FINANCIAL SECTION

FINANCIAL REVIEW

FINANCIAL SUMMARY

DENSO CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31

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

Notes: 1. As of March 31, 2003, DENSO CORPORATION had 155 consolidated subsidiaries and applied the equity method of accounting with respect to 25 affiliates.
2. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year end to March 31 from December 31.
*1 The italicized figures for the year ended March 31, 2002 represent unaudited amounts calculated by management to reflect comparative income statement information including the results of these overseas companies for the 12-month period ended December 31, 2001.
3. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥120=US$1, the approximate exchange rate prevailing on March 31, 2003, the last trading day of the fiscal year.

OPERATING SUMMARY BY INDUSTRY SEGMENT

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

Notes: 1. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year end to March 31 from December 31.
*1 The italicized figures for the year ended March 31, 2002 represent unaudited amounts calculated by management to reflect comparative income statement information including the results of these overseas companies for the 12-month period ended December 31,2001.
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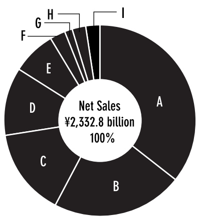
MANAGEMENT'S DISCUSSION AND ANALYSIS

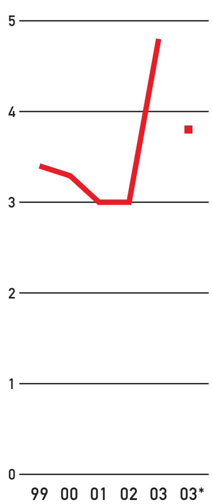
BREAKDOWN OF NET SALES



A	Thermal Systems	35.6%
B	Powertrain Control Systems	22.1%
C	Electronic Systems	14.8%
D	Electric Systems	11.5%
E	Small Motors	7.4%
F	ITS	2.6%
G	Other Automotive	1.3%
H	Industrial Systems, Environmental Systems, etc.	2.3%
I	Others	2.4%

RETURN ON SALES

%



* Excludes non-recurring extraordinary items

BUSINESS OVERVIEW

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

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

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

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

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

NET SALES

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

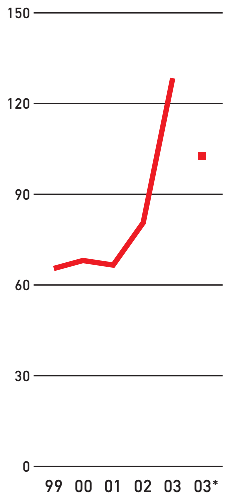
BY GEOGRAPHIC SEGMENT

Comparison of percentage figures and amounts in the following segment analysis of net sales are made on a 12-month basis.
In Japan, higher automobile production and exports, together with success in winning new business, led to an increase in segment sales of 5.3% or ¥87.6 billion, to ¥1,730.7 billion. Increased automobile production and a rise in new business were also factors in higher sales in the Americas, up 5.6% or ¥28.7 billion, at ¥540.6 billion. Despite the impact of weak car sales in Europe, DENSO increased sales in the region by 13.1% or ¥31.7 billion, to ¥274.0 billion, owing to concerted efforts to win new orders and the benefits of a weaker yen. In Asia and Oceania, higher automobile production and the weaker yen combined to drive sales up 28.4% or ¥41.2 billion, to ¥185.9 billion.

BY BUSINESS SEGMENT

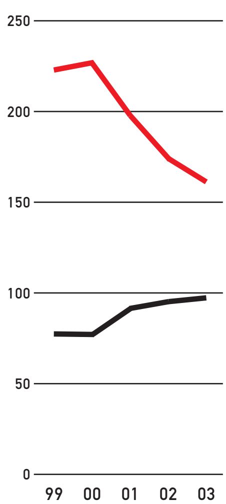
Comparison of percentage figures and amounts in the following segment analysis of net sales are made on a 12-month basis.
In the year under review, DENSO recorded a ¥177.7 billion increase in net sales in the automotive field, approximately 80% of which was generated by the following three business segments. Thermal systems: sales rose 8.6% or ¥65.8 billion due to strong demand for air conditioners and cooling systems from North America, Europe, and Asia and Oceania. Powertrain control systems: stable demand for system control components, filters, and diesel injection systems in Japan, and ignition stick coils, fuel injectors, and idle-speed control valves in North America, led to an 11.6% or ¥53.6 billion increase in sales. Electronic systems: sales were up 6.6% or ¥21.3 billion, thanks to strong performances from engine ECUs and semiconductor products in Japan, and meters and engine ECUs in Asia and Oceania.

EARNINGS PER SHARE
YEN



* Excludes non-recurring extraordinary items

CURRENT RATIO
FIXED RATIO
%



■ CURRENT RATIO
■ FIXED RATIO

OPERATING INCOME

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

BY GEOGRAPHIC SEGMENT

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

OTHER INCOME AND EXPENSES

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

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

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

INCOME TAXES

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

MINORITY INTERESTS IN NET INCOME

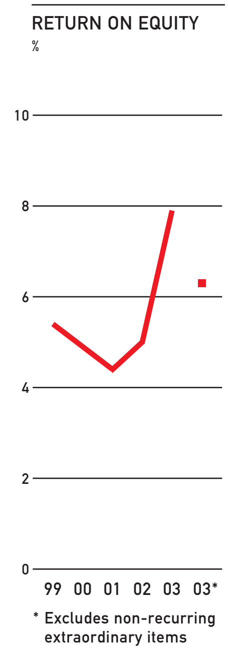
Minority interests in net income increased 43.0%, or ¥1.6 billion year on year, to ¥5.2 billion.

NET INCOME

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

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

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



POLICY ON ALLOCATION OF EARNINGS

DIVIDENDS

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

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

TREASURY STOCK REPURCHASES

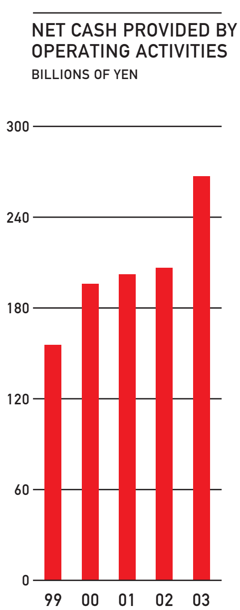
During the year under review, DENSO repurchased 40 million shares of treasury stock with a value of ¥76.3 billion. This move was made as part of DENSO's strategy to improve ROE and return profits to shareholders, as well as to ensure an expeditious capital funding policy in response to shifts in the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

SOURCE OF FUNDS AND LIQUIDITY RISK MANAGEMENT

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

GLOBAL CASH MANAGEMENT SYSTEM

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



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

FINANCIAL POSITION

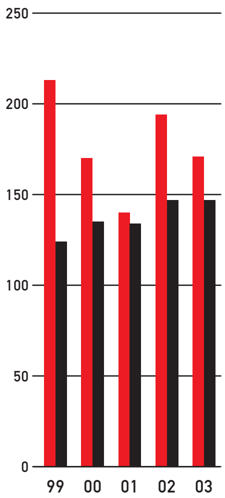
Total assets as of March 31, 2003, were ¥2,354.7 billion, 0.3% or ¥6.4 billion lower than at the end of the previous fiscal year.

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

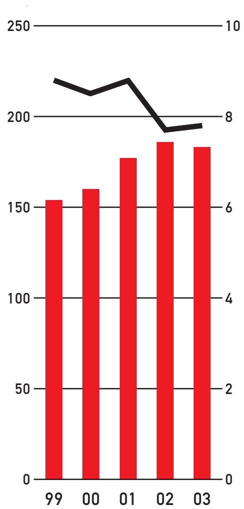
Total investments and advances increased 0.3% or ¥1.9 billion, to ¥601.9 billion. This was chiefly attributable to an increase of ¥100.1 billion in prepaid pension costs, offset by a decline of ¥38.4 billion in goodwill and a decrease of ¥66.6 billion in investment securities due to a fall in net unrealized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

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

CAPITAL EXPENDITURES/ DEPRECIATION
BILLIONS OF YEN



R&D EXPENDITURES
BILLIONS OF YEN/%



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

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

CASH FLOWS

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

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

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

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

CAPITAL EXPENDITURES / DEPRECIATION

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

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

BY GEOGRAPHIC SEGMENT

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

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

RESEARCH AND DEVELOPMENT (R&D) ACTIVITIES

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

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

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

OUTLOOK

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

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

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

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

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

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

CONSOLIDATED BALANCE SHEETS

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

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

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF INCOME

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

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

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

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

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

Additional cash flow information:				
Non-cash investing and financing activities:				
Conversion of convertible bonds to common stock and additional paid-in capital	**¥ 28,700**	¥ 1	—	**$ 239,167**
Assets and liabilities increased due to purchase of consolidated subsidiaries:				
Fair value of assets acquired	**¥ 6,508**	¥ 1,430	¥ 53,931	**$ 54,233**
Liabilities assumed	**4,639**	706	22,301	**38,658**
Cash paid for the capital	**567**	517	31,574	**4,725**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form that is more familiar to readers outside Japan. Certain reclassifications of the consolidated financial statements for the years ended March 31, 2002 and 2001 have been made to conform with the presentation for the year ended March 31, 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Company applied the "control" concept for its consolidation policy. Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are to be fully consolidated. The consolidated financial statements for the year ended March 31, 2003 include all 155 subsidiaries (150 for 2002 and 131 for 2001). The Company applied the "power to exercise significant influence" concept to determine affiliates to be accounted for by the equity method. The Company applied the equity method to 25 affiliates for the year ended March 31, 2003 (25 affiliates for 2002 and 22 affiliates for 2001).

The fiscal years of subsidiaries are not necessarily the same as that of the Company. Accounts of subsidiaries, which have different fiscal years, have been adjusted for significant transactions to properly reflect their financial position at March 31 of each year and the results of operations and cash flows for the years then ended. In fiscal 2003, 6 of the Company's foreign subsidiaries and in fiscal 2002, 45 of the major foreign subsidiaries and affiliates, which are consolidated or accounted for by the equity method, decided to change their fiscal year-end from December 31 to March 31. The Company's consolidated financial statements thus include 15 months of operating results at the 6 subsidiaries that changed their fiscal year-ends in the year ended March 31, 2003, and at the 45 subsidiaries and affiliates that made the same transition in the year ended March 31, 2002.

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

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

(B) TRANSLATION OF FINANCIAL STATEMENTS FOR CONSOLIDATED FOREIGN SUBSIDIARIES

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

(C) CASH AND CASH EQUIVALENTS

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

(D) INVENTORIES

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

(E) SECURITIES

All securities are classified as available-for-sale securities and are valued at fair value, with unrealized gains and losses, net of applicable taxes, reported in as a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

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

(F) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

(G) TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts.

(H) INCOME TAXES

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

The asset and liability approach is used to recognize deferred income taxes, which are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Future tax benefits are recognized to the extent that such benefits are likely to be realized.

(I) LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

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

The full amount of the transitional obligation of ¥97,623 million at April 1, 2000 was charged to income and presented as other expense in the statement of income for the year ended March 31, 2001. In July 2000, the Company contributed certain available-for-sale securities with a fair value of ¥90,395 million to the employees' retirement benefit trust for the Company's non-contributory pension plans, and recognized a gain of ¥70,615 million. The securities held in this trust were qualified as plan assets.

(J) APPROPRIATIONS OF RETAINED EARNINGS

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

(K) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to income as incurred.

(L) LEASES

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

(M) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

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

(N) NET INCOME AND DIVIDENDS PER SHARE

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

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

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

3. U.S. DOLLAR AMOUNTS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to U.S.$1, the approximate rate of exchange at March 31, 2003, the last trading day of the fiscal year. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

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

The carrying amounts and aggregate fair values of available-for-sale securities included in short-term investments and in investment securities at March 31, 2003 and 2002 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cost	Unrealized Gain	Unrealized Loss	Fair Value
				2003				**2003**
Equity securities	**¥134,950**	**¥122,165**	**¥(2,005)**	**¥255,110**	**$1,124,583**	**$1,018,042**	**$(16,708)**	**$2,125,917**
Debt securities	**145,128**	**1,845**	**(51)**	**146,922**	**1,209,400**	**15,375**	**(425)**	**1,224,350**
Total	**¥280,078**	**¥124,010**	**¥(2,056)**	**¥402,032**	**$2,333,983**	**$1,033,417**	**$(17,133)**	**$3,350,267**

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

The carrying amounts of available-for-sale securities whose fair value was not readily determinable included in short-term investments and in investment securities at March 31, 2003 and 2002 were as follows:

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

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

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	**¥ 30,455**	**$ 253,708**
Due after one year through five years	**107,811**	**898,425**
Due after five years through ten years	**12,288**	**102,400**
Total	**¥150,544**	**$1,254,533**

5.
INVENTORIES

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

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

6.
INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in aggregate, resulted in normal statutory tax rates of approximately 41% for the years ended March 31, 2003, 2002, and 2001.

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

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

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

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

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

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

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

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

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

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

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

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

The Company assigned the obligation to repay 1.9% unsecured bonds issued on June 23, 1998 to a financial institution during the year ended March 31, 2003. Accordingly, these bonds have been treated as redeemed and loss on redemption of bonds in the amount of ¥4,964 million ($41,367 thousand) was recognized. Contingent liabilities to bond holders with respect to this transaction are described in Note10.

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

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

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

8. PLEDGED ASSETS

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

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

9.

LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

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

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

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

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

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

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

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

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

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

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

	2003	2002
Discount rate	**mainly 2.5%**	mainly 2.5%
Expected rate of return on plan assets	**mainly 4.5%**	mainly 4.5%
Amortization period of prior service cost	**10 years**	10 years
Recognition period of actuarial gain/loss	**10 years**	10 years

10.
CONTINGENT LIABILITIES

At March 31, 2003, 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	¥ 3,855	$ 32,125
Trade notes sold with recourse	4,185	34,875
Redemption of 1.9% yen bonds transferred to a third party under a debt assumption agreement	60,000	500,000
	¥68,040	$567,000

11.
SHAREHOLDERS' EQUITY

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

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

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

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

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

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code. Under certain stock option plans approved by the Company's shareholders, the Company has granted stock options to directors and general managers.

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

Information about the outstanding stock option plans is as follows:

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

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

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

12.
SIGNIFICANT SHAREHOLDER

Toyota Motor Corporation ("Toyota") directly owned 207,626 thousand shares, 212,414 thousand shares and 228,152 thousand shares of common stock of the Company at March 31, 2003, 2002 and 2001, respectively, which accounted for 23.48%, 24.52% and 24.95% of the total shares of the Company outstanding at the respective dates.

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

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

13. RESEARCH AND DEVELOPMENT EXPENSES

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

14. LEASES

The Companies lease certain machinery, computer equipment, and other assets. Total lease expense for finance leases for the years ended March 31, 2003, 2002, and 2001 were ¥3,432 million ($28,600 thousand), ¥2,778 million and ¥2,528 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Acquisition and accumulated depreciation			
Acquisition cost	**¥18,850**	¥14,448	**$157,083**
Accumulated depreciation	**11,525**	8,737	**96,041**
Net leased property	**¥ 7,325**	¥ 5,711	**$ 61,042**
Obligations under finance leases			
Due within one year	**¥ 2,566**	¥ 2,300	**$ 21,383**
Due after one year	**4,759**	3,411	**39,659**
Total	**¥ 7,325**	¥ 5,711	**$ 61,042**

Obligations under finance leases includes the imputed interest expense portion.

Depreciation expenses, which were not reflected in the accompanying consolidated statements of income for the years ended March 31, 2003, 2002, and 2001, computed by the straight-line method, were ¥3,432 million ($28,600 thousand), ¥2,778 million and ¥2,528 million, respectively.

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

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

15. SEGMENT INFORMATION

(a) Industry Segments

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

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

(b) Geographical Segments (by company location)

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

(c) Sales by Customer Location

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

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

16.
DERIVATIVES

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

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

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

The fair values of the Companies' derivative contracts at March 31, 2003 and 2002 were as follows:

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

	Millions of yen		
	Contract or Notional Amounts	Fair Value	Net Unrecognized Loss
			2002
Foreign currency options:			
Selling contracts —			
U.S. dollar call options	¥1,323	¥11	¥ (1)
	<10>		
EURO put options	733	8	0
	<8>		
Buying contracts —			
U.S. dollar put options	3,174	12	(20)
	<32>		
EURO call options	400	8	0
	<8>		

The fair value and net unrealized gain/loss on currency and interest rate swap contracts employed to hedge exchange rate and other risks on payables and receivables to/from consolidated subsidiaries that have been eliminated in consolidation, were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)
			2003			**2003**
Forward exchange contracts:						
Selling contracts	**¥14,815**	**¥14,678**	**¥ 137**	**$123,458**	**$122,316**	**$ 1,141**
Buying contracts	**141**	**143**	**2**	**1,175**	**1,192**	**17**
Foreign currency swaps	**¥ 5,173**	**¥ 5,488**	**¥(315)**	**$ 43,108**	**$ 45,733**	**$(2,625)**
Interest rate and currency swaps	**3,784**	**3,784**	**0**	**31,533**	**31,533**	**0**

	Millions of yen		
	Contract or Notional Amounts	Fair Value	Net Unrecognized Gain/(Loss)
			2002
Forward exchange contracts:			
Selling contracts	¥14,505	¥14,896	¥(391)
Buying contracts	973	1,005	32

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. NET INCOME PER SHARE

The reconciliation of the differences between basic and diluted net income per share (EPS) for the year ended March 31, 2003 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S.Dollars
	Net Income	Weighted Average Shares	EPS	EPS
				2003
Basic EPS				
Net income available to common shareholders	**¥110,503**	**¥860,828**	**¥128.37**	**$1.07**
Effect of Dilutive Securities				
Convertible bonds	**161**	**12,969**		
Diluted EPS				
Net income for computation	**¥110,664**	**¥873,797**	**¥126.65**	**$1.06**

18. SUBSEQUENT EVENTS

On June 27, 2003, 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	¥8,433	$70,275
Bonuses to directors and corporate auditors	300	2,500
Total	¥8,733	$72,775

(b) Stock Option Plan

The plan provides for issuing stock options to directors, key employees and directors of subsidiaries. The options entitle the holders to purchase shares of the Company's common stock up to the lower of 1,200 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, 2005 to June 30, 2009.

(c) Purchase of Treasury Stock

The Company is authorized to repurchase up to 20,000 thousand shares of the Company's common stock (aggregate amount of ¥40,000 million ($333,333 thousand)).

INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of
DENSO CORPORATION:

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

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

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

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

Deloitte Touche Tohmatsu

June 27, 2003