FINANCIAL SECTION

FINANCIAL REVIEW

FINANCIAL SUMMARY

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

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

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

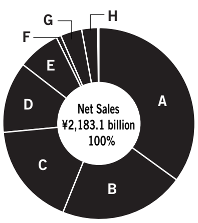
OPERATING SUMMARY BY INDUSTRY SEGMENT

	Millions of yen (percentage of net sales)			Thousands of U.S. dollars
	2002	***2002****	2001	**2002**
Thermal Systems	**¥ 870,676**	***¥ 764,244***	¥ 690,502	**$ 6,546,436**
	(36.2%)	***(35.0%)***	(34.3%)	
Powertrain Control Systems	**500,892**	***460,974***	402,829	**3,766,105**
	(20.8)	***(21.1)***	(20.0)	
Electronic Systems	**410,067**	***380,152***	355,178	**3,083,210**
	(17.1)	***(17.4)***	(17.6)	
Electric Systems	**288,004**	***261,097***	250,136	**2,165,444**
	(12.0)	***(12.0)***	(12.4)	
Small Motors	**167,460**	***156,810***	156,608	**1,259,098**
	(7.0)	***(7.2)***	(7.8)	
Other Automotive	**18,731**	***18,047***	15,253	**140,835**
	(0.8)	***(0.8)***	(0.8)	
Automotive sub-total	**2,255,830**	***2,041,324***	1,870,506	**16,961,128**
	(93.9)	***(93.5)***	(92.9)	
Telecommunications	**79,010**	***78,347***	87,854	**594,060**
	(3.3)	***(3.6)***	(4.3)	
Industrial Systems, Environmental Systems, and Others	**62,427**	***59,632***	55,963	**469,376**
	(2.6)	***(2.7)***	(2.8)	
New businesses sub-total	**141,437**	***137,979***	143,817	**1,063,436**
	(5.9)	***(6.3)***	(7.1)	
Others	**3,831**	***3,759***	655	**28,804**
	(0.2)	***(0.2)***	(0.0)	
Total	**¥2,401,098**	***¥2,183,062***	¥2,014,978	**$18,053,368**
	(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. *The italicized figures for the year ended March 31, 2002 represent unaudited amounts including the results of these overseas companies for the 12-month period ended December 31, 2001.
2. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥133=US$1, the approximate exchange rate prevailing on March 29, 2002, the last trading day of the fiscal year.

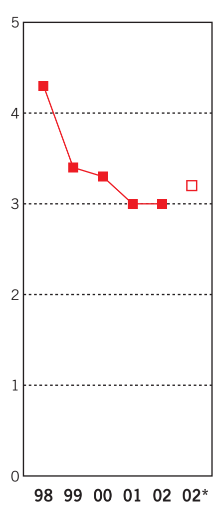
MANAGEMENT'S DISCUSSION AND ANALYSIS

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



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

RETURN ON SALES (%)



* For reference: On a 12-month basis

Business Overview

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

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

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

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

Net Sales

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

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

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

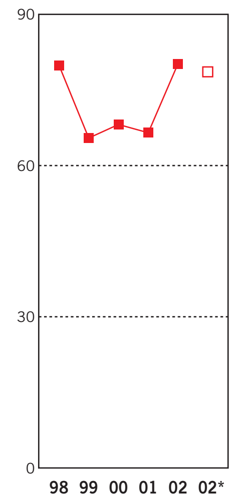
By geographical segment, net sales in Japan climbed 4.1%, to ¥1,643.1 billion, where expanding sales and increasing exports offset a decline in domestic automobile production. Net sales in the Americas improved 37.6%, to ¥643.3 billion, or a rise of 9.5% to ¥511.9 billion on a 12-month basis. This increase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

Operating Income

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

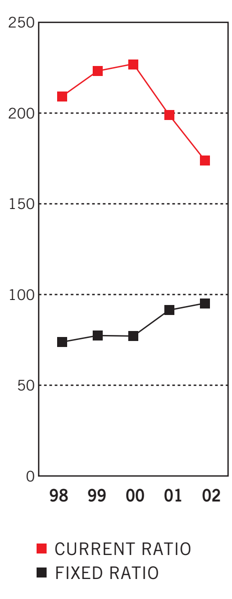
In the automotive segment, operating income climbed 8.4% to ¥141.8 billion, or 5.8%, to ¥138.5 billion on a 12-month basis. The principal factors behind this improvement were foreign exchange gains due to the weak yen and benefits from DENSO's efforts to reduce costs and find efficiencies across the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

EARNINGS PER SHARE
(Yen)



* For reference:
On a 12-month basis

CURRENT RATIO
FIXED RATIO
(%)



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

Other Income and Expenses

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

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

Income Before Income Taxes and Minority Interests

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

Income Taxes

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

Minority Interests in Net Income

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

Net Income

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

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

Dividends

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

Liquidity and Source of Funds

Finance and Liquidity Risk Management

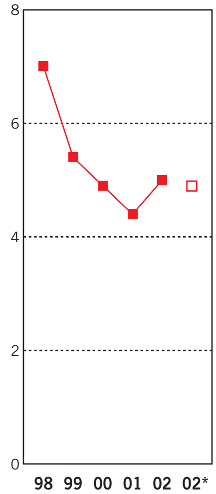
DENSO Corporation's fundamental financial policy is founded on three principles: to secure an optimum level of funds for operational activities, manage liquidity risks appropriately, and ensure a sound financial position.

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

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

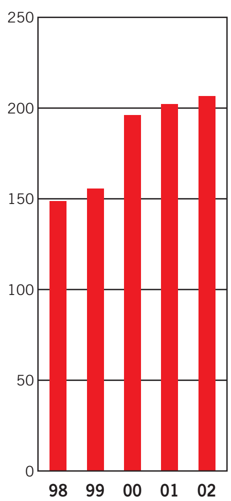
In order to improve the efficiency of fund management on a global basis and prevent uneven regional allocation, the company has also established a dollar/yen cash management system.

RETURN ON EQUITY
(%)



* For reference:
On a 12-month basis

NET CASH PROVIDED BY OPERATING ACTIVITIES
(billions of yen)



Financial Position

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

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

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

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

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

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

Cash Flows

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

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

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

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

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

Outlook

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

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

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

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

(These forecasts are based on yen exchange rates of 1US$=¥125 and 1EURO=¥110.)
The above forecasts are based on the information available as of the date of this report. Business performance is subject to influence from a variety of internal and external factors, such as changes in economic conditions, currency exchange rates, and business operations. Accordingly, actual results could differ materially from plans and expectations.

CONSOLIDATED BALANCE SHEETS

DENSO CORPORATION and Consolidated Subsidiaries
March 31, 2002 and 2001

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

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF INCOME

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

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

	Yen			U.S. dollars (Note 3)
Per Share of Common Stock (Note 2(n)):				
Net income	**¥ 80.22**	¥ 66.51	¥ 68.15	**$0.60**
Fully diluted net income	**78.93**	65.51	66.73	**0.59**
Cash dividends applicable to the year	**18.00**	17.00	17.00	**0.14**
Average Number of Shares (in thousands)	**901,489**	914,121	908,519	

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

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

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Basis of Presenting Consolidated Financial Statements

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

(b) Translation of Financial Statements for Consolidated Foreign Subsidiaries

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

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

(c) Cash and Cash Equivalents

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

(d) Inventories

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

(e) Securities

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

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

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

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

(f) Property, Plant and Equipment and Depreciation

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

(g) Translation of Foreign Currency Accounts

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

(h) Income Taxes

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

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

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

(i) Liability for Employees' Retirement Benefits

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

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

(j) Appropriations of Retained Earnings

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

(k) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(l) Leases

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

(m) Derivative Financial Instruments

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

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

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

(n) Net Income and Dividends per Share

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

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 ¥133 to U.S.$1, the approximate rate of exchange at March 29, 2002, the last trading day of the fiscal year. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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, 2002 and 2001 were as follows:

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

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

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

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

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

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

5. Inventories

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

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

6. Income Taxes

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

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

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

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

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

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

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

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

7.
Short-Term Borrowings and Long-Term Debt

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

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

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

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

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

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

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

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

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

8. Pledged Assets

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

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

9. Liability for Employees' Retirement Benefits

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

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

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

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

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

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

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

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

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

10.
Contingent Liabilities

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

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

11.
Shareholders' Equity

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

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

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

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

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

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

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

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

12.
Significant Shareholder

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

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

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

13.
Research and Development Expenses

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

14.
Leases

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

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

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

Obligations under finance leases includes the imputed interest expense portion.

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

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

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥1,245**	**$ 9,361**
Due after one year	**1,966**	**14,782**
Total	**¥3,211**	**$24,143**

15.
Segment Information

(a) Industry Segments

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

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

(b) Geographical Segments (by company location)

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

(c) Sales by Customer Location

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

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

16. Derivatives

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

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

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

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

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

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

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

(a) Appropriation of Retained Earnings

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

(b) Stock Option Plan

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

(C) Purchase of treasury stock

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

Deloitte Touche Tohmatsu

June 27, 2002