FINANCIAL SECTION

Financial Summary

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2001	2000	1999	1998	1997	**2001**
Net Sales:	**¥2,014,978**	¥1,883,407	¥1,758,842	¥1,667,311	¥1,624,906	**$16,249,822**
Sales in Japan	**1,245,830**	1,161,016	1,104,579	1,135,834	1,153,392	**10,047,016**
Sales outside Japan	**769,148**	722,391	654,263	531,477	471,514	**6,202,806**
Net Income	**60,799**	61,913	58,969	71,158	71,376	**490,315**
Total Assets	**2,343,328**	2,154,251	1,917,192	1,745,329	1,701,825	**18,897,806**
Shareholders' Equity	**1,451,211**	1,304,400	1,121,171	1,057,173	978,378	**11,703,315**
Capital Expenditures	**140,447**	169,953	212,745	177,757	124,789	**1,132,637**
Depreciation	**134,416**	134,706	124,289	103,068	94,890	**1,084,000**
R&D Expenses	**176,959**	160,055	154,207	157,615	151,928	**1,427,089**
	Yen					U.S. dollars
Per Share:						
Net income	**¥66.51**	¥68.15	¥65.46	¥79.93	¥81.68	**$0.54**
Fully diluted net income	**65.51**	66.73	63.51	76.31	76.24	**0.53**
Cash dividends	**17.00**	17.00	15.00	15.00	16.00	**0.14**
Average Number of Shares (in thousands)	**914,121**	908,519	900,836	890,226	873,869	
Number of Employees	**85,371**	80,795	72,359	57,084	56,961	

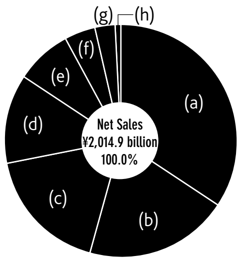
Notes: 1. As of March 31, 2001, DENSO CORPORATION had 131 significant consolidated subsidiaries and applied the equity method of accounting with respect to 22 affiliates.
2. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥124=US$1, the approximate exchange rate prevailing on March 30, 2001, 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
	2001	2000	**2001**
Thermal Systems	**¥ 690,502**	¥ 660,659	**$ 5,568,564**
	(34.3%)	(35.1%)	
Powertrain Control Systems	**402,829**	357,123	**3,248,621**
	(20.0)	(19.0)	
Electronic Systems	**355,178**	323,360	**2,864,338**
	(17.6)	(17.1)	
Electric Systems	**250,136**	243,150	**2,017,226**
	(12.4)	(12.9)	
Small Motors	**156,608**	142,493	**1,262,968**
	(7.8)	(7.6)	
Other Automotive	**15,253**	13,660	**123,008**
	(0.8)	(0.7)	
Automotive sub-total	**1,870,506**	1,740,445	**15,084,725**
	(92.9)	(92.4)	
Telecommunications	**87,854**	89,409	**708,500**
	(4.3)	(4.7)	
Industrial Systems, Environmental Systems, and Others	**55,963**	52,511	**451,315**
	(2.8)	(2.8)	
New businesses sub-total	**143,817**	141,920	**1,159,815**
	(7.1)	(7.5)	
Others	**655**	1,042	**5,282**
	(0.0)	(0.1)	
Total	**¥2,014,978**	¥1,883,407	**$16,249,822**
	(100.0)	(100.0)	

Notes: 1. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥124=US$1, the approximate exchange rate prevailing on March 30, 2001, the last trading day of the fiscal year.
2. Effective April 1, 1999, product categories have been reclassified in line with the reorganization of consolidated business groups.

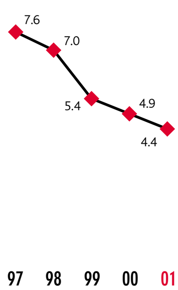
Breakdown of Net Sales



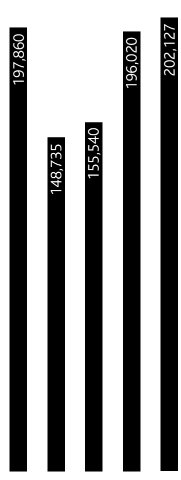
(a) Thermal Systems	34.3%
(b) Powertrain Control Systems	20.0%
(c) Electronic Systems	17.6%
(d) Electric Systems	12.4%
(e) Small Motors	7.8%
(f) Other Automotive	0.8%
(g) Telecommunications	4.3%
(h) Industrial Systems, Environmental Systems, and Others	2.8%
(i) Others	0.0%

Return on Equity (%)

Net income/simple average of year-end shareholders' equity



Net Cash Provided by Operating Activities
(Millions of yen)



In the fiscal year ended March 31, 2001, consolidated operating income totaled ¥123.5 billion (US$996 million), a 5.9% increase from the past fiscal year. Net income totaled ¥60.8 billion (US$490 million), a 1.8% decrease due to a one-time charge for the adoption of a new accounting standard for employees' retirement benefits. Net sales increased by 7.0% to ¥2,015.0 billion (US$16,250 million).

Earnings

Worldwide automobile sales increased in fiscal 2001 compared with the past fiscal year. The U.S. market posted record high sales, reflecting favorable economic conditions, while the European market continued to maintain the high sales levels of the past fiscal year. In Japan, the introduction of newly designed models of several popular cars lifted domestic sales, while exports to the U.S. and Asia were about the same as in the past fiscal year. As a result, domestic unit vehicle production topped the 10 million mark for the first time in 3 years.

In the automotive segment, aggressive marketing and expansion of foreign operations, coupled with greater automobile production, drove a 7.5% increase in net sales to ¥1,870.5 billion (US$15,085 million). Sales increases, cost of sales reductions, and higher efficiency across all operations led to operating income of ¥130.9 billion (US$1,055 million), up 6.2%.

In the new businesses and others segment, net sales increased 1.1% to ¥144.5 billion (US$1,165 million). Declining sales of mobile phones, however, resulted in an operating loss of ¥7.3 billion (US$59 million).

Consolidated net income fell 1.8% to ¥60.8 billion (US$490 million) from the past fiscal year. This chiefly reflected a one-time charge following the adoption of a new accounting standard for employees' retirement benefits. As a result, ROE was 4.4%.

Cash Flows

Net cash provided by operating activities was ¥202.1 billion (US$1,630 million), an increase of ¥6.1 billion (US$49 million) from the past fiscal year. This was mainly the result of the ¥6.8 billion (US$55 million) increase in operating income.

Net cash used in investing activities was ¥158.7 billion (US$1,279 million), declining by ¥23.5 billion (US$189 million) from the past fiscal year. This was mainly attributable to a ¥39.8 billion (US$321 million) decrease in cash used for property, plant and equipment, while a ¥17.1 billion (US$138 million) increase in cash used for purchase of consolidated subsidiaries, net of cash acquired, had an offset effect.

Net cash used in financing activities was ¥28.0 billion (US$226 million), up ¥6.4 billion (US$51 million) from the past fiscal year. This mainly reflected a ¥2.0 billion (US$16 million) rise in dividends paid, and ¥4.1 billion (US$33 million) decrease in long-term debt from the past fiscal year.

As a result, cash and cash equivalents at the end of the fiscal year stood at ¥303.5 billion (US$2,448 million), an increase of ¥19.2 billion (US$155 million), or 6.7%.

Financial Position

Total assets at March 31, 2001, stood at ¥2,343.3 billion (US$18,898 million), an increase of ¥189.1 billion (US$1,525 million) from the past fiscal year. Current assets decreased by ¥45.8 billion (US$369 million), to ¥1,017.6 billion (US$8,207 million). This reflected the adoption of a new accounting standard for financial instruments. Notes and accounts receivable increased. However, we moved available-for-sale securities from marketable securities under current assets to investment securities under investment and advances. Total investments and advances increased by ¥298.1 billion (US$2,404 million) from the past fiscal year to ¥626.6 billion (US$5,053 million). This was attributable to the aforementioned inclusion of marketable securities under investment securities, as well as an increase in investment securities due to valuation on the basis of market value.

Capital expenditures that exceeded depreciation expenses for the year, and the purchase of the Thermal Systems Division of Magneti Marelli S.p.A., led to a ¥21.7 billion (US$175 million) rise from the past fiscal year in property, plant and equipment, to ¥699.1 billion (US$5,638 million).

Current liabilities increased by ¥43.2 billion (US$349 million), to ¥511.4 billion (US$4,124 million) as a result of an increase in notes and accounts payable and the purchase of Magneti Marelli's Thermal Systems Division. Long-term liabilities amounted to ¥322.4 billion (US$2,600 million), up ¥8.8 billion (US$71 million) from the past fiscal year. This reflected an increase in the liability for employees' retirement benefits following the adoption of a new accounting standard.

Total shareholders' equity at March 31, 2001, stood at ¥1,451.2 billion (US$11,703 million), a ¥146.8 billion (US$1,184 million) increase from the past fiscal year. Effective from fiscal 2001, foreign currency translation adjustments and net unrealized gain on available-for-sale securities were included in shareholders' equity in accordance with a revised accounting standard for foreign currency transactions and a new accounting standard for financial instruments.

Outlook

The world economy is expected to see sluggish growth in the year ending March 31, 2002, on account of the slowdown of the U.S. economy. In Japan, the world economic slowdown is likely to cause a decline in exports. With domestic consumer spending yet to improve, the Japanese economy is expected to continue to stage a weak recovery. Within this environment, the DENSO Group will undertake aggressive marketing activities to improve the competitiveness of its products, and of the Group as whole. In the present fiscal year, DENSO projects consolidated net sales to increase 5.7% to approximately ¥2,130 billion, operating income to rise 8.5% to approximately ¥134.0 billion and net income to rise 28.3% to approximately ¥78.0 billion. As a result, we expect ROE to be 5.3%. In preparing these projections, DENSO assumed an average exchange rate of ¥115 to the U.S. dollar.

Note: Billion is used in the U.S. sense of one thousand million.

CONSOLIDATED BALANCE SHEETS

DENSO CORPORATION and Consolidated Subsidiaries
March 31, 2001 and 2000

ASSETS	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Current Assets:			
Cash and cash equivalents	¥ 303,493	¥ 283,925	$ 2,447,524
Short-term investments (Note 4)	62,132	205,771	501,064
Notes and accounts receivable (Note 8):			
Trade	385,144	347,862	3,106,000
Non-consolidated subsidiaries and affiliates	5,896	8,049	47,548
	391,040	355,911	3,153,548
Less: Allowance for doubtful accounts	(3,839)	(2,887)	(30,959)
	387,201	353,024	3,122,589
Inventories (Notes 5 and 8)	186,878	155,309	1,507,081
Deferred income taxes (Note 6)	36,277	25,721	292,556
Other current assets	41,665	39,666	336,008
Total current assets	1,017,646	1,063,416	8,206,822
Investments and Advances:			
Investment securities (Notes 4 and 8)	519,244	159,738	4,187,451
Investments in and advances to non-consolidated subsidiaries and affiliates	30,719	32,032	247,734
Other investments (Note 6)	76,642	136,780	618,081
Total investments and advances	626,605	328,550	5,053,266
Property, Plant and Equipment (Note 8):			
Buildings and structures	502,886	463,093	4,055,532
Machinery and equipment	1,556,955	1,479,677	12,556,089
	2,059,841	1,942,770	16,611,621
Less: Accumulated depreciation	(1,528,040)	(1,437,075)	(12,322,903)
	531,801	505,695	4,288,718
Land	115,130	108,547	928,468
Construction in progress	52,146	63,142	420,532
Net property, plant and equipment	699,077	677,384	5,637,718
Foreign Currency Translation Adjustments	—	84,901	—
Total	¥ 2,343,328	¥ 2,154,251	$ 18,897,806

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2001	2000	Thousands of U.S. dollars (Note 3) 2001
Current Liabilities:			
Short-term borrowings (Note 7)	¥ 13,440	¥ 18,156	$ 108,387
Current portion of long-term debt (Note 7)	4,882	5,531	39,371
Notes and accounts payable:			
Trade	270,445	239,374	2,181,008
Non-consolidated subsidiaries and affiliates	17,807	19,881	143,605
	288,252	259,255	2,324,613
Income taxes payable	30,695	25,754	247,540
Accrued expenses	83,794	72,978	675,758
Accrued bonuses to employees	42,578	40,752	343,371
Other current liabilities (Notes 6 and 8)	47,786	45,783	385,371
Total current liabilities	511,427	468,209	4,124,411
Long-Term Liabilities:			
Long-term debt (Note 7)	141,215	141,463	1,138,831
Liability for employees' retirement benefits (Note 9)	173,678	166,329	1,400,629
Other long-term liabilities (Note 6)	7,542	5,875	60,822
Total long-term liabilities	322,435	313,667	2,600,282
Minority Interests	58,255	67,975	469,798
Contingent Liabilities (Note 10)			
Shareholders' Equity (Note 11):			
Common stock, par value ¥50 per share:			
Authorized: 1,474,942,000 shares in 2001 and 2000			
Issued and outstanding: 914,275,229 shares in 2001 and 2000	173,098	173,098	1,395,952
Additional paid-in capital	251,643	251,643	2,029,379
Retained earnings	924,467	879,659	7,455,379
Net unrealized gain on available-for-sale securities	154,236	—	1,243,839
Foreign currency translation adjustments	(51,485)	—	(415,202)
Less: Treasury stock	(748)	(0)	(6,032)
Total shareholders' equity	1,451,211	1,304,400	11,703,315
Total	¥2,343,328	¥2,154,251	$18,897,806

CONSOLIDATED STATEMENTS OF INCOME

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2001, 2000, and 1999

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2000	1999	**2001**
Net Sales (Note 12)	**¥2,014,978**	¥1,883,407	¥1,758,842	**$16,249,822**
Cost of Sales	**1,695,344**	1,581,856	1,483,085	**13,672,129**
Gross profit	**319,634**	301,551	275,757	**2,577,693**
Selling, General and Administrative Expenses	**196,108**	184,869	174,094	**1,581,516**
Operating income	**123,526**	116,682	101,663	**996,177**
Other Income (Expenses):				
Interest and dividend income	**12,102**	13,455	13,895	**97,597**
Interest expense	**(4,561)**	(6,194)	(5,214)	**(36,782)**
Equity in earnings of affiliates	**1,858**	3,221	3,682	**14,984**
Gain on securities contributed to trust for retirement benefits (Note 9)	**70,615**	—	—	**569,476**
Charge for full amount of transitional obligation for employees' retirement benefits (Note 9)	**(97,623)**	—	—	**(787,282)**
Foreign exchange gain (loss)	**3,661**	(9,889)	(5,363)	**29,524**
Other, net	**(2,279)**	(8,367)	(1,931)	**(18,379)**
Total	**(16,227)**	(7,774)	5,069	**(130,862)**
Income before income taxes and minority interests	**107,299**	108,908	106,732	**865,315**
Income Taxes (Note 6):				
Current	**69,724**	59,175	47,258	**562,290**
Deferred	**(24,954)**	(12,595)	—	**(201,242)**
Total	**44,770**	46,580	47,258	**361,048**
Minority Interests	**1,730**	415	505	**13,952**
Net income	**¥ 60,799**	¥ 61,913	¥ 58,969	**$ 490,315**

	Yen			U.S. dollars (Note 3)
Per Share of Common Stock (Note 2 (o)):				
Net income	**¥66.51**	¥68.15	¥65.46	**$0.54**
Fully diluted net income	**65.51**	66.73	63.51	**0.53**
Cash dividends applicable to the year	**17.00**	17.00	15.00	**0.14**

Average Number of Shares (in thousands)	**914,121**	908,519	900,836	

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2001, 2000, and 1999

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2000	1999	**2001**
Common Stock:				
Balance at beginning of period	**¥ 173,098**	¥ 165,926	¥ 151,167	**$ 1,395,952**
Conversion of convertible bonds	**—**	7,172	14,759	**—**
Balance at end of period	**¥ 173,098**	¥ 173,098	¥ 165,926	**$ 1,395,952**
Additional Paid-in Capital:				
Balance at beginning of period	**¥ 251,643**	¥ 244,480	¥ 229,752	**$ 2,029,379**
Conversion of convertible bonds	**—**	7,163	14,728	**—**
Balance at end of period	**¥ 251,643**	¥ 251,643	¥ 244,480	**$ 2,029,379**
Retained Earnings:				
Balance at beginning of period	**¥ 879,659**	¥ 710,766	¥ 676,256	**$ 7,094,024**
Net income	**60,799**	61,913	58,969	**490,315**
Retirement of shares	**—**	—	(19,935)	**—**
Cash dividends	**(15,540)**	(13,590)	(13,409)	**(125,323)**
Bonuses to directors and corporate auditors	**(435)**	(449)	(468)	**(3,508)**
Adjustment of retained earnings for the adoption of deferred tax accounting method	**—**	121,469	—	**—**
(Decrease) increase in retained earnings due to change of consolidation scope	**(13)**	(455)	9,281	**(105)**
Other	**(3)**	5	72	**(24)**
Balance at end of period	**¥ 924,467**	¥ 879,659	¥ 710,766	**$ 7,455,379**
Net Unrealized Gain on Available-for-sale Securities at End of Period	**¥ 154,236**	—	—	**$ 1,243,839**
Foreign Currency Translation Adjustments at End of Period	**¥ (51,485)**	—	—	**$ (415,202)**
Treasury Stock at End of Period	**¥ (748)**	¥ (0)	¥ (1)	**$ (6,032)**
Total Shareholders' Equity at End of Period	**¥1,451,211**	¥1,304,400	¥1,121,171	**$11,703,315**

	Thousands of shares		
Number of Shares:			
Balance at beginning of period	**914,275**	905,388	897,029
Issued on conversion of convertible bonds	**—**	8,887	17,359
Retirement of shares	**—**	—	(9,000)
Balance at end of period	**914,275**	914,275	905,388

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2001, 2000, and 1999

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2000	1999	**2001**
Operating Activities:				
Income before income taxes and minority interests	¥ 107,299	¥ 108,908	¥ 106,732	$ 865,315
Adjustments for:				
Payment of income taxes	(64,868)	(52,609)	(69,311)	(523,129)
Depreciation	134,416	134,706	124,289	1,084,000
Provision for liability for employees' retirement benefits	4,339	10,487	6,912	34,992
Foreign exchange (gain) loss	(438)	4,126	—	(3,532)
Equity in earnings of affiliates	(1,858)	(3,221)	(3,682)	(14,984)
Loss on sale or disposal of property, plant and equipment, net	6,033	4,482	3,313	48,653
Marketable securities contributed to trust for retirement benefits	19,780	—	—	159,516
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable	(12,612)	(58,430)	9,712	(101,710)
Increase in inventories	(20,753)	(12,806)	(1,927)	(167,363)
Increase (decrease) in notes and accounts payable	5,359	49,479	(15,118)	43,218
Other, net	25,430	10,898	(5,380)	205,080
Total adjustments	94,828	87,112	48,808	764,741
Net cash provided by operating activities	202,127	196,020	155,540	1,630,056
Investing Activities:				
Acquisition of property, plant and equipment	(144,274)	(184,090)	(211,192)	(1,163,500)
Proceeds from sale of property, plant and equipment	8,014	12,880	2,899	64,629
Net decrease in short-term investments	758	25,057	73,140	6,113
Purchase of investment securities	(40,631)	(14,662)	(3,622)	(327,669)
Proceeds from sale of investment securities	66,024	3	—	532,451
Payment for purchase of consolidated subsidiaries, net of cash acquired	(31,557)	(14,438)	—	(254,492)
Other, net	(16,990)	(6,866)	(6,045)	(137,016)
Net cash used in investing activities	(158,656)	(182,116)	(144,820)	(1,279,484)
Financing Activities:				
Net (decrease) increase in short-term borrowings	(6,850)	(10,556)	5,438	(55,242)
Proceeds from issuance of bonds	—	—	100,000	—
Increase in long-term debt	1,852	6,017	—	14,936
Repayments of long-term debt	(5,906)	(4,335)	—	(47,629)
Net decrease in long-term debt	—	—	(711)	—
Dividends paid	(15,540)	(13,590)	(13,409)	(125,323)
Repurchase of shares	—	—	(19,935)	—
Other, net	(1,580)	790	(1,097)	(12,742)
Net cash (used in) provided by financing activities	(28,024)	(21,674)	70,286	(226,000)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	3,714	(11,411)	—	29,952
Net Increase (Decrease) in Cash and Cash Equivalents	19,161	(19,181)	81,006	154,524
Cash and Cash Equivalents at Beginning of Period	283,925	298,438	198,364	2,289,718
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	407	4,668	19,068	3,282
Cash and Cash Equivalents at End of Period	¥ 303,493	¥ 283,925	¥ 298,438	$ 2,447,524
Additional cash flow information:				
Non-cash investing and financing activities:				
Conversion of convertible bonds to common stock and additional paid-in capital	—	¥ 14,335	¥ 29,487	—
Increase in assets due to consolidation of previously non-consolidated companies	—	18,844	76,172	—
Increase in liabilities due to consolidation of previously non-consolidated companies	—	9,688	62,931	—
Assets and liabilities increased due to purchase of consolidated subsidiaries:				
Fair value of assets acquired	¥ 53,931	¥ 41,326	—	$ 434,927
Liabilities assumed	22,301	22,046	—	179,847
Cash paid for the capital	31,574	17,319	—	254,629

See accompanying notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

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

Effective April 1, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and those for the years ended March 31, 2001, 2000 and 1999 are presented herein.

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, 2000 and 1999 have been made to conform with the presentation for the year ended March 31, 2001.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation and Accounting for Investments in Affiliates
The Company had 142 subsidiaries at March 31, 2001 (123 for 2000 and 112 for 1999). The Company changed its consolidation policy from the application of the ownership concept to the control concept effective April 1, 1999. Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are to be fully consolidated. The consolidated financial statements for the year ended March 31, 2001 include all 131 significant subsidiaries (122 for 2000 and 104 for 1999). Effective April 1, 1999, the Company applied the "power to exercise significant influence" concept to determine affiliates to be accounted for by the equity method. The Company applied the equity method to 22 affiliates for the year ended March 31, 2001 (24 affiliates for 2000 and 1999).

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.

(b) Translation of Financial Statements for Consolidated Foreign Subsidiaries
The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate at the balance sheet date, except for shareholders' equity, which is translated at the historical rates. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the annual average rates.

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

(c) Cash and Cash Equivalents
The Company considers all highly liquid debt instruments that have an original maturity of three months or less as cash equivalents.

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

(e) Securities
Effective April 1, 2000, the Companies adopted a new accounting standard for financial instruments. Under this standard, all securities are classified as available-for-sale securities and are valued at fair value, with unrealized gains and losses, net of applicable taxes, reported in 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, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

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

The effect of this adoption was to increase income before income taxes and minority interests by ¥812 million ($6,548 thousand). Short-term investments decreased by ¥107,848 million ($869,742 thousand) and investment securities increased by the same amount at April 1, 2000.

(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) Software (Other Assets)
Effective April 1, 1999, the Companies adopted accounting procedures that recognize software as intangible assets. The effect of this adoption was to decrease cost of sales, income before income taxes and minority interests, and net income for the year ended March 31, 2000 by ¥907 million, ¥864 million, and ¥508 million, respectively.

(h) Translation of Foreign Currency Accounts
Effective April 1, 2000, the Companies adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.

Until March 31, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the current exchange rates at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated into Japanese yen at historical exchange rates.

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

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

Until March 31, 1999, the Companies, except certain foreign consolidated subsidiaries, provided for income taxes at amounts currently payable for each year.

(j) 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 ($787,282 thousand) at the beginning of the year is charged to income and presented as other expense in the statement of income. As a result, net periodic retirement benefit costs when compared with the prior method, increased by ¥19,545 million ($157,621 thousand) and income before income taxes and minority interests decreased by ¥19,431 million ($156,702 thousand).

(k) 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.

(l) Research and Development Expenses
Research and development expenses are charged to income as incurred.

(m) 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.

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

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

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

As a result of applying the new accounting standard, interest swap assets and deferred hedge income in the amount of ¥1,298 million ($10,468 thousand) were recorded in other current assets and other current liabilities in the amount of ¥37 million ($298 thousand) and in other investments and other long-term liabilities in the amount of ¥1,261 million ($10,169 thousand), respectively.

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

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 ¥124 to US$1, the approximate rate of exchange at March 30, 2001, 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, debt securities and others. Investment securities consisted of equity securities, debt securities and others.

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

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥130,223	¥261,073	¥(624)	¥390,672	$1,050,185	$2,105,427	$(5,032)	$3,150,580
Debt securities	162,736	2,800	(37)	165,499	1,312,387	22,581	(299)	1,334,669
Others	5,000	45	—	5,045	40,323	363	—	40,686
Total	¥297,959	¥263,918	¥(661)	¥561,216	$2,402,895	$2,128,371	$(5,331)	$4,525,935

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, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Equity securities	¥13,345	$107,621
Debt securities	234	1,887
Others	1,004	8,097
Total	¥14,583	$117,605

The carrying amounts of debt securities by contractual maturities for available-for-sale securities at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥ 57,889	$ 466,847
Due after one year through five years	86,357	696,427
Due after five years through ten years	23,884	192,613
Due after ten years	4,989	40,234
Total	¥173,119	$1,396,121

Carrying amounts and aggregate market values of current and non-current marketable securities included in short-term investments and in investment securities at March 31, 2000 were as follows:

	Millions of yen		
	Carrying Amount	Aggregate Market Value	Unrealized Gain
Current	¥119,429	¥130,631	¥ 11,202
Non-current	142,425	545,083	402,658
Total	¥261,854	¥675,714	¥413,860

5. Inventories

Inventories at March 31, 2001 and 2000, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Finished products	**¥ 82,327**	¥ 74,001	**$ 663,928**
Work in process	**51,694**	47,769	**416,887**
Raw materials and supplies	**52,857**	33,539	**426,266**
Total	**¥186,878**	¥155,309	**$1,507,081**

6. Income Taxes

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

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Deferred tax assets:			
Depreciation	**¥ 61,022**	¥ 62,316	**$ 492,113**
Retirement benefits	**54,483**	42,011	**439,379**
Long-term pre-paid expenses	**9,063**	7,253	**73,089**
Accrued bonuses to employees	**9,013**	—	**72,685**
Other	**36,585**	31,356	**295,040**
Less: Valuation allowance	**(1,861)**	(772)	**(15,008)**
Total deferred tax assets	**¥168,305**	¥142,164	**$1,357,298**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥108,355**	—	**$ 873,831**
Depreciation at foreign subsidiaries	**4,997**	¥ 4,283	**40,298**
Other	**6,031**	4,814	**48,637**
Total deferred tax liabilities	**¥119,383**	¥ 9,097	**$ 962,766**
Net deferred tax assets	**¥ 48,922**	¥133,067	**$ 394,532**

Net deferred tax assets are presented in the consolidated balance sheet at March 31, 2001 and 2000 as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Current assets—Deferred income taxes	**¥36,277**	¥ 25,721	**$292,556**
Investments and advances—Other investments	**17,385**	111,746	**140,202**
Current liabilities—Other current liabilities	**(42)**	(23)	**(339)**
Long-term liabilities—Other long-term liabilities	**(4,698)**	(4,377)	**(37,887)**
Net deferred tax assets	**¥48,922**	¥133,067	**$394,532**

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2001 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to short-term borrowings ranged from 0.49% to 15.00% at March 31, 2001.

Long-term debt at March 31, 2001 and 2000, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Unsecured 1.6% convertible yen bonds due 2002	**¥ 29,318**	¥ 29,318	**$ 236,435**
Unsecured 1.32% yen bonds due 2003	**40,000**	40,000	**322,581**
Unsecured 1.9% yen bonds due 2008	**60,000**	60,000	**483,871**
Other long-term debt (ranged from 1.15% to 9.7%)	**16,779**	17,676	**135,315**
Less: Current portion	**(4,882)**	(5,531)	**(39,371)**
Total	**¥141,215**	¥141,463	**$1,138,831**

The terms and conditions of the Company's convertible bonds at March 31, 2001, are summarized as follows:

	1.6% convertible yen bonds
Issued	June 1993
Initial principal amount	¥60,000 million
Place of issue	Japan
Type of issue	Public issue
Conversion period	From August 2, 1993 to December 19, 2002
Conversion price per share*	¥1,613.0
Accumulated number of shares issued on conversion of convertible bonds up to March 31, 2001	19,021 thousand
Shares which would be issued on full conversion of convertible bonds as of March 31, 2001	18,176 thousand

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

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

The aggregate annual maturities of other long-term debt subsequent to March 31, 2001, were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2002	¥ 4,882	$ 39,371
2003	5,106	41,178
2004	3,120	25,161
2005	2,232	18,000
2006	1,115	8,992
2007 and thereafter	324	2,613
Total	¥16,779	$135,315

8. Pledged Assets

The following assets were pledged as collateral for short-term borrowings of ¥1,960 million ($15,806 thousand), deposits received included in other current liabilities of ¥420 million ($3,387 thousand) and other long-term debt of ¥762 million ($6,145 thousand) at March 31, 2001.

	Millions of yen	Thousands of U.S. dollars
Investment securities	¥ 1,305	$ 10,524
Buildings and structures—net of accumulated depreciation	789	6,363
Machinery and equipment—net of accumulated depreciation	5,763	46,476
Land	3,243	26,153
Others (notes and accounts receivable, and inventories)	2,365	19,073
Total	¥13,465	$108,589

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 noncontributory pension plans for employees. Under the unfunded retirement allowance plans, the amount of severance indemnities to be paid by the Company and domestic subsidiaries is, in most cases, reduced by the benefits payable under the funded pension plan. The foreign consolidated subsidiaries do not recognize such cost. However, certain foreign companies adopted individual pension plans.

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

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

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 608,440	$ 4,906,774
Fair value of plan assets	(409,745)	(3,304,395)
Unrecognized actuarial loss	(52,538)	(423,693)
Unrecognized prior service cost	27,439	221,282
Prepaid pension cost	82	661
Liability for employees' retirement benefits	¥ 173,678	$ 1,400,629

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

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 23,502	$ 189,532
Interest cost	17,556	141,581
Expected return on plan assets	(14,650)	(118,145)
Amortization of prior service cost	(946)	(7,629)
Amortization of transitional obligation	97,623	787,282
Net periodic retirement benefit costs	¥123,085	$ 992,621

Assumptions used for the year ended March 31, 2001 were set forth as follows:

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

In July 2000, the Company contributed certain available-for-sale securities with a fair value of ¥90,395 million ($728,992 thousand) to the employees' retirement benefit trust for the Company's non-contributory pension plans, and recognized a gain of ¥70,615 million ($569,476 thousand). The securities held in this trust were qualified as plan assets.

Charges to income for pension plan costs and for accrued retirement benefits for the years ended March 31, 2000 and 1999 were ¥28,512 million and ¥20,505 million, respectively.

10.
Contingent Liabilities

At March 31, 2001, the Companies had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans from financial institutions to the Companies' employees and others	¥4,202	$33,887
Trade notes sold with resource	877	7,073

11.
Shareholders' Equity

Under the Japanese Commercial Code (the "Code"), the issue price of shares (including the conversion price of convertible bonds and the exercise price of warrants) is required to be accounted for in its entirety in the common stock account. However, the Company's Board of Directors may authorize the recording of the lesser of one-half of the issue price or the excess of aggregate par value as additional paid-in capital. The Code also permits the Board of Directors to distribute additional paid-in capital or the portion of stated capital in excess of the aggregate amount of the par value in the form of a stock split to shareholders. The Code provides that additional paid-in capital is not available for cash dividends, but both may be used to reduce a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors.

Under the Code and the Articles of Incorporation of the Company, the plan for appropriation of retained earnings (primarily for cash dividend payments) proposed by the Board of Directors must be approved by the shareholders within three months of the end of each fiscal year.

Year-end dividends are paid to shareholders listed on the shareholders' register at the end of each fiscal year. In addition, the Code also states that interim cash dividends may be distributed on approval of the Board of Directors. Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books in the amount of ¥665,491 million ($5,366,863 thousand) at March 31, 2001.

As is customary practice in Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to income for the year and constitutes an appropriation of retained earnings.

On June 29, 2000, stock options up to 300,000 shares were granted to the directors and seven general managers, which will be exercisable from July 1, 2002 to June 30, 2006. The balance of treasury stock recorded in the shareholders' equity section at March 31, 2001, includes treasury stock purchased for the purpose of granting such stock options.

12. Significant Shareholder

Toyota Motor Corporation ("Toyota") directly owned 228,152 thousand shares of common stock of the Company at March 31, 2001 and 2000, which accounted for 24.95% of the total shares of the Company outstanding at the respective dates.

Sales of the Companies to Toyota for each of the three years in the period ended March 31, 2001, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	**2001**
Sales to Toyota (Japan headquarters only)	**¥686,223**	¥621,562	¥607,270	**$5,534,056**

13. Research and Development Expenses

Research and development expenses charged to income were ¥176,959 million ($1,427,089 thousand), ¥160,055 million, and ¥154,207 million for the years ended March 31, 2001, 2000 and 1999, 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, 2001, 2000 and 1999 were ¥2,528 million ($20,387 thousand), ¥2,771 million and ¥3,078 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Acquisition and accumulated depreciation			
Acquisition cost	**¥12,824**	¥14,532	**$103,419**
Accumulated depreciation	**6,897**	7,971	**55,621**
Net leased property	**¥ 5,927**	¥ 6,561	**$ 47,798**
Obligations under finance leases			
Due within one year	**¥ 2,330**	¥ 2,531	**$ 18,790**
Due after one year	**3,597**	4,030	**29,008**
Total	**¥ 5,927**	¥ 6,561	**$ 47,798**

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, 2001, 2000 and 1999, computed by the straight-line method, were ¥2,528 million ($20,387 thousand), ¥2,771 million and ¥3,078 million, respectively.

The rental commitments under noncancellable operating leases at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Due within one year	**¥1,004**	¥ 762	**$ 8,097**
Due after one year	**1,945**	1,468	**15,685**
Total	**¥2,949**	¥2,230	**$23,782**

15. Segment Information

(a) Industry Segments

		Millions of yen			Thousands of U.S. dollars
		2001	2000	1999	**2001**
Sales	Automotive	**¥1,870,506**	¥1,740,445	¥1,636,157	**$15,084,725**
	New businesses and others	**144,472**	142,962	122,685	**1,165,097**
	Consolidated	**¥2,014,978**	¥1,883,407	¥1,758,842	**$16,249,822**
Operating Income (loss)	Automotive	**¥ 130,857**	¥ 123,214	¥ 112,756	**$ 1,055,298**
	New businesses and others	**(7,331)**	(6,532)	(11,093)	**(59,121)**
	Consolidated	**¥ 123,526**	¥ 116,682	¥ 101,663	**$ 996,177**
Assets	Automotive	**¥1,809,333**	¥1,574,640	¥1,359,773	**$14,591,395**
	New businesses and others	**100,874**	102,772	83,552	**813,500**
	Corporate	**433,121**	476,839	473,867	**3,492,911**
	Consolidated	**¥2,343,328**	¥2,154,251	¥1,917,192	**$18,897,806**
Depreciation	Automotive	**¥ 130,207**	¥ 130,495	¥ 120,431	**$ 1,050,056**
	New businesses and others	**4,209**	4,211	3,858	**33,944**
	Corporate	**—**	—	—	**—**
	Consolidated	**¥ 134,416**	¥ 134,706	¥ 124,289	**$ 1,084,000**
Capital Expenditures	Automotive	**¥ 134,957**	¥ 163,696	¥ 203,881	**$ 1,088,363**
	New businesses and others	**5,490**	6,257	8,864	**44,274**
	Corporate	**—**	—	—	**—**
	Consolidated	**¥ 140,447**	¥ 169,953	¥ 212,745	**$ 1,132,637**

Effective April 1, 2000, the Company reclassified their automotive telephone business which had been included in New business and others category, to Automotive category, because of the materiality. Industry Segments for 2000 and 1999 were reclassified to conform to 2001.

(b) Geographical Segments (by company location)

			Millions of yen			Thousands of U.S. dollars
			2001	2000	1999	**2001**
Sales	Japan	Customers	**¥1,277,731**	¥1,192,778	¥1,145,119	**$10,304,282**
		Intersegment	**301,300**	276,075	255,735	**2,429,839**
		Total	**1,579,031**	1,468,853	1,400,854	**12,734,121**
	The Americas	Customers	**457,627**	432,111	431,868	**3,690,540**
		Intersegment	**9,802**	7,304	6,637	**79,048**
		Total	**467,429**	439,415	438,505	**3,769,588**
	Europe	Customers	**158,205**	167,913	138,443	**1,275,847**
		Intersegment	**1,708**	572	598	**13,774**
		Total	**159,913**	168,485	139,041	**1,289,621**
	Asia & Oceania	Customers	**121,415**	90,605	43,412	**979,153**
		Intersegment	**6,878**	7,501	826	**55,468**
		Total	**128,293**	98,106	44,238	**1,034,621**
	Eliminations		**(319,688)**	(291,452)	(263,796)	**(2,578,129)**
	Consolidated		**¥2,014,978**	¥1,883,407	¥1,758,842	**$16,249,822**
Operating Income (loss)	Japan		**¥ 98,795**	¥ 84,796	¥ 77,217	**$ 796,734**
	The Americas		**27,133**	26,734	20,195	**218,814**
	Europe		**(6,264)**	2,299	2,594	**(50,516)**
	Asia & Oceania		**4,253**	3,325	732	**34,298**
	Eliminations		**(391)**	(472)	925	**(3,153)**
	Consolidated		**¥ 123,526**	¥ 116,682	¥ 101,663	**$ 996,177**
Assets	Japan		**¥1,453,322**	¥1,334,005	¥1,124,113	**$11,720,339**
	The Americas		**261,566**	230,146	239,968	**2,109,403**
	Europe		**193,955**	130,641	122,869	**1,564,153**
	Asia & Oceania		**103,747**	86,378	50,115	**836,669**
	Corporate and Eliminations		**330,738**	373,081	380,127	**2,667,242**
	Consolidated		**¥2,343,328**	¥2,154,251	¥1,917,192	**$18,897,806**

(c) Sales by Customer Location

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	**2001**
Japan	**¥1,245,830**	¥1,161,016	¥1,104,579	**$10,047,016**
	61.9%	61.6%	62.8%	**61.9%**
The Americas	**461,725**	436,710	437,284	**3,723,589**
	22.9%	23.2%	24.9%	**22.9%**
Europe	**167,252**	178,774	148,008	**1,348,806**
	8.3%	9.5%	8.4%	**8.3%**
Asia & Oceania	**137,585**	104,384	67,216	**1,109,556**
	6.8%	5.6%	3.8%	**6.8%**
Others	**2,586**	2,523	1,755	**20,855**
	0.1%	0.1%	0.1%	**0.1%**
Net Sales	**¥2,014,978**	¥1,883,407	¥1,758,842	**$16,249,822**

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

16. Derivatives

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

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

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

The fair values of the Companies' derivative contracts at March 31, 2001 and 2000 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Contract or Notional Amounts	Fair Value	Net Unrealized Loss	Contract or Notional Amounts	Fair Value	Net Unrealized Loss
	2001			2001		
Foreign currency options:						
Selling contracts—						
U.S. dollar call options	¥ 2,949	¥ 79	¥ (45)	$ 23,782	$ 637	$ (363)
	<34>			<274>		
Buying contracts—						
U.S. dollar put options	6,391	39	(65)	51,540	315	(524)
	<104>			<839>		
Total	¥ 9,340	¥ 118	¥(110)	$ 75,322	$ 952	$ (887)
Forward exchange contracts:						
Selling contracts	¥14,325	¥15,048	¥(723)	$115,524	$121,355	$(5,831)
Buying contracts	465	463	(2)	3,750	3,734	(16)
Total	¥14,790	¥15,511	¥(725)	$119,274	$125,089	$(5,847)

	Millions of yen		
	Contract or Notional Amounts	Fair Value	Net Unrecognized Gain (Loss)
		2000	
Foreign currency options:			
Selling contracts—			
U.S. dollar call options	¥ 2,523 <38>	¥ 20	¥ 18
Buying contracts—			
U.S. dollar put options	6,730 <151>	143	(8)
Total	¥ 9,253	¥163	¥ 10
Interest rate swaps:			
Fixed rate receipt, floating rate payment	¥103,500	¥327	¥327
Total	¥103,500	¥327	¥327

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

17. Subsequent Events

On June 28, 2001, at a meeting of the shareholders of the Company, the appropriation of retained earnings and the stock option plan were approved as follows:

(a) Appropriation of Retained Earnings

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥8,682	$70,016
Bonuses to directors and corporate auditors	249	2,008
Total	¥8,931	$72,024

(b) Stock Option Plan

The plan provides for granting options to the directors and eleven general managers to purchase shares of the Company's common stock up to the lower of 320 thousand shares or an aggregate of ¥1,000 million ($8,065 thousand). The options will be generally granted at an exercise price of 105% of the average closing price of the per share value of the Company's common stock for the month prior to the month in which the options are granted. The Company plans to issue acquired treasury stock on exercise of the stock options. The exercisable period is from July 1, 2003 to June 30, 2007.

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To the Board of Directors of
DENSO CORPORATION

We have examined the consolidated balance sheets of DENSO CORPORATION, and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2001, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of DENSO CORPORATION, and consolidated subsidiaries as of March 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

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

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2001