Balance at end of period	¥ 989,198	¥ 895,522	¥ 924,467	\$ 8,243,317
<b>Net Unrealized Gain on Available-for-sale Securities</b>				
<b>at End of Period</b>	¥ 73,237	¥ 116,827	¥ 154,236	\$ 610,308
<b>Foreign Currency Translation Adjustments at End of Period</b>	¥ (40,452)	¥ (14,634)	¥ (51,485)	\$ (337,100)
<b>Treasury Stock at End of Period</b>	¥ (77,557)	¥ (1,245)	¥ (748)	\$ (646,308)
<b>Total Shareholders' Equity at End of Period</b>	<b>¥1,397,888</b>	<b>¥1,421,212</b>	<b>¥1,451,211</b>	<b>\$11,649,067</b>

	Thousands of shares		
	2003	2002	2001
<b>Issued Number of Shares:</b>			
Balance at beginning of period	866,276	914,275	914,275
Issued on conversion of convertible bonds	17,793	1	—
Retirement of treasury stock	—	(48,000)	—
Balance at end of period	884,069	866,276	914,275

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

DENSO CORPORATION AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2003, 2002, AND 2001

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
<b>Operating Activities:</b>				
Income before income taxes and minority interests	¥ 233,534	¥ 138,983	¥ 107,299	\$ 1,946,117
Adjustments for:				
Payment of income taxes	(62,483)	(72,464)	(64,868)	(520,692)
Depreciation	146,651	147,277	134,416	1,222,091
Amortization of goodwill including impairment	37,349	4,785	8,663	311,241
(Decrease) Increase in liability for retirement benefits	(37,936)	2,912	4,339	(316,133)
Equity in earnings of affiliates	(2,322)	(2,408)	(1,858)	(19,350)
Loss on sale or disposal of property, plant and equipment, net	4,691	5,691	6,033	39,092
Marketable securities contributed to trust for retirement benefits	—	—	19,780	—
Changes in assets and liabilities:				
Decrease (Increase) in notes and accounts receivable	4,682	(18,893)	(12,612)	39,017
(Increase) Decrease in inventories	(12,640)	13,003	(20,753)	(105,333)
Increase (decrease) in notes and accounts payable	10,495	(14,201)	5,359	87,458
Increase in defined contribution pension payable	18,063	—	—	150,525
Increase in prepaid pension cost	(100,135)	—	—	(834,458)
Foreign exchange loss (gain)	1,004	518	(438)	8,367
Other, net	26,391	1,460	16,767	219,925
Total adjustments	33,810	67,680	94,828	281,750
Net cash provided by operating activities	267,344	206,663	202,127	2,227,867
<b>Investing Activities:</b>				
Acquisition of property, plant and equipment	(179,339)	(188,277)	(144,274)	(1,494,492)
Proceeds from sale of property, plant and equipment	9,313	12,538	8,014	77,608
Purchase of available-for-sale securities	(53,864)	(39,332)	(54,385)	(448,867)
Proceeds from sale and redemption of available-for-sale securities	31,253	74,254	80,536	260,442
Payment for purchase of consolidated subsidiaries, net of cash acquired	(443)	(342)	(31,557)	(3,692)
Other, net	(17,538)	(15,098)	(16,990)	(146,149)
Net cash used in investing activities	(210,618)	(156,257)	(158,656)	(1,755,150)
<b>Financing Activities:</b>				
Net (decrease)/increase in short-term borrowings	(8,491)	22,355	(6,850)	(70,758)
Increase in long-term debt	675	3,474	1,852	5,625
Repayments of long-term debt	(6,728)	(5,843)	(5,906)	(56,067)
Issuance of bonds	99,985	—	—	833,208
Repayments of long-term bonds	(64,964)	—	—	(541,367)
Dividends paid	(16,848)	(16,452)	(15,540)	(140,400)
Purchase of treasury stock	(76,315)	(85,582)	(1,501)	(635,958)
Other, net	(1,244)	(1,155)	(79)	(10,366)
Net cash used in financing activities	(73,930)	(83,203)	(28,024)	(616,083)
<b>Foreign Currency Translation Adjustments on Cash and Cash Equivalents</b>	(1,758)	7,117	3,714	(14,650)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(18,962)	(25,680)	19,161	(158,016)
<b>Cash and Cash Equivalents at Beginning of Period</b>	277,894	303,493	283,925	2,315,783
<b>Cash and Cash Equivalents of Newly Consolidated Subsidiaries</b>	913	81	407	7,608
<b>Cash and Cash Equivalents at End of Period</b>	¥ 259,845	¥ 277,894	¥ 303,493	\$ 2,165,375
<b>Additional cash flow information:</b>				
Non-cash investing and financing activities:				
Conversion of convertible bonds to common stock and additional paid-in capital	¥ 28,700	¥ 1	—	\$ 239,167
Assets and liabilities increased due to purchase of consolidated subsidiaries:				
Fair value of assets acquired	¥ 6,508	¥ 1,430	¥ 53,931	\$ 54,233
Liabilities assumed	4,639	706	22,301	38,658
Cash paid for the capital	567	517	31,574	4,725

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DENSO CORPORATION AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2003, 2002, AND 2001

## 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 Financing Reporting 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. Certain reclassifications of the consolidated financial statements for the years ended March 31, 2002 and 2001 have been made to conform with the presentation for the year ended March 31, 2003.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) PRINCIPLES OF CONSOLIDATION AND ACCOUNTING FOR INVESTMENTS IN AFFILIATES

The Company had 155 subsidiaries at March 31, 2003 (153 for 2002 and 142 for 2001).

The Company applied the "control" concept for its consolidation policy. 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, 2003 include all 155 subsidiaries (150 for 2002 and 131 for 2001). 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, 2003 (25 affiliates for 2002 and 22 affiliates for 2001).

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 2003, 6 of the Company's foreign subsidiaries and in fiscal 2002, 45 of the 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. The Company's consolidated financial statements thus include 15 months of operating results at the 6 subsidiaries that changed their fiscal year-ends in the year ended March 31, 2003, and at the 45 subsidiaries and affiliates that made the same transition in the year ended March 31, 2002.

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 rates 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.

### (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

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.

**(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**

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 statements of income to the extent that they are not hedged by forward exchange contracts.

**(H) INCOME TAXES**

The provision for current income taxes is computed based on the pretax income included in the consolidated statements of income.

The asset and liability approach is used to recognize deferred income taxes, which 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 likely 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, 2000 was charged to income and presented as other expense in the statement of income for the year ended March 31, 2001. 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.

**(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**

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: 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 statements 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, interest rate and currency swap contracts and foreign currency swap contracts employed to hedge foreign exchange exposures 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

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits. Prior to April 1, 2002, no adjustment was made to net income. The effect of this change was not material.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

## 3. U.S. DOLLAR AMOUNTS

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 ¥120 to U.S.\$1, the approximate rate of exchange at March 31, 2003, 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.

## 4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

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

The carrying amounts and aggregate fair values of available-for-sale securities included in short-term investments and in investment securities at March 31, 2003 and 2002 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
	2003				2003			
Equity securities	¥134,950	¥122,165	¥(2,005)	¥255,110	\$1,124,583	\$1,018,042	\$(16,708)	\$2,125,917
Debt securities	145,128	1,845	(51)	146,922	1,209,400	15,375	(425)	1,224,350
Total	¥280,078	¥124,010	¥(2,056)	¥402,032	\$2,333,983	\$1,033,417	\$(17,133)	\$3,350,267

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
	2002			
Equity securities	¥132,024	¥199,013	¥(1,854)	¥329,183
Debt securities	130,969	2,126	(98)	132,997
Total	¥262,993	¥201,139	¥(1,952)	¥462,180

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, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Equity securities	¥17,148	¥17,239	\$142,900
Debt securities	3,622	245	30,183
Total	¥20,770	¥17,484	\$173,083

The carrying amounts of debt securities by contractual maturities for available-for-sale securities at March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Due in one year or less	¥ 30,455
Due after one year through five years	107,811	898,425
Due after five years through ten years	12,288	102,400
Total	¥150,544	\$1,254,533

## 5. INVENTORIES

Inventories at March 31, 2003 and 2002, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Finished products	¥ 85,178	¥ 85,346	\$ 709,816
Work in process	52,925	50,743	441,042
Raw materials and supplies	58,478	52,329	487,317
Total	¥196,581	¥188,418	\$1,638,175

## 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 years ended March 31, 2003, 2002, and 2001.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Depreciation	¥ 59,631	¥ 60,729	\$ 496,925
Retirement benefits	38,451	57,356	320,425
Long-term prepaid expenses	15,536	7,571	129,467
Accrued bonuses to employees	15,906	12,236	132,550
Other	42,891	38,046	357,425
Less: Valuation allowance	(7,692)	(4,439)	(64,100)
Total deferred tax assets	¥164,723	171,499	\$1,372,692
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 48,479	¥ 82,097	\$ 403,992
Prepaid pension cost	31,948	—	266,233
Depreciation at foreign subsidiaries	—	4,550	—
Other	12,912	6,733	107,600
Total deferred tax liabilities	¥ 93,339	¥ 93,380	\$ 777,825
Net deferred tax assets	¥ 71,384	¥ 78,119	\$ 594,867

Net deferred tax assets are presented in the consolidated balance sheets at March 31, 2003 and 2002 as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Current assets-Deferred income taxes	¥39,495	¥36,621	\$329,125
Investments and advances-Other investments	37,988	47,586	316,567
Current liabilities-Other current liabilities	(295)	(266)	(2,458)
Long-term liabilities-Other long-term liabilities	(5,804)	(5,822)	(48,367)
Net deferred tax assets	¥71,384	¥78,119	\$594,867

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

The reconciliation for the years ended March 31, 2003 and 2002 was as follows:

	2003	2002
Normal effective statutory tax rate	41.24%	41.24%
Amortization of goodwill	6.60%	1.45%
Tax benefits not recognized on operating losses of subsidiaries	1.23%	1.06%
Adjustment of deferred tax assets due to tax rate change	1.11%	—
Other	0.06%	1.61%
Actual effective tax rate	50.24%	45.36%

## 7.

### SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Due to revisions to regional tax laws that came into effect on March 31, 2003, the statutory effective tax rate was changed from 41.24% to 39.76% effective for the years beginning April 1, 2004. As a result of this change, net deferred tax assets decreased by ¥794 million (\$6,617 thousand), while deferred income taxes and net unrealized gain on available-for-sale securities increased by ¥2,595 million (\$21,625 thousand) and ¥1,801 million (\$15,008 thousand), respectively.

Short-term borrowings at March 31, 2003 and 2002 consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to short-term borrowings at March 31, 2003 and 2002 were 3.8% and 4.1%, respectively.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Unsecured 1.6% convertible yen bonds due 2002	—	¥ 29,317	—
Unsecured 1.32% yen bonds due 2003	¥ 40,000	40,000	\$ 333,333
Unsecured 1.9% yen bonds due 2008	—	60,000	—
Unsecured 0.34% yen bonds due 2007	50,000	—	416,667
Unsecured 1.11% yen bonds due 2012	50,000	—	416,667
Other long-term debt (weighted average interest rates of 3.1%)	13,209	16,662	110,075
<b>Total</b>	<b>¥153,209</b>	<b>¥145,979</b>	<b>\$1,276,742</b>
Less: Current portion	44,805	(34,845)	373,375
<b>Long-term debt, less current portion</b>	<b>¥108,404</b>	<b>¥111,134</b>	<b>\$ 903,367</b>

The Company assigned the obligation to repay 1.9% unsecured bonds issued on June 23, 1998 to a financial institution during the year ended March 31, 2003. Accordingly, these bonds have been treated as redeemed and loss on redemption of bonds in the amount of ¥4,964 million (\$41,367 thousand) was recognized. Contingent liabilities to bond holders with respect to this transaction are described in Note 10.

On June 23, 1998, the Company issued ¥40,000 million in 1.32% unsecured bonds due in June 2003. On November 13, 2002, the Company issued unsecured bonds of ¥50,000 (\$416,677 thousand) million in 0.34% due in September 2007 and of ¥50,000 million (\$416,677 thousand) in 1.11% due in September 2012, all payable in Japanese yen. All bonds were issued by public placement.

The aggregate annual maturities of long-term debt subsequent to March 31, 2003 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2004	¥ 44,805	\$ 373,375
2005	4,222	35,183
2006	2,183	18,192
2007	1,431	11,925
2008	50,167	418,058
2009 and thereafter	50,401	420,009
<b>Total</b>	<b>¥153,209</b>	<b>\$1,276,742</b>

## 8.

### PLEGDED ASSETS

The following assets were pledged as collateral for short-term borrowings of ¥2,097 million (\$17,475 thousand), deposits received included in other current liabilities of ¥140 million (\$1,167 thousand) and long-term debt of ¥315 million (\$2,625 thousand) at March 31, 2003.

	Millions of yen	Thousands of U.S. dollars
Investment securities	¥ 791	\$ 6,592
Buildings and structures net of accumulated depreciation	1,275	10,625
Machinery and equipment net of accumulated depreciation	5,307	44,225
Land	3,360	28,000
Others (notes and accounts receivable, and inventories)	1,569	13,075
<b>Total</b>	<b>¥12,302</b>	<b>\$102,517</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 subsidiaries adopted individual pension plans.

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company implemented a defined contribution pension plan in October 2002 by which a portion of the severance lump-sum payment plan was terminated. The Company applied accounting treatments specified in the guidance issued by the Accounting Standards Board of Japan. The effect of this transfer was to increase income before income taxes and minority interests by ¥6,206 million (\$51,717 thousand) and was recorded as gain on transfer to a defined contribution pension plan in the statement of income for the year ended March 31, 2003. As a result of this transition, the projected benefit obligations and the unrecognized actuarial losses are decreased by ¥32,245 million (\$268,708 thousand) and ¥1,922 million (\$16,016 thousand), respectively, and the liability for employees' retirement benefits decreased by ¥30,323 million (\$252,692 thousand). Plan assets of ¥24,117 million (\$200,975 thousand) will be transferred over a period of four years. As of March 31, 2003, plan assets not yet transferred totaled ¥18,063 million (\$150,525 thousand), as accrued expenses under other current liabilities, and long-term accrued liabilities under other long-term Liabilities.

The Company and certain domestic subsidiaries also have contributory funded defined benefit pension plans. The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on April 1, 2002.

As a result of this exemption, the Company recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥112,172 million (\$934,767 thousand) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

Estimated plan assets to be returned to the government at March 31, 2003 were ¥115,866 million (\$965,550 thousand).

The liability (asset) for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Projected benefit obligation	¥ 458,174	¥ 730,982	\$ 3,818,117
Fair value of plan assets	(244,268)	(404,263)	(2,035,566)
Unrecognized actuarial loss	(176,028)	(174,517)	(1,466,900)
Unrecognized prior service cost	2,533	25,180	21,108
Net liability	40,411	—	336,759
Prepaid pension cost	100,135	—	834,458
Liability for employees' retirement benefits	¥ 140,546	¥ 177,382	\$ 1,171,217

The components of net periodic retirement benefit costs for the years ended March 31, 2003, 2002 and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Service cost	¥ 24,321	¥ 26,665	¥ 23,502	\$ 202,675
Interest cost	10,861	17,834	17,556	90,508
Expected return on plan assets	(9,497)	(14,340)	(14,650)	(79,141)
Amortization of prior service cost	(109)	(2,843)	(946)	(908)
Amortization of transitional obligation	—	—	97,623	—
Recognized actuarial loss	11,397	5,306	—	94,975
Net periodic retirement benefit costs	¥ 36,973	¥ 32,622	¥ 123,085	\$ 308,109
Gain on exemption from future pension obligation of the governmental program	¥(112,172)	—	—	\$ (934,767)
Gain on transfer to a defined contribution pension plan	(6,206)	—	—	(51,717)
Contribution to defined contribution pension plan fund	10,089	—	—	84,075
Total	¥ (71,316)	—	—	\$ (594,300)

Assumptions used for the years ended March 31, 2003 and 2002 were set forth as follows:

	2003	2002
Discount rate	mainly 2.5%	mainly 2.5%
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

At March 31, 2003, the Companies had the following contingent liabilities:

## 10.

### CONTINGENT LIABILITIES

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans from financial institutions to the Companies' employees and others	¥ 3,855	\$ 32,125
Trade notes sold with recourse	4,185	34,875
Redemption of 1.9% yen bonds transferred to a third party under a debt assumption agreement	60,000	500,000
	¥68,040	\$567,000

# 11.

## SHAREHOLDERS' EQUITY

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

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock 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 beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The amount of retained earnings available for dividends under the Code was ¥647,188 million (\$5,393,233 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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 certain stock option plans approved by the Company's shareholders, the Company has granted stock options to directors and general managers.

Each option permits the holder to purchase one hundred shares of the Company's common stock at a specified exercise price, during a specified period.

Information about the outstanding stock option plans is as follows:

Date of Approval	Option Holder	Total Number of Outstanding Options	Exercise Period	Exercise Price *
June 29, 2000	Directors	2,240	From July 1, 2002 to June 30, 2006	¥2,717
June 28, 2001	General Managers			
	Directors	2,570	From July 1, 2003 to June 30, 2007	¥2,397
	General Managers			
June 27, 2002	Directors	8,520	From July 1, 2004 to June 30, 2008	¥2,003
	General Managers			

\* Subject to adjustment for subsequent stock splits and other circumstances.

During 2002, the Company retired 48,000 thousand shares of treasury stock, amounting to ¥84,923 million 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 207,626 thousand shares, 212,414 thousand shares and 228,152 thousand shares of common stock of the Company at March 31, 2003, 2002 and 2001, respectively, which accounted for 23.48%, 24.52% and 24.95% of the total shares of the Company outstanding at the respective dates.

Sales of the Companies to Toyota for the years ended March 31, 2003, 2002, and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Sales to Toyota (Japan headquarters only)	¥751,576	¥719,385	¥686,223	\$6,263,133

# 13.

## RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income were ¥182,886 million (\$1,524,050 thousand), ¥185,627 million, and ¥176,959 million for the years ended March 31, 2003, 2002, and 2001, 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, 2003, 2002, and 2001 were ¥3,432 million (\$28,600 thousand), ¥2,778 million and ¥2,528 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, and depreciation expenses 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
	2003	2002	2003
Acquisition and accumulated depreciation			
Acquisition cost	¥18,850	¥14,448	\$157,083
Accumulated depreciation	11,525	8,737	96,041
Net leased property	¥ 7,325	¥ 5,711	\$ 61,042
Obligations under finance leases			
Due within one year	¥ 2,566	¥ 2,300	\$ 21,383
Due after one year	4,759	3,411	39,659
Total	¥ 7,325	¥ 5,711	\$ 61,042

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, 2003, 2002, and 2001, computed by the straight-line method, were ¥3,432 million (\$28,600 thousand), ¥2,778 million and ¥2,528 million, respectively.

The rental commitments under non-cancelable operating leases at March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥1,112	\$ 9,267
Due after one year	3,196	26,633
Total	¥4,308	\$35,900

# 15.

## SEGMENT INFORMATION

### (a) Industry Segments

Industry segment data for the year ended March 31, 2003 is not presented as the automotive segment represented more than 90% of total sales, operating income, and assets of all industry segments.

Years ended March 31		Millions of yen	
		2002	2001
Sales	Automotive	¥2,255,830	¥1,870,506
	New businesses and others	145,268	144,472
	Consolidated	¥2,401,098	¥2,014,978
Operating Income (Loss)	Automotive	¥ 141,836	¥ 130,857
	New businesses and others	(8,496)	(7,331)
	Consolidated	¥ 133,340	¥ 123,526
Assets	Automotive	¥1,944,767	¥1,809,333
	New businesses and others	70,464	100,874
	Corporate	345,817	433,121
	Consolidated	¥2,361,048	¥2,343,328
Depreciation	Automotive	¥ 143,911	¥ 130,207
	New businesses and others	3,366	4,209
	Consolidated	¥ 147,277	¥ 134,416
Capital Expenditures	Automotive	¥ 190,996	¥ 134,957
	New businesses and others	2,603	5,490
	Consolidated	¥ 193,599	¥ 140,447

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

Years ended March 31		Millions of yen			Thousands of U.S. dollars	
		2003	2002	2001	2003	
Sales	Japan	Customers	<b>¥1,355,925</b>	¥1,304,249	¥1,277,731	<b>\$11,299,375</b>
		Intersegment	<b>374,770</b>	338,858	301,300	<b>3,123,083</b>
		Total	<b>1,730,695</b>	1,643,107	1,579,031	<b>14,422,458</b>
	The Americas	Customers	<b>531,303</b>	630,714	457,627	<b>4,427,525</b>
		Intersegment	<b>9,267</b>	12,602	9,802	<b>77,225</b>
		Total	<b>540,570</b>	643,316	467,429	<b>4,504,750</b>
	Europe	Customers	<b>269,499</b>	304,194	158,205	<b>2,245,825</b>
		Intersegment	<b>4,489</b>	5,073	1,708	<b>37,408</b>
		Total	<b>273,988</b>	309,267	159,913	<b>2,283,233</b>
	Asia & Oceania	Customers	<b>176,033</b>	161,941	121,415	<b>1,466,942</b>
		Intersegment	<b>9,837</b>	7,456	6,878	<b>81,975</b>
		Total	<b>185,870</b>	169,397	128,293	<b>1,548,917</b>
	Eliminations		<b>(398,363)</b>	(363,989)	(319,688)	<b>(3,319,691)</b>
	Consolidated		<b>¥2,332,760</b>	¥2,401,098	¥2,014,978	<b>\$19,439,667</b>
	Operating Income (Loss)	Japan	<b>¥ 123,235</b>	¥ 113,454	¥ 98,795	<b>\$ 1,026,958</b>
The Americas		<b>28,173</b>	18,261	27,133	<b>234,775</b>	
Europe		<b>(3,965)</b>	(5,885)	(6,264)	<b>(33,041)</b>	
Asia & Oceania		<b>12,360</b>	7,596	4,253	<b>103,000</b>	
Eliminations		<b>90</b>	(86)	(391)	<b>750</b>	
Consolidated		<b>¥ 159,893</b>	¥ 133,340	¥ 123,526	<b>\$ 1,332,442</b>	
Assets	Japan	<b>¥1,497,411</b>	¥1,456,499	¥1,453,322	<b>\$12,478,425</b>	
	The Americas	<b>287,457</b>	306,970	261,566	<b>2,395,475</b>	
	Europe	<b>239,946</b>	231,095	193,955	<b>1,999,550</b>	
	Asia & Oceania	<b>137,230</b>	123,322	103,747	<b>1,143,583</b>	
	Corporate and Eliminations	<b>192,613</b>	243,162	330,738	<b>1,605,109</b>	
	Consolidated	<b>¥2,354,657</b>	¥2,361,048	¥2,343,328	<b>\$19,622,142</b>	

## (c) Sales by Customer Location

Years ended March 31		Millions of yen			Thousands of U.S. dollars
		2003	2002	2001	2003
Japan		<b>¥1,325,637</b>	¥1,277,865	¥1,245,830	<b>\$11,046,975</b>
		<b>56.8%</b>	53.2%	61.9%	<b>56.8%</b>
The Americas		<b>539,299</b>	632,797	461,725	<b>4,494,159</b>
		<b>23.1%</b>	26.4%	22.9%	<b>23.1%</b>
Europe		<b>274,271</b>	310,964	167,252	<b>2,285,592</b>
		<b>11.8%</b>	12.9%	8.3%	<b>11.8%</b>
Asia & Oceania		<b>188,863</b>	174,899	137,585	<b>1,573,858</b>
		<b>8.1%</b>	7.3%	6.8%	<b>8.1%</b>
Others		<b>4,690</b>	4,573	2,586	<b>39,083</b>
		<b>0.2%</b>	0.2%	0.1%	<b>0.2%</b>
Net Sales		<b>¥2,332,760</b>	¥2,401,098	¥2,014,978	<b>\$19,439,667</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 forward 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, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)
	<b>2003</b>			<b>2003</b>		
Forward exchange contracts:						
Selling contracts —						
U.S. dollar	¥ 42	¥ 41	¥ 1	\$ 350	\$ 342	\$ 8
Buying contracts —						
U.S. dollar	119	107	(12)	992	892	(100)
EURO	50	36	(14)	417	300	(117)
Others	6	6	0	50	50	0
Foreign currency options:						
Selling contracts —						
U.S. dollar call options	¥1,669			\$13,908		
	<11>	¥ 13	¥ (2)	91	\$ 108	\$ (17)
Buying contracts —						
U.S. dollar put options	3,099			25,825		
	<29>	19	(10)	241	158	(83)
Interest rate swaps:						
Floating rate receipt, fixed rate payment	¥3,895	¥3,878	¥ (17)	\$32,458	\$32,317	\$ (142)
	Millions of yen			Millions of yen		
	Contract or Notional Amounts	Fair Value	Net Unrecognized Loss	Contract or Notional Amounts	Fair Value	Net Unrecognized Loss
	2002			2002		
Foreign currency options:						
Selling contracts —						
U.S. dollar call options				¥1,323	¥11	¥ (1)
				<10>		
EURO put options				733	8	0
				<8>		
Buying contracts —						
U.S. dollar put options				3,174	12	(20)
				<32>		
EURO call options				400	8	0
				<8>		



# INDEPENDENT AUDITORS' REPORT

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**Deloitte  
Touche  
Tohmatu**

To the Board of Directors of  
DENSO CORPORATION:

We have audited the accompanying consolidated balance sheets of DENSO CORPORATION and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2003, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DENSO CORPORATION and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2003 in conformity with accounting principles and practices generally accepted in Japan.

Our audits 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.



June 27, 2003

# CORPORATE DATA

## OPERATIONS IN JAPAN

	Main Products/Research Fields	Start of Operations	Employees	Location (Prefecture)
Headquarters		1949*	9,700	Aichi
Ikeda Plant	Radiators, oil coolers, and inter coolers	1965	800	Aichi
Hiroshima Plant	Radiators, electric fans, integrated air fuel modules, and heater cores	1965	200	Hiroshima
Anjo Plant	Starters and alternators	1967	2,600	Aichi
Nishio Plant	Air conditioners, radiators, fuel injection systems for diesel, and electronic fuel injection components	1970	7,400	Aichi
Takatana Plant	Instrument clusters, displays, and navigation systems	1974	2,200	Aichi
Daian Plant	Ignition devices, safety-related equipment, oxygen sensors, and various other actuators and sensors	1982	3,900	Mie
Kota Plant	Integrated circuits and electronic control components	1987	3,800	Aichi
Toyohashi Plant	Air conditioners and CO <sub>2</sub> refrigerant heat-pump water heaters	1987	1,100	Aichi
Agui Plant	Machinery, tools, and robots	1990	900	Aichi
Kitakyushu Plant	Air conditioners	1993	200	Fukuoka
Zenmyo Plant	Electronic fuel injection systems	1998	400	Aichi
DENSO Research Laboratories	Semiconductors, information and communications systems, and human machine interface technologies	1991	400	Aichi

\*The start of operations at the headquarters is recorded as the date of DENSO's independence from Toyota Motor Co., Ltd. (now Toyota Motor Corporation)

(As of March 31, 2003)

## GROUP COMPANIES IN JAPAN

Company	% owned by DENSO	Employees	Company	% owned by DENSO	Employees
ASMO CO., LTD.	73.4	4,750	DENSO CREATE INC.	100.0	144
ANDEN CO., LTD.	100.0	1,240	DENSO FINANCE & ACCOUNTING CENTER CO., LTD.	100.0	78
HAMANAKODENSO CO., LTD.	76.5	1,228	DENSO SQUARE CORPORATION	100.0	4
DAISHINSEIKI CO., LTD.	99.2	603	DENSO SEIBI CO., LTD.	100.0	48
KYOSANDENKI CO., LTD.	62.2	1,672	DENSO TECHNO CO., LTD.	100.0	903
GAC CORPORATION	57.5	873	DENSO TOPIX CORPORATION	100.0	89
ASAHI MANUFACTURING CO., LTD.	100.0	340	DENSO YUSEN TRAVEL CORPORATION	70.0	12
SANKYO RADIATOR CO., LTD.	61.5	308	DENSO UNITY SERVICE CORPORATION	100.0	683
TECHMA CORPORATION	100.0	953	DENSO REMANI CORPORATION	100.0	37
DENSO AIRS CORPORATION	62.5	586	DENSO LOGITEM CORPORATION	100.0	189
DENSO ELECS CO., LTD.	100.0	258	NIPPON SOKEN, INC.	75.0	367
DENSO KATSUYAMA CO., LTD.	96.4	156	MOBILE MEDIANET INC.	58.0	28
DENSO KIKO CO., LTD.	100.0	214	DENSO HOKKAIDO CORPORATION	100.0	120
DENSO TAIYO CO., LTD.	51.0	222	DENSO TOHOKU CORPORATION	100.0	99
DENSOTRIM CO., LTD.	80.0	396	DENSO TOKYO CORPORATION	100.0	454
DENSO PREAS CO., LTD.	100.0	136	DENSO CHUBU CORPORATION	100.0	303
NIPPON WIPER BLADE CO., LTD.	70.0	847	DENSO KANSAI CORPORATION	100.0	134
IPICS CORPORATION	100.0	55	DENSO CHUGOKU CORPORATION	100.0	87
OSAWA INC.	100.0	72	DENSO SHIKOKU CORPORATION	100.0	125
DENSO EMC ENGINEERING SERVICE CORPORATION	100.0	27	DENSO KYUSHU CORPORATION	100.0	127
DENSO ISM CORPORATION	100.0	162	DENSO SERVICE OKINAWA CO., LTD.	50.0	42
DENSO IT LABORATORY, INC.	100.0	24	ADVICS CO., LTD.	20.0	734
DENSO INFORMATION TECHNOLOGY CORPORATION	100.0	93	ITOH SEIKO CO., LTD.	25.0	410
DENSO ABASHIRI TEST CENTER CORPORATION	100.0	8	G. S. ELECTECH INC.	34.0	730
DENSO WAVE INC.	75.0	493	JECO CO., LTD.	34.1	444
DENSO WELL CORPORATION	100.0	62	SHIMIZU INDUSTRY CO., LTD.	20.8	497
DENSO ACE CORPORATION	100.0	136	SHINSEI INDUSTRIAL CO., LTD.	34.5	408
DENSO MTEC CORPORATION	100.0	109	SOHWA CORPORATION	25.8	143
DENSO E & TS TRAINING CENTER CORPORATION	100.0	140	TSUDA INDUSTRIES CO., LTD.	22.0	1,253
DENSO KYUYO SERVICE CORPORATION	100.0	17	NIHON PAKKIN CO., LTD.	36.1	180

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 March 31, 2003)

## GLOBAL NETWORK

	Major Company	Business	% owned by DENSO*	Employees
U.S.A.	★ DENSO INTERNATIONAL AMERICA, INC.	<ul style="list-style-type: none"> <li>• Holding company and regional headquarters for North America</li> <li>• Sale of automotive components</li> <li>• Engineering services, design, testing, and R&amp;D</li> </ul>	100.0	508
	★ DENSO SALES CALIFORNIA, INC.	<ul style="list-style-type: none"> <li>• Sale of automotive components and spot-coolers</li> </ul>	80.0	251
	☆ DENSO MANUFACTURING MICHIGAN, INC.	<ul style="list-style-type: none"> <li>• Manufacture of air conditioners and radiators</li> </ul>	100.0	2,372
	☆ AMERICAN INDUSTRIAL MANUFACTURING SERVICES, INC.	<ul style="list-style-type: none"> <li>• Remanufacture of automotive electrical components</li> </ul>	100.0	106
	☆ DENSO MANUFACTURING TENNESSEE, INC.	<ul style="list-style-type: none"> <li>• Manufacture of automotive electrical components, instrument clusters, and automotive electronic products</li> </ul>	100.0	2,958
	☆ MICHIGAN AUTOMOTIVE COMPRESSOR, INC.	<ul style="list-style-type: none"> <li>• Manufacture of compressors</li> </ul>	40.0	1011
	☆ TBDN TENNESSEE COMPANY	<ul style="list-style-type: none"> <li>• Manufacture of air filters and oil filters</li> </ul>	49.0	438
	☆ ASSOCIATED FUEL PUMP SYSTEMS CORPORATION	<ul style="list-style-type: none"> <li>• Manufacture of fuel pumps</li> </ul>	50.0	372
	☆ DENSO WIRELESS SYSTEMS AMERICA, INC.	<ul style="list-style-type: none"> <li>• Manufacture of automotive electronic products</li> </ul>	100.0	65
	☆ ACTIS MANUFACTURING, LTD. LLC.	<ul style="list-style-type: none"> <li>• Remanufacture of compressors</li> </ul>	20.0	41
	★ ASMO NORTH AMERICA LLC.	<ul style="list-style-type: none"> <li>• Holding company for ASMO U.S. companies</li> </ul>	100.0	9
	☆ ASMO MANUFACTURING, INC.	<ul style="list-style-type: none"> <li>• Manufacture of windshield washer systems and servo motors</li> </ul>	100.0	333
	☆ ASMO NORTH CAROLINA, INC.	<ul style="list-style-type: none"> <li>• Manufacture of power windows, blower motors, and electric fan motors</li> </ul>	100.0	575
	★ ASMO DETROIT, INC.	<ul style="list-style-type: none"> <li>• Engineering services</li> </ul>	100.0	27
	☆ AUTOMOTIVE MOTORS OF THOMASVILLE, INC.	<ul style="list-style-type: none"> <li>• Manufacture of power window regulator motors</li> </ul>	100.0	205
	☆ ASMO GREENVILLE OF NORTH CAROLINA, INC.	<ul style="list-style-type: none"> <li>• Manufacture of windshield wiper systems and windshield washer systems</li> </ul>	100.0	468
	☆ ASMO APPALACHIAN CORPORATION	<ul style="list-style-type: none"> <li>• Manufacture of power window regulator motors</li> </ul>	100.0	176
	☆ NORTH CAROLINA ASAHI, INC.	<ul style="list-style-type: none"> <li>• Manufacture of wiper linkages</li> </ul>	100.0	112
	☆ NIPPON WIPER BLADE U.S.A., INC.	<ul style="list-style-type: none"> <li>• Manufacture of wiper arms and wiper blades</li> </ul>	91.0	240
	☆ TECHMA U.S.A., INC.	<ul style="list-style-type: none"> <li>• Manufacture of wire harnesses and electronic components</li> </ul>	100.0	170
★ TD SCAN (U.S.A.), INC.	<ul style="list-style-type: none"> <li>• Sale of bar-code readers, two-dimensional code readers, and automatic recognition devices</li> </ul>	20.0	9	
CANADA	☆ DENSO MANUFACTURING CANADA, INC.	<ul style="list-style-type: none"> <li>• Manufacture and sale of air conditioners</li> <li>• Sale of radiators, pump components, and automotive electrical components</li> </ul>	100.0	269
MEXICO	☆ DENSO MEXICO S.A. DE C.V.	<ul style="list-style-type: none"> <li>• Manufacture of instrument clusters and valves</li> </ul>	95.0	2,151
	☆ GAC CORPORATION DE MEXICO S.A. DE C.V.	<ul style="list-style-type: none"> <li>• Manufacture and sale of spot-coolers and hoses for air conditioners</li> </ul>	100.0	446
BRAZIL	☆ DENSO DO BRASIL LTDA.	<ul style="list-style-type: none"> <li>• Manufacture and sale of air conditioners, compressors, and their constituent components</li> </ul>	90.6	1,183
	☆ DENSO INDUSTRIAL DA AMAZONIA LTDA.	<ul style="list-style-type: none"> <li>• Manufacture and sale of bus air conditioners and ignition components for motorbikes</li> </ul>	100.0	153
	☆ DENSO MAQUINAS ROTANTES do BRASIL LTDA.	<ul style="list-style-type: none"> <li>• Manufacture and sale of alternators and small motors</li> </ul>	100.0	116
	☆ DENSO SISTEMAS TERMICOS do BRASIL LTDA.	<ul style="list-style-type: none"> <li>• Manufacture and sale of air conditioners and modules</li> </ul>	100.0	350
ARGENTINA	☆ DENSO MANUFACTURING ARGENTINA S.A.	<ul style="list-style-type: none"> <li>• Manufacture and sale of air conditioner-related products</li> </ul>	98.3	90
NETHERLANDS	★ DENSO INTERNATIONAL EUROPE B.V.	<ul style="list-style-type: none"> <li>• Holding company for European operations</li> </ul>	100.0	–
	★ 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 automotive electrical components</li> </ul>	100.0	219
	★ DENSO FINANCE HOLLAND B.V.	<ul style="list-style-type: none"> <li>• Financing</li> </ul>	100.0	–

☆ Production company ★ Other

\*including DENSO Corporation and its subsidiaries

	Major Company	Business	% owned by DENSO*	Employees
UNITED KINGDOM	★ DENSO INTERNATIONAL (UK) LTD.	• Holding company for operations in the U.K.	100.0	–
	★ DENSO SALES UK LTD.	• Sale of automotive components • Engineering services, design, and testing	100.0	179
	☆ DENSO MARSTON LTD.	• Manufacture and sale of radiators, oil coolers, and inter-coolers	100.0	868
	☆ DENSO MANUFACTURING UK LTD.	• Manufacture of heaters and air conditioners	100.0	1,600
	☆ DENSO MANUFACTURING MIDLANDS LTD.	• Manufacture and sale of starters and alternators	100.0	445
GERMANY	★ DENSO AUTOMOTIVE Deutschland GmbH	• Sale of automotive components • Technology research and R&D support	100.0	236
	☆ TD Deutsche Klimakompressor GmbH	• Manufacture of compressors and magnetic clutches • Remanufacture of compressors	35.0	195
SPAIN	☆ DENSO BARCELONA S.A.	• Manufacture of engine control components and automotive electronic products	100.0	481
ITALY	★ DENSO SALES ITALIA S.R.L.	• Sale of automotive components	100.0	14
	☆ DENSO THERMAL SYSTEMS S.p.A.	• Manufacture and sale of air conditioners, heaters, and radiators	100.0	2,224
	☆ DENSO MANUFACTURING ITALIA S.p.A.	• Manufacture and sale of starters, alternators, and small motors	100.0	1,750
FRANCE	★ DENSO SALES FRANCE S.A.R.L.	• Sale of automotive components	100.0	26
HUNGARY	☆ DENSO MANUFACTURING HUNGARY LTD.	• Manufacture of diesel injection pumps	100.0	709
SWEDEN	★ DENSO SALES SWEDEN AB	• Sale of automotive components • Engineering services	100.0	29
POLAND	☆ DENSO MANUFACTURING POLSKA Sp.z.o.o.	• Manufacture and sale of small motors	100.0	40
	☆ DENSO THERMAL SYSTEMS POLSKA Sp.z.o.o.	• Manufacture and sale of heaters and cockpit modules	100.0	123
BELGIUM	★ DENSO SALES BELGIUM N.V.	• Sale of automotive components	100.0	20
PORTUGAL	☆ JOAO DE DEUS & FILHOS S.A.	• Manufacture and sale of radiators, inter-coolers, and heater cores	100.0	375
CZECH REPUBLIC	☆ DENSO MANUFACTURING CZECH s.r.o.	• Manufacture of HVAC units, evaporators, condensers, and radiators	100.0	104
	☆ AIRS MANUFACTURING CZECH s.r.o.	• Manufacture of air conditioner-related components	100.0	3
TURKEY	☆ DENSO OTOMOTIV PARCALARI SANAYI ANONIM SIRKET	• Manufacture of air conditioners and heaters • Sale of starters and alternators	100.0	14
AUSTRALIA	★ DENSO INTERNATIONAL AUSTRALIA PTY. LTD.	• Holding company and regional headquarters for Australia • Sale of automotive components	100.0	104
	☆ AUSTRALIAN AUTOMOTIVE AIR PTY. LTD.	• Manufacture of air conditioners, radiators, and instrument clusters	100.0	436
SINGAPORE	★ DENSO INTERNATIONAL ASIA PTE. LTD.	• Holding company and regional headquarters for ASEAN and Taiwan • Promotion of product and component complementation • Promotion of localization	100.0	27
	★ DENSO INTERNATIONAL SINGAPORE PTE. LTD.	• Sale of aftermarket products	100.0	25
THAILAND	★ DENSO INTERNATIONAL (THAILAND) CO., LTD.	• Sale of automotive components	100.0	235
	☆ DENSO (THAILAND) CO., LTD.	• Manufacture of electrical automotive components, air conditioners, magnetos, and spark plugs	51.3	1,851
	☆ DENSO TOOL & DIE (THAILAND) CO., LTD.	• Manufacture and sale of dies and jigs for automotive equipment	100.0	118
	☆ SIAM DENSO MANUFACTURING CO., LTD.	• Manufacture of injection pumps for common rail systems	100.0	83
	☆ TOYODABO FILTRATION SYSTEM (THAILAND) CO., LTD.	• Manufacture of oil filters	40.0	159
	☆ ANDEN (THAILAND)	• Manufacture of relays and flashers (Starts operations in April 2004)	100.0	22

☆ Production company ★ Other

\*including DENSO Corporation and its subsidiaries

	Major Company	Business	% owned by DENSO*	Employees
INDONESIA	☆ P.T. DENSO INDONESIA CORP.	• Manufacture and sale of air conditioners, radiators, spark plugs, and filters	58.3	1,719
	★ PT.DENSO SALES INDOPARTS UTAMA	• Sale and repair of automotive components	51.0	100
	☆ P.T. ASMO INDONESIA	• Manufacture of power window regulator motors	100.0	343
	☆ P.T. HAMADEN INDONESIA MANUFACTURING	• Manufacture of horns	100.0	176
REPUBLIC OF KOREA	☆ DENSO PS ELECTRONICS CORPORATION	• Manufacture and sale of instrument clusters	51.0	528
	★ DENSO SALES KOREA CORP.	• Sales support for automotive components • Sale of non-automotive equipment and components	51.0	17
	☆ DENSO PS CORPORATION	• Manufacture and sale of small motors, fuel pumps, and electrical automotive components	40.0	1,583
	☆ DOOWON CLIMATE CONTROL CO., LTD.	• Manufacture and sale of air conditioners	33.4	466
	☆ KOREA WIPER BLADE CO., LTD.	• Manufacture of wiper arms, wiper blades, and wiper linkages	100.0	181
MALAYSIA	☆ DENSO (MALAYSIA) SDN. BHD.	• Manufacture and sale of electrical automotive components, air conditioners, radiators, heaters, engine ECUs, relays, and programmable logic controller units	72.7	1,212
	☆ NIPPON WIPER BLADE (M) SDN. BHD.	• Manufacture of wiper arms and wiper blades	80.0	717
INDIA	☆ DENSO INDIA LTD.	• Manufacture and sale of alternators, starters, electric fans, ventilators, magnetos, CDIs, ignition coils, windshield wiper motors, and wiper linkages	52.9	830
	☆ DENSO HARYANA PVT. LTD.	• Manufacture and sale of fuel pumps, injectors, engine ECUs, and idle speed control valves	100.0	320
	☆ DENSO KIRLOSKAR INDUSTRIES PVT. LTD.	• Manufacture and sale of radiators and air conditioners	89.0	123
	★ DENSO SALES INDIA PVT. LTD.	• Sale of automotive components manufactured by companies in India	100.0	43
	☆ DENSO FARIDABAD PVT. LTD.	• Manufacture and sale of HVAC units and heaters	100.0	40
TAIWAN	☆ DENSO TAIWAN CORP.	• Manufacture and sale of automotive electrical components, radiators, and air conditioners	80.0	403
CHINA	★ DENSO (CHINA) INVESTMENT CO., LTD.	• Holding company and regional headquarters for China	100.0	2
	☆ YANTAI SHOUGANG DENSO CO., LTD.	• Manufacture and sale of air conditioners	30.0	270
	☆ TIANJIN DENSO ENGINE ELECTRICAL PRODUCTS CO., LTD.	• Manufacture and sale of alternators and starters	40.0	435
	☆ CHONGQING DENSO CO., LTD.	• Manufacture and sale of magnetos, CDI amplifiers, and ignition coils	100.0	113
	☆ TIANJIN DENSO ELECTRONICS CO., LTD.	• Manufacture and sale of automotive electronic control components	85.9	63
	☆ TIANJIN DENSO AIR-CONDITIONER CO., LTD.	• Manufacture and sale of air conditioners and radiators	51.0	216
	☆ TIANJIN ASMO AUTOMOTIVE SMALL MOTOR CO., LTD.	• Manufacture of windshield wiper systems, windshield washer systems, and electric fan motors	42.8	576
	☆ DENSO CREATE SHANGHAI INC.	• Development of software	100.0	5
PHILIPPINES	☆ PHILIPPINE AUTO COMPONENTS, INC.	• Manufacture and sale of instrument clusters and air conditioners	97.3	393
SAUDI ARABIA	☆ DENSO ABDUL LATIF JAMEEL CO., LTD.	• Manufacture and sale of air conditioners	50.0	20
VIETNAM	☆ DENSO MANUFACTURING VIETNAM CO., LTD.	• Manufacture and sale of air flow meters, SCV actuators, and other engine-related products	95.0	69

☆ Production company ★ Other

\*including DENSO Corporation and its subsidiaries

(As of March 31, 2003)

# MAJOR EVENTS IN DENSO'S HISTORY

**1949**

Nippondenso Co., Ltd. (now DENSO Corporation), established following the spin-off of Toyota Motor Co., Ltd. (now Toyota Motor Corporation) 's electrical component plant

**1953**

Formed technical alliance with Robert Bosch GmbH of Germany

**1954**

Established the Technician Training School (would later evolve into the DENSO Technical College)

**1959**

Launched nationwide sales of the DENSO spark plug

**1961**

Awarded the Deming Prize, the world's most prestigious award for quality control, testifying to efforts to enhance quality

**1962**

Established the corporate slogan "Quality First" with the construction of a monument to commemorate receiving the Deming Prize

**1967**

Developed the company's first car air conditioners

**1968**

Established the IC Research Laboratory to conduct research on semiconductor technologies

**1970**

Completed construction of a hybrid IC plant, enabling the company to carry out in-house all IC processes from development and design through production

Began manufacturing industrial robots for in-house use

**1971**

Established Nippondenso of Los Angeles, Inc., the company's first overseas operation

**1972**

Applied electronic technologies to develop the electronic fuel injection (EFI) system

Established first overseas production center in Thailand. Set up 11 production and marketing centers in 8 countries in the 1970s

**1977**

Developed oxygen sensors to comply with tougher emissions regulations

Captured first ever gold medal at the international competition of the Youth Skill Olympics

**1981**

Developed integrated ignition assembly (IIA), which marked the launch of electronic components, including the development of the world's first digital instrument cluster

**1984**

Established the company's first production center in North America, Nippondenso Manufacturing U.S.A., Inc. (now DENSO Manufacturing Michigan, Inc.) in Michigan, heralding the start of the company's full-fledged expansion of production overseas

**1985**

Developed the antilock braking system (ABS)

**1987**

Launched sales of car navigation systems.

**1989**

Developed airbag ECU and sensing systems

**1991**

Opened DENSO Research Laboratories to develop leading-edge technologies for automobiles and other areas of business

**1995**

Developed the ECD-U2 unit, the world's first electronically controlled diesel common rail systems

**1996**

Changed name to DENSO Corporation as part of a move to create a new image as a leading global company

Obtained the company's first ISO 14001 certification at the Ikeda Plant, Japan

Developed DC-DC converters for hybrid cars

Developed electronic toll collection (ETC) systems

**1997**

Developed powertrains, climate control systems and other components for hybrid cars

Developed the two-dimensional QR code, capable of storing nearly 100 times more information than the conventional bar code

**1999**

Acquired the Rotating Machines Division of Italian component manufacturer Magneti Marelli S.p.A., thereby expanding DENSO's production centers and sales channels in Europe

**2000**

Developed the world's first cooling module as part of concerted efforts to modularize components

Formulated DENSO EcoVision 2005 to articulate DENSO's efforts to strike a balance with the environment in R&D activities, and to help sustain the environment for future generations

**2001**

Acquired Climate Control Equipment Division of Magenti Marelli S.p.A

Opened Abashiri Proving Ground, enabling the company to carry out vehicle tests in a variety of road conditions

**2002**

Achieved the goal of 'zero emissions,' eliminating the generation of all landfill waste including general waste, at all 14 operating sites in Japan



**1949**

Nippondenso head office at the time of its founding



**1984**

Nippondenso Manufacturing U.S.A., Inc.



**1996**

Ceremony held on October 1, 1996 to mark the company's change of name to DENSO Corporation

# DIRECTORS AND AUDITORS

## **CHAIRMAN**

Akira Takahashi

## **VICE CHAIRMAN**

Hiromu Okabe

## **PRESIDENT AND CEO**

Koichi Fukaya

## **EXECUTIVE VICE PRESIDENTS**

Takao Inukai

Norio Omori

## **SENIOR MANAGING DIRECTORS**

Hiroshi Uchiyama

Kazuo Matsumoto

Shinro Iwatsuki

## **MANAGING DIRECTORS**

Masami Manabe

Oyuki Ogawa

Masatoshi Ano

Nobuhiro Miyake

Satoshi Watanabe

Susumu Harada

Mitsuharu Kato

## **DIRECTORS**

Shoichiro Toyoda

Mitsunobu Takeuchi

Michio Fukuzaki

Mineo Hanai

Tatsuhiko Nishio

Hiroshi Fujinami

Hiromi Tokuda

Nobuaki Katoh

Kenji Ohya

Mitsuo Matsushita

Minoru Ohta

Kazuo Hironaka

Sojiro Tsuchiya

Hikaru Sugi

Takehige Tabuchi

Shinji Shirasaki

Shigehiro Nishimura

## **CORPORATE AUDITORS AND MEMBERS OF THE CORPORATE AUDITORS' BOARD**

Nobuaki Horiuchi

Toshio Watanabe

Fujio Cho

Gyouji Kusuda

Tamiki Kishida

(as of June 27, 2003)

# INVESTOR INFORMATION

## HEADQUARTERS

DENSO CORPORATION  
1-1, Showa-cho, Kariya,  
Aichi 448-8661, Japan  
Telephone: +81-566-25-5511

## STOCK EXCHANGE LISTINGS

Tokyo, Osaka, and Nagoya stock exchanges

## NUMBER OF SHAREHOLDERS

50,694

## DATE OF ESTABLISHMENT

December 16, 1949

## INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu  
(by Tohmatsu & Co., the Japanese member firm of Deloitte Touche Tohmatsu)

## COMMON STOCK

Authorized: 1,426,942,000 shares  
Issued: 884,068,713 shares

## TRANSFER AGENT

UFJ Trust Bank Limited  
1-4-3, Marunouchi, Chiyoda-ku,  
Tokyo 100-0005, Japan

## COMMON STOCK PRICE RANGE ON TOKYO STOCK EXCHANGE

(adjusted to reflect free share distributions and stock splits)

	2003		2002		2001		2000		1999	
	High	Low	High	Low	High	Low	High	Low	High	Low
January – March	¥1,998	¥1,637	¥2,245	¥1,645	¥2,595	¥2,080	¥2,465	¥1,991	¥2,510	¥1,911
April – June			2,195	1,775	2,500	2,145	2,780	2,380	2,670	2,195
July – September			2,145	1,739	2,370	1,535	2,730	2,405	2,700	2,150
October – December			2,010	1,815	1,905	1,638	2,610	2,255	2,475	2,100

## PUBLICATIONS

Financial Statements  
Fact Book 'DENSO in Figures'  
Corporate Brochure  
Environmental Report

## DENSO ON THE INTERNET

DENSO offers a wealth of financial information, including the latest reports and financial events schedule.  
<http://www.globaldenso.com/INVESTORS/>

## INVESTOR RELATIONS

If you have any questions or would like a copy of our publications, please contact:  
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Corporate Planning Department  
DENSO CORPORATION  
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Aichi 448-8661, Japan  
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(As of March 31, 2003)



DENSO CORPORATION  
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