FINANCIAL SECTION

FINANCIAL SUMMARY

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

	2005	2004	2003	2002	*2002*1 unaudited*
Net Sales:	**¥2,799,949**	¥2,562,411	¥2,332,760	¥2,401,098	*¥2,183,062*
Sales in Japan	**1,554,795**	1,442,645	1,325,637	1,277,865	*1,277,865*
Sales outside Japan	**1,245,154**	1,119,766	1,007,123	1,123,233	*905,197*
Operating Income	**213,895**	188,659	159,893	133,340	*129,888*
Net Income	**132,620**	110,027	111,018	72,313	*70,800*
Total Assets	**2,780,982**	2,526,502	2,354,657	2,361,048	—
Shareholders' Equity	**1,643,182**	1,509,489	1,397,888	1,421,212	—
Capital Expenditures	**235,258**	196,461	171,108	193,599	*183,977*
Depreciation	**160,993**	151,169	146,651	147,277	*139,991*
R&D Expenses	**238,241**	214,917	182,886	185,627	*181,044*
Net Cash Provided by Operating Activities	**273,296**	231,814	267,344	206,663	—
Per Share:					
Basic net income	**¥ 159.02**	¥ 130.02	¥ 128.37	¥ 80.22	*¥ 78.54*
Diluted net income	**158.96**	130.01	126.65	78.93	*77.29*
Cash dividends	**32.00**	24.00	20.00	18.00	—
Shareholders' equity	**1,990.48**	1,809.55	1,656.93	1,641.72	—
Ratios:					
Return on Sales (%)	**4.7**	4.3	4.8	3.0	*3.2*
Current Ratio (%)	**161.4**	163.0	161.2	174.0	—
Fixed Ratio (%)	**98.2**	97.2	97.3	95.2	—
Return on Equity (%)	**8.4**	7.6	7.9	5.0	*4.9*
Average Number of Shares (in thousands)	**830,869**	842,005	860,828	901,489	—
Number of Employees	**104,183**	95,461	89,380	86,639	—

Notes: 1. As of March 31, 2005, DENSO CORPORATION had 171 consolidated subsidiaries and applied the equity method of accounting with respect to 29 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.*

SALES BY BUSINESS SEGMENT

	Millions of yen (percentage of net sales)						Thousands of U.S. dollars
	2005	2004	2003	2002	*2002*1 unaudited*	2001	**2005**
Thermal Systems	**¥ 931,568 (33.3%)**	¥ 893,548 (34.9%)	¥ 830,018 (35.6%)	¥ 870,676 (36.2%)	*¥ 764,244 (35.0%)*	¥ 690,502 (34.3%)	**$ 8,706,243**
Powertrain Control Systems	**646,166 (23.0)**	580,826 (22.7)	514,604 (22.1)	500,892 (20.8)	*460,974 (21.1)*	402,829 (20.0)	**6,038,935**
Electronic Systems	**424,377 (15.2)**	378,835 (14.8)	345,543 (14.8)	353,052 (14.7)	*324,274 (14.8)*	315,740 (15.6)	**3,966,140**
Electric Systems	**331,426 (11.9)**	293,372 (11.4)	269,567 (11.5)	288,004 (12.0)	*261,097 (12.0)*	250,136 (12.4)	**3,097,439**
Small Motors	**193,646 (6.9)**	181,634 (7.1)	171,914 (7.4)	167,460 (7.0)	*156,810 (7.2)*	156,608 (7.8)	**1,809,776**
ITS	**120,938 (4.3)**	92,521 (3.6)	60,328 (2.6)	57,015 (2.4)	*55,878 (2.6)*	39,438 (2.0)	**1,130,262**
Other Automotive	**42,677 (1.5)**	35,444 (1.4)	30,816 (1.3)	22,562 (1.0)	*21,806 (1.0)*	15,908 (0.8)	**398,850**
Automotive sub-total	**2,690,798 (96.1)**	2,456,180 (95.9)	2,222,790 (95.3)	2,259,661 (94.1)	*2,045,083 (93.7)*	1,871,161 (92.9)	**25,147,645**
Industrial Systems and Consumer Products	**58,920 (2.1)**	53,686 (2.1)	53,353 (2.3)	48,167 (2.0)	*45,530 (2.1)*	42,800 (2.1)	**550,654**
Others	**50,231 (1.8)**	52,545 (2.0)	56,617 (2.4)	93,270 (3.9)	*92,449 (4.2)*	101,017 (5.0)	**469,449**
New businesses sub-total	**109,151 (3.9)**	106,231 (4.1)	109,970 (4.7)	141,437 (5.9)	*137,979 (6.3)*	143,817 (7.1)	**1,020,103**
Total	**¥2,799,949 (100.0)**	¥2,562,411 (100.0)	¥2,332,760 (100.0)	¥2,401,098 (100.0)	*¥2,183,062 (100.0)*	¥2,014,978 (100.0)	**$26,167,748**

Notes: 1. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year-end to March 31 from December 31.
**1 The italicized figures for the year ended March 31, 2002 represent unaudited amounts calculated by management to reflect comparative income statement information including the results of these overseas companies for the 12-month period ended December 31, 2001.*
2. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥107=US$1, the approximate exchange rate prevailing on March 31, 2005, the last trading day of the fiscal year.

						Millions of yen	Thousands of U.S. dollars
	2001	2000	1999	1998	1997	1996	**2005**
	¥2,014,978	¥1,883,407	¥1,758,842	¥1,667,311	¥1,624,906	¥1,422,607	**$26,167,748**
	1,245,830	1,161,016	1,104,579	1,135,834	1,153,392	1,035,664	**14,530,795**
	769,148	722,391	654,263	531,477	471,514	386,943	**11,636,953**
	123,526	116,682	101,663	112,786	132,383	87,022	**1,999,019**
	60,799	61,913	58,969	71,158	71,376	49,845	**1,239,439**
	2,343,328	2,154,251	1,917,192	1,745,329	1,701,825	1,576,979	**25,990,486**
	1,451,211	1,304,400	1,121,171	1,057,173	978,378	904,100	**15,356,841**
	140,447	169,953	212,745	177,757	124,789	96,632	**2,198,673**
	134,416	134,706	124,289	103,068	94,890	91,167	**1,504,607**
	176,959	160,055	154,207	157,615	151,928	130,827	**2,226,551**
	202,127	196,020	155,540	148,735	197,860	165,396	**2,554,168**
						Yen	U.S. dollars
	¥ 66.51	¥ 68.15	¥ 65.46	¥ 79.93	¥ 81.68	¥ 57.33	**$ 1.49**
	65.51	66.73	63.51	76.31	76.24	53.52	**1.49**
	17.00	17.00	15.00	15.00	16.00	14.00	**0.30**
	1,587.77	1,426.70	1,238.33	1,178.53	1,110.25	1,039.37	**18.60**
	3.0	3.3	3.4	4.3	4.4	3.5	
	199.0	227.1	223.2	209.2	211.4	251.9	
	91.4	77.1	77.4	73.8	70.6	73.1	
	4.4	4.9	5.4	7.0	7.6	5.6	
	914,121	908,519	900,836	890,226	873,869	869,442	
	85,371	80,795	72,359	57,084	56,961	56,385	

3. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥107=US$1, the approximate exchange rate prevailing on March 31, 2005, the last trading day of the fiscal year.

SALES BY COMPANY LOCATION

							Millions of yen	Thousands of U.S. dollars
		2005	2004	2003	2002	*2002[*1] unaudited*	2001	**2005**
Japan	Customers	**¥1,590,666**	¥1,469,552	¥1,355,925	¥1,304,249	*¥1,304,249*	¥1,277,731	**$14,866,037**
	Intersegment	**469,891**	416,245	374,770	338,858	*338,858*	301,300	**4,391,505**
	Total	**2,060,557**	1,885,797	1,730,695	1,643,107	*1,643,107*	1,579,031	**19,257,542**
The Americas	Customers	**571,053**	549,208	531,303	630,714	*501,831*	457,627	**5,336,944**
	Intersegment	**9,189**	8,532	9,267	12,602	*10,082*	9,802	**85,879**
	Total	**580,242**	557,740	540,570	643,316	*511,913*	467,429	**5,422,823**
Europe	Customers	**367,082**	333,486	269,499	304,194	*238,238*	158,205	**3,430,673**
	Intersegment	**6,968**	4,809	4,489	5,073	*4,058*	1,708	**65,121**
	Total	**374,050**	338,295	273,988	309,267	*242,296*	159,913	**3,495,794**
Asia & Oceania	Customers	**271,148**	210,165	176,033	161,941	*138,744*	121,415	**2,534,094**
	Intersegment	**19,757**	13,438	9,837	7,456	*5,965*	6,878	**184,645**
	Total	**290,905**	223,603	185,870	169,397	*144,709*	128,293	**2,718,739**
Eliminations		**(505,805)**	(443,024)	(398,363)	(363,989)	*(358,963)*	(319,688)	**(4,727,150)**
Consolidated		**¥2,799,949**	¥2,562,411	¥2,332,760	¥2,401,098	*¥2,183,062*	¥2,014,978	**$26,167,748**

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.

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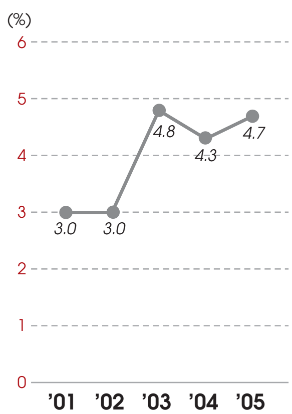
BUSINESS OVERVIEW

In the year ended March 31, 2005, the world economy showed strong growth supported by buoyant U.S. and Chinese economies. The Japanese economy saw increases in exports and capital expenditures to post its third consecutive year of positive growth. The strong world economy brought good results for the automotive industry. Sales in the U.S., a major market for automobiles, were buoyant, and there were significant signs of recovery in Western Europe. In Asia, increased sales were recorded in China, India and the ASEAN nations. In Japan, demand due to stringent regulations for exhaust gas emissions slackened, slowing sales. This was offset, however, by robust exports that exceeded 10 million vehicles for the third consecutive year.



Return on Sales

SALES

DENSO Group continued efforts on several fronts to expand its global operations. As a direct result of DENSO emphasizing the key concepts of safety, environment, comfort and convenience to develop value-added products of the highest quality, sales for the year ended March 31, 2005 were ¥2,799.9 billion, a 9.3% (¥237.5 billion) increase over the previous year.

SALES BY GEOGRAPHIC SEGMENT

Sales in Japan rose 9.3% year-on-year, or ¥174.8 billion, to ¥2,060.6 billion. This was a result of increased vehicle production and exports of components used in overseas final assembly.

Sales in the Americas grew 4.0%, an increase of ¥22.5 billion, to ¥580.2 billion. An appreciating yen had a negative impact on these results, however this was offset by expanded sales and production of Japanese automobile manufacturers.

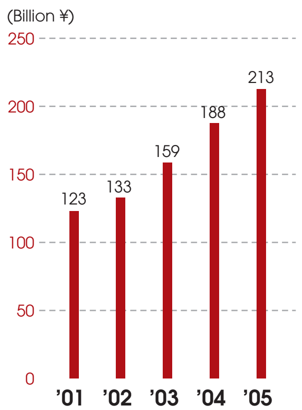
Sales in Europe saw an increase of 10.6%, or ¥35.8 billion, to stand at ¥374.1 billion. This increase was due to expanded sales to Japanese and European automobile manufacturers.

Sales in Asia and Oceania swelled 30.1%, or ¥67.3 billion to reach ¥290.9 billion, due to the full operation of the IMV Project and increased production of Japanese automobile manufacturers.

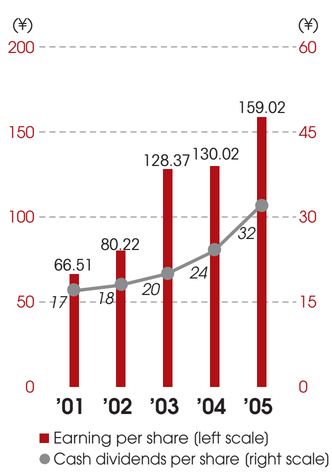
SALES BY BUSINESS SEGMENT

In the year under review, DENSO recorded ¥2,690.8 billion in net sales in the automotive field for a year-on-year increase of 9.6%. The following six automobile-related business segments mainly generated 96.1% of sales.

Thermal Systems: sales rose 4.3% to ¥931.5 billion due to higher automobile production in Japan, increased sales to GM and Japanese automakers in North America and expanded sales to ASEAN nations for Toyota's IMV Project. **Powertrain Control Systems:** sales increased 11.2% year on year to ¥646.1 billion rising across the board for diesel common rail systems for European-based Japanese manufacturers and Toyota's IMV Project, variable cam timing (VCT) components. Similar gains were seen for integrated air-fuel modules, automatic transmissions and other system control components. **Electronic Systems:** sales rose 12.0% to ¥424.3 billion, thanks to strong demand for body electronic systems, such as keyless entry systems and tire pressure monitoring systems, as well as sensors and other new high-end automotive components.
Electric Systems: sales grew 13.0% to ¥331.4 billion, chiefly due to increased installation of traction control, vehicle stability control and brake-assist functions added to anti-lock brake systems as well as airbag systems with side airbags and other sophisticated functional products. **Small Motors:** sales increased by 6.6% to ¥193.6 billion due to robust sales of wiper systems, power sheet motors and motors for sliding door closers. **Intelligent Transport Systems (ITS):** sales surged 30.7% to ¥120.9 billion as sales of car navigation systems and demand for ETC products in Japan expanded.



Operating Income



Earning per Share/ Dividend per Share

OPERATING INCOME

Operating income rose 13.4%, or ¥25.2 billion, to ¥213.8 billion. Operating income mainly generated in the Japan and Asia & Oceania regions compensated for decreased income in the Americas and expanded losses in Europe.

OPERATING INCOME BY GEOGRAPHIC SEGMENT

In Japan, operating income rose 17.3%, or ¥26.5 billion, to ¥180.0 billion, due to efforts to rationalize operation and higher capacity utilization caused by increased sales.

In the Americas, operating income declined 4.8%, or ¥1.2 billion, to ¥23.6 billion. Although improved capacity utilization resulted in higher margins, this was outweighed by the negative impact of the appreciating yen against the U.S. dollar, rising costs from starting operations at a new plant, the changeover of products and other factors.

In Europe, DENSO posted an operating loss of ¥8.8 billion, ¥4.5 billion larger than that in the previous period. Although efforts were made to rationalize operations, up-front investment related to a plant in the Czech Republic, sluggish car sales of certain car model in Europe, leading to lower capacity utilization, and capital expenditures in a plant in Hungary for diesel common rail systems had a negative impact.

In Asia & Oceania, operating income increased 34.7%, or ¥5.2 billion, to ¥20.1 billion. This was due to improved capacity utilization in line with the Toyota's IMV Project achieving full operation.

OTHER INCOME (EXPENSES)

Other income rose ¥12.4 billion to ¥9.6 billion, mainly due to ¥12.1 billion loss from the governmental pension program due to return of corresponding plan assets recorded in the previous period.

NET INCOME

DENSO recorded income before income taxes and minority interests of ¥223.4 billion for the year ended March 31, 2005, a rise of 20.2%, or ¥37.6 billion, over the results of the previous period. Income taxes for the year under review increased 21.7%, or ¥14.9 billion, to ¥83.3 billion. Minority interests in net income was ¥7.5 billion. As a result, net income stood at ¥132.6 billion, up 20.5%, or ¥22.6 billion.

ROE increased from 7.6% to 8.4%, and net income per share of common stock increased from ¥130.02 to ¥159.02. Diluted net income per share of common stock was ¥158.96, against ¥130.01 in the previous period.

POLICY ON ALLOCATION OF EARNINGS

DIVIDENDS

DENSO is committed to paying shareholders a stably increased dividend over the long term, while taking into consideration the company's operating results and the dividend payout ratio. In line with this policy, DENSO has set a dividend applicable to the fiscal year that represents a payout ratio of 24.7% of non-consolidated net income, or 20.1% of consolidated net income. As a result, the end-of-term dividend is ¥19.00 per share, giving an annual dividend for the year ended March 31, 2005 of ¥32.00 per share, an increase of ¥8 per share compared with the previous fiscal year.

TREASURY STOCK REPURCHASES

During the year under review, DENSO repurchased 9.1 million shares of stock at an aggregate cost of ¥23.8 billion, as part of the strategy to increase ROE and return profits to shareholders as well as undertake the DENSO's policy of retaining flexible capital to respond to changes in the business environment. DENSO has repurchased accumulated total of 131.8 million shares, including repurchases made in the year under review at an aggregate cost of ¥264.1 billion, since the beginning of its share buyback program in the year ended March 31, 1997. This represents 15% of all DENSO's outstanding shares as of March 31, 1997. 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.

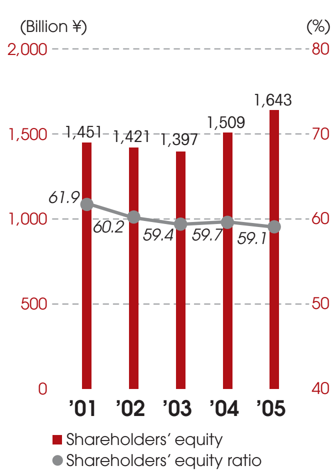
SOURCE OF FUNDS AND LIQUIDITY RISK MANAGEMENT

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

GLOBAL CASH MANAGEMENT SYSTEM

In July 2000, a subsidiary to conduct the accounting operations of DENSO Corporation, DENSO Finance & Accounting Center Co., Ltd., was established in Japan, together with regional headquarter subsidiaries in North America, Europe and Asia. By integrating financing functions at these locations, DENSO is creating a structure that enables the optimum management of group-wide funds. Based on this structure, in which each subsidiary is responsible for managing funds within its respective region, DENSO can procure capital resources and manage excess or deficient funds in a more centralized manner.

Furthermore DENSO has created a cash pooling system for yen and U.S. dollars in order to increase global efficiency of financing and to do away with uneven distribution of funds between regions. In line with this policy, DENSO commenced the pooling of yen in 2002 and concentrated yen held by Group companies, which is often the currency used for Europe transactions, to headquarters in Japan for centralized administration. This system allows DENSO to transfer excess fund to underfunded operations thereby reducing commissions and interest normally paid to financial institutions.



Shareholders' Equity
Shareholders' Equity Ratio

FINANCIAL POSITION

The Group's total assets as of March 31, 2005, increased by 10.1%, or ¥254.4 billion, to ¥2,780.9 billion.

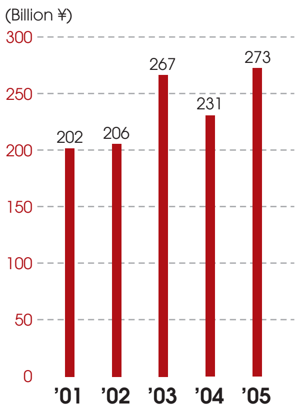
Current assets as of March 31, 2005, stood at ¥1,167.7 billion, 10.3%, or ¥108.7 billion increase, due to increases of short-term investments, notes and accounts receivable and inventories.

Property, plant and equipment increased 9.8%, or ¥75.7 billion, to ¥852.8 billion, primarily attributable to capital expenditures in Japan, the U.S., Mexico, Hungary and Thailand.

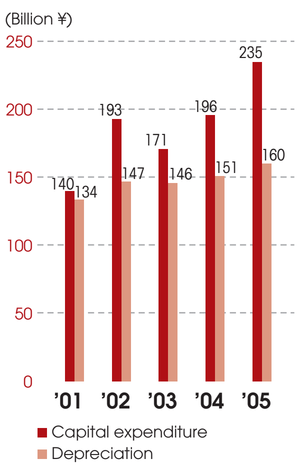
Investments and other assets increased 10.1%, or ¥70.0 billion, to ¥760.4 billion. This mainly reflected increases of investments in securities and prepaid pension costs.

The total of current and long-term liabilities rose 12.4%, or ¥117 billion, to ¥1,062.1 billion. Interest-bearing debt rose 16.8%, or ¥29.5 billion, to ¥205.7 billion due to increased long-term debt.

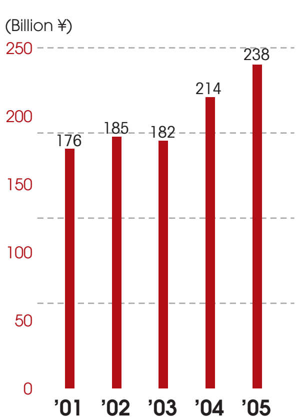
Total shareholders' equity was ¥1,643.2 billion, an 8.9%, or ¥133.7 billion, increase over the previous year end reflecting mainly an increase in net income.



Net Cash Provided by Operating Activities



Capital Expenditures/ Depreciation



R&D Expenditures

CASH FLOWS

Net cash provided by operating activities for the year ended March 31, 2005 was ¥273.3 billion. Investing activities used net cash of ¥268.8 billion and net cash used in financing activities was ¥20.1 billion. As a result, cash and cash equivalents as of March 31, 2005 stood at ¥231.8 billion, ¥12.7 billion less than at the end of the previous period. Net cash provided by operating activities was ¥41.5 billion higher than the previous year at ¥273.3 billion, due to higher capacity utilization supported by increased sales and group-wide efforts to reduce costs, rationalize operations and enhance efficiency.

Investing activities used net cash of ¥268.8 billion, ¥74.1 billion more than the previous year due to an increased outflow by ¥29.8 billion to acquire property, plant and equipment and a lower inflow from proceeds from sale and redemption of available-for-sale securities.

Net cash used in financing activities was ¥20.1 billion, or ¥28.9 billion less than the previous year. This was mainly attributable to no repayment of long-term bonds (¥40.0 billion was repaid in the previous year) offset by increases for repurchasing treasury stock and the payments of dividends, ¥4.5 billion and ¥4.0 billion higher than the previous year, respectively.

CAPITAL EXPENDITURES / DEPRECIATION

DENSO applies a number of benchmarks to ensure appropriate decisions are made related to capital expenditures. These benchmarks include projected free cash flow, ROA, number of years to recover investments 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 using global procurement to achieve a reduction in capital expenditures.

Capital expenditures during the year under review totaled ¥235.3 billion, a 19.7%, or ¥38.9 billion increase over the previous fiscal year. Depreciation increased 6.5%, or ¥9.8 billion year on year, to ¥160.9 billion.

BY GEOGRAPHIC SEGMENT

In Japan, capital expenditures increased 19.5%, or ¥23.8 billion, to ¥145.1 billion, while in the Americas, capital expenditures rose 28.2%, or ¥7.6 billion, to ¥34.6 billion, due to preparations related to the start of air conditioner and radiator manufacturing at DENSO Manufacturing Arkansas, Inc. in the U.S., and other investment projects. In Europe, capital expenditures increased 40.9%, or ¥8.9 billion, to ¥30.6 billion as plant expansion was carried out for the production of common rail diesel injection systems and VCT components at DENSO Manufacturing Hungary Ltd. In Asia & Oceania, capital expenditures decreased 5.0%, or ¥1.4 billion, to ¥25.0 billion, as preparations in response to Toyota's IMV Project in the previous year wound down.

Depreciation by region was as follows: 3.4% higher in Japan, at ¥111.7 billion; 3.3% higher in the Americas, at ¥19.8 billion; 16.5% higher in Europe, at ¥17.6 billion; and, 34.7% higher in Asia & Oceania, at ¥11.8 billion.

RESEARCH AND DEVELOPMENT (R&D) ACTIVITIES

DENSO Group utilizes R&D to carry out its mission of creating new value to contribute to people's happiness. Not stopping at technological development to increase safety, comfort and convenience, and create a better natural environment in the automotive field, DENSO Group is making significant contributions to intelligent transport systems (ITS), which is anticipated to become a major component of the social infrastructure. Furthermore, DENSO is expanding research to industrial equipment and lifestyle devices by utilizing its extensive know-how acquired in the automotive field.

In the automotive field, DENSO hosted a booth at the World ITS Summit and the Tokyo Motor Show for Commercial Vehicles in 2004. DENSO used these opportunities to share details of the Group's technology and products in line with the four functions mentioned earlier. Furthermore, in order to build a global development framework, DENSO is strengthening development systems in Europe and Asia. In Europe, DENSO has established DENSO Automotive Deutschland GmbH to expand its material testing and air-conditioner testing capacity. Within this company, DENSO has founded the Aachen Engineering Center for performance evaluation of diesel engine components in addition to other R&D applications. In Asia, DENSO is expanding its design center at DENSO Manufacturing Vietnam Co., Ltd. to carry out simulations and design components destined for Japan

In the year under review, Group R&D expenses were ¥238.2 billion.

DENSO Group is meeting the latest automotive needs by continuously developing new competitive products supported by unique technologies. DENSO is applying technological prowess acquired through developments in the automotive sector to products that span multiple business segments by actively exploring new ideas from basic research to product development.

RISK MANAGEMENT

ECONOMIC RISK

Demand for auto parts, which account for the major part of the Group's operating revenue around the globe, is easily affected by the economic situation in the countries and regions where the Group has its sales base. Accordingly, an economic downturn and resulting decrease in demand for auto parts in our major markets, including Japan, the Americas, Europe, Asia and Oceania, may have an adverse effect on our operating results and financial conditions.

Further, Group operations can be indirectly affected by the economic situation in regions where competitors have their manufacturing bases. For example, if a competitor is able to employ local labor at a lower cost and provide equivalent products at prices below ours, then, as a result, there is a chance that it may adversely effect our sales. Further, if the local currency of regions where parts and raw materials are sourced falls, there is a chance that the manufacturing cost not only for the Group but also other manufacturers will fall. As a result of these trends, export and price wars may intensify, with the possibility that this will have an adverse effect on our operating results and financial conditions.

EXCHANGE RATE RISK

Operations within the Group include the sale and manufacture of products around the world. All regional items in local currency including sales, costs and assets are converted to yen for the purpose of creating consolidated financial statements. Based on the exchange rate used in conversion, even though items have not changed as an amount of local currency, there is a possibility that the amount expressed in yen after the conversion has changed. In general, a strong yen (in particular against U.S.-dollar and Euro-denominated currencies that constitute a major part of Group sales) has an adverse effect on the Group's operations, and a weak yen has a positive effect on the Group's operations.

For Group operations that manufacture in Japan and export, a strong yen against other currencies decreases the worldwide comparative price competitiveness of our products and can have an adverse effect on operating results. The Group performs currency hedging, and makes efforts to minimize the adverse effect of short-term fluctuations in the exchange rates of major currencies including the U.S. dollar, Euro and yen. However, as a result of mid-term movements in exchange rates, there are cases where procurement, manufacturing, distribution and sales cannot be performed exactly as planned and, as a result, movements of the exchange rate may have an adverse effect on our operating results and financial conditions.

NEW PRODUCT DEVELOPMENT RISK

While the Group believes that it can continue to develop original and attractive new products, the product development and sales process is by its nature complex and uncertain, and is subject to the following risks:

There is no guarantee of acquiring sufficient funds and resources for investment in new products and new technologies.

There is no guarantee that long-term investment and allocation of large amounts of resources will lead to the development of successful new products and the creation of new technologies.

It is not certain that the Group will be able to correctly predict which new products and new technologies will earn the support of our customers, and there is no guarantee that the sales of these products will be successful.

There is no guarantee that newly developed products and technologies will be protected as original intellectual property.

As a result of fast-paced technological advances and changes in market needs, there is a possibility that the Group's products will become outdated.

As a result of delays in product commercialization of new technologies under development, there is a possibility that market demands might not be met.

Beginning with the risks outlined above, if the Group is unable to fully anticipate industry and market changes, and is unable to develop attractive new products, then this may result in a decrease in future growth and profitability and may have an adverse effect on our operating results and financial conditions.

PRICING RISK

Price competition in the automotive industry is very fierce. In particular demands for price cuts by finished car manufacturers have increased in the past few years.

Further, it can be foreseen that the Group will face intensified competition in the parts and regional markets that it operates in. Competitors include other parts manufacturers, and a portion of these manufacturers are providing products at lower price than us. Also, in line with the evolution of the car electronics business, there has been a rise in new competitors, such as consumer-electronics manufacturers and tie-ups between existing competitors, and there is a chance that they will quickly gain a large share in the market.

While we believe that the Group is the leading parts manufacturer in the world and continues to develop automobile parts that are highly technically advanced, of high quality and high added value, this is not a guarantee that we will be able to compete effectively in the future. There is always the possibility that pricing pressure and ineffective competitive practices on our part will lead to a decrease in customers that may have an adverse effect on our operating results and financial conditions.

POTENTIAL RISKS OF INTERNATIONAL ACTIVITIES AND OVERSEAS EXPANSION

The proportion of manufacturing and sales activities occurring in the Americas and Europe, as well as in developing and emerging markets in Asia and Oceania, has been increasing in recent years. Expansion into these overseas markets has the following inherent risks:

Unforeseen changes in laws or regulations.

Unfavorable political or economic factors.

Difficulties in employing and retaining personnel.

Substandard technical infrastructure may have an adverse effect on the Group's activities such as manufacturing or cause a drop in customer support of Group products and services.

Other such risks include potentially adverse tax effects and social turmoil resulting from terrorist acts, war or other causes.

For example, the Group is continuing to increase its manufacturing and part procurement presence in China. However, as a result of unforeseen circumstances in China, such as changes in the political or legal environment, labor shortages, strikes or changes in the economic environment, there is a possibility that the Group will be hampered from managing its production resources or carrying out its business.

OEM CUSTOMER RISK

The OEM business that constitutes the majority of the Group's business serves automobile manufacturers around the world and supplies a wide range of products including air-conditioning products, engine products, driving control and safety products and information and communication products. Sales to OEM customers are liable to be affected by factors that the Group cannot control such as the operating results of the OEM customer. Further, price reduction demands by customers can lead to a decrease in the Group's profit margin. There is a possibility that OEM customer business downturns, unforeseen contract cancellations, changes in OEM customer procurement policies, and price cuts to satisfy large customers may have an adverse effect on our operating results and financial standing.

Sales to the Toyota Group account for roughly half of the Group's sales. Such sales made to a specific client group can be impacted largely by the operating results of the customer.

PRODUCT DEFECT RISK

The Group manufactures a variety of products to meet internationally recognized quality control standards at factories around the world. However, there is no guarantee that all of our products are defect-free and that there will be no product recalls in the future. Also, while we do have product liability insurance coverage, there is no guarantee that this insurance will completely cover any compensation that we may be forced to pay. Further, we may not be able to continue to subscribe to this insurance under conditions acceptable to us. Product defects that lead to large-scale product recalls or product liability compensation have a huge cost and large impact on the Group's reputation, and this may lead to a decrease in sales and adversely affect our operating results and financial conditions.

RISKS OF NATURAL DISASTERS AND POWER OUTAGES

In order to minimize the potential negative impact of our manufacturing lines being shut down, we carry out disaster-prevention inspections and equipment checks on a regular basis. However, there is no guarantee that we can totally prevent or reduce the impact of natural disasters, power outages or other stoppages of our manufacturing lines. For example, many of our places of business are in the Tokai region, and if an earthquake were to hit this region, there is a possibility that our production and delivery activities would be suspended.

PENSION LIABILITY RISK

Costs and liabilities for employees' retirement benefits are calculated based on actuarial assumptions such as a discount rate and the expected rate of return on the pension assets.

When actual results differ from the assumptions used for calculation, or when changes are made to the assumptions, the effect is accumulated and bought forward into future calculations as well, generally resulting in an impact on reported future costs and liabilities.

RISK MANAGEMENT COMMITTEE

As a result of the expansion of overseas operations, the fast pace of IT advances and the increase of social responsibility and responsibility for the environment, the risks we face have diversified. In light of the importance of managing these risks from a global perspective, we have established a Risk Management Committee and strengthened our risk management capability. In addition to increasing the number of risk items that we manage from 36 items to 59 items, we have also put in place group-wide initiatives to reduce management impact such as enforcing preventative measures and establishing first response measures when disaster occurs.

OUTLOOK

Taking an overview of the future economic situation, while growth will slow in the U.S. and China as a result of interest rate increases, etc., the global economy can be expected to develop steadily. However, there are a number of unstable factors such as the price hike of crude oil and other materials, and sudden movements in foreign exchange rates, and the impact of these factors on company operating results is a cause of concern.

In the automotive industry, with underlying sales in the U.S. and other major markets, the favorable conditions in China and other Asian markets are expected to result in an increase of car sales outpacing the level of this period. In the domestic market, as manufacturers release new models, it is expected that sales will increase, and as exports maintain a high level led by export of hybrid cars to North America, it is forecasted that car manufacturers will again record total output exceeding 10 million vehicles.

In this climate, we plan to further enhance the competitiveness of our products and implement an aggressive sales strategy, and based on an exchange rate of 1US$ = ¥105 and 1 Euro = ¥130, we forecast net sales of ¥2,950.0 billion, an increase of 5.4%, or ¥150.1 billion, operating income of ¥233.0 billion, rising 8.9%, or ¥19.2 billion, and net income of ¥134.0 billion, an increase of 1.0%, or ¥1.4 billion.

FORWARD-LOOKING STATEMENTS

The above forecasts are based on information available as of the date of this report. There is a possibility that actual results could differ significantly from those noted here as a result of changes in internal and external circumstances such as business operation, foreign exchange rate fluctuation, etc.

CONSOLIDATED BALANCE SHEETS

DENSO CORPORATION and Subsidiaries
March 31, 2005 and 2004

ASSETS	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current Assets:			
Cash and cash equivalents	¥ 231,846	¥ 244,509	$ 2,166,785
Short-term investments (Note 3)	55,878	28,709	522,224
Notes and accounts receivable:			
Trade (Note 7)	508,450	464,965	4,751,869
Affiliates	11,258	10,474	105,215
	519,708	475,439	4,857,084
Less: Allowance for doubtful accounts	(2,489)	(2,261)	(23,262)
	517,219	473,178	4,833,822
Inventories (Note 4)	248,821	214,751	2,325,430
Deferred tax assets (Note 5)	49,450	43,745	462,150
Other current assets	64,501	54,104	602,813
Total current assets	1,167,715	1,058,996	10,913,224
Property, Plant and Equipment (Note 7):			
Land	143,262	142,858	1,338,898
Buildings and structures	586,642	563,439	5,482,636
Machinery and equipment	1,904,873	1,766,964	17,802,551
Construction in progress	76,286	62,076	712,953
	2,711,063	2,535,337	25,337,038
Less: Accumulated depreciation	(1,858,242)	(1,758,281)	(17,366,748)
Net property, plant and equipment	852,821	777,056	7,970,290
Investments and Other Assets:			
Investment securities (Note 3)	576,224	516,226	5,385,271
Investments in and advances to affiliates	40,479	38,077	378,308
Prepaid pension cost (Note 8)	90,918	84,250	849,701
Intangible assets	12,257	9,964	114,551
Other assets (Note 5)	40,568	41,933	379,141
Total investments and other assets	760,446	690,450	7,106,972
Total	¥2,780,982	¥2,526,502	$25,990,486

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current Liabilities:			
Short-term borrowings (Notes 6 and 7)	¥ 59,993	¥ 49,996	$ 560,682
Current portion of long-term debt (Notes 6 and 7)	4,064	3,325	37,981
Notes and accounts payable:			
Trade	359,844	320,908	3,363,028
Affiliates	23,316	23,766	217,907
	383,160	344,674	3,580,935
Income taxes payable	45,519	43,556	425,411
Accrued expenses	172,482	154,449	1,611,982
Other current liabilities (Notes 5 and 8)	58,432	53,817	546,093
Total current liabilities	723,650	649,817	6,763,084
Long-Term Liabilities:			
Long-term debt (Notes 6 and 7)	141,641	122,826	1,323,748
Liability for employees' retirement benefits (Note 8)	151,842	143,160	1,419,084
Deferred tax liabilities (Note 5)	35,908	15,293	335,589
Other long-term liabilities (Note 8)	9,061	13,982	84,682
Total long-term liabilities	338,452	295,261	3,163,103
Minority Interests	75,698	71,935	707,458
Contingent Liabilities (Note 9)			
Shareholders' Equity (Note 10)**:**			
Common stock:			
Authorized: 1,426,942,000 shares in 2005 and 2004			
Issued: 884,068,713 shares in 2005 and 2004	187,457	187,457	1,751,935
Capital surplus	266,051	266,005	2,486,458
Retained earnings	1,191,370	1,080,996	11,134,298
Net unrealized gain on available-for-sale securities	173,730	142,588	1,623,645
Foreign currency translation adjustments	(55,608)	(70,577)	(519,701)
Treasury stock at cost: 58,793,679 shares in 2005 and 50,195,355 shares in 2004	(119,818)	(96,980)	(1,119,794)
Total shareholders' equity	1,643,182	1,509,489	15,356,841
Total	¥2,780,982	¥2,526,502	$25,990,486

CONSOLIDATED STATEMENTS OF INCOME

DENSO CORPORATION and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	**2005**
Net Sales (Note 11)	**¥ 2,799,949**	¥2,562,411	¥2,332,760	**$26,167,748**
Cost of Sales (Note 12)	**2,309,713**	2,128,604	1,948,636	**21,586,103**
Gross profit	**490,236**	433,807	384,124	**4,581,645**
Selling, General and Administrative Expenses (Note 12)	**276,341**	245,148	224,231	**2,582,626**
Operating income	**213,895**	188,659	159,893	**1,999,019**
Other Income (Expenses):				
Interest and dividend income	**9,118**	8,311	9,358	**85,215**
Interest expense	**(3,541)**	(3,448)	(4,103)	**(33,093)**
Equity in earnings of affiliates	**2,340**	2,333	2,322	**21,869**
Foreign exchange gain (loss)	**4,051**	(1,171)	(1,156)	**37,860**
Impairment loss on long-lived assets	**(1,206)**	—	—	**(11,271)**
Gain on exemption from future pension obligation of the governmental program (Note 8)	**—**	1,429	112,172	**—**
Gain on transfer to defined contribution pension plans (Note 8)	**—**	667	6,206	**—**
Loss on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets (Note 8)	**—**	(12,132)	—	**—**
Loss on redemption of bonds (Note 6)	**—**	—	(4,964)	**—**
Restructuring charges	**—**	—	(6,912)	**—**
Impairment loss on goodwill	**—**	—	(37,226)	**—**
Other, net	**(1,211)**	1,244	(2,056)	**(11,319)**
Total	**9,551**	(2,767)	73,641	**89,261**
Income before income taxes and minority interests	**223,446**	185,892	233,534	**2,088,280**
Income Taxes (Note 5):				
Current	**90,110**	88,990	78,193	**842,150**
Deferred	**(6,824)**	(20,579)	39,126	**(63,776)**
Total	**83,286**	68,411	117,319	**778,374**
Minority Interests in Net Income	**7,540**	7,454	5,197	**70,467**
Net income	**¥ 132,620**	¥ 110,027	¥ 111,018	**$ 1,239,439**

	Yen			U.S. dollars (Note 1)
Per Share of Common Stock (Notes 2(Q) and 16):				
Basic net income	**¥ 159.02**	¥ 130.02	¥ 128.37	**$ 1.49**
Diluted net income	**158.96**	130.01	126.65	**1.49**
Cash dividends applicable to the year	**32.00**	24.00	20.00	**0.30**
Average Number of Shares (in thousands)	**830,869**	842,005	860,828	

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

DENSO CORPORATION and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	**2005**
Common Stock:				
Balance at beginning of period	**¥ 187,457**	¥ 187,457	¥ 173,098	**$ 1,751,935**
Conversion of convertible bonds	**—**	—	14,359	**—**
Balance at end of period	**¥ 187,457**	¥ 187,457	¥ 187,457	**$ 1,751,935**
Capital Surplus:				
Balance at beginning of period	**¥ 266,005**	¥ 266,005	¥ 251,644	**$ 2,486,028**
Gain on disposal of treasury stock	**46**	—	20	**430**
Conversion of convertible bonds	**—**	—	14,341	**—**
Balance at end of period	**¥ 266,051**	¥ 266,005	¥ 266,005	**$ 2,486,458**
Retained Earnings:				
Balance at beginning of period	**¥1,080,996**	¥ 989,198	¥ 895,522	**$10,102,766**
Net income	**132,620**	110,027	111,018	**1,239,439**
Cash dividends	**(21,686)**	(17,711)	(16,848)	**(202,673)**
Bonuses to directors and corporate auditors	**(560)**	(518)	(465)	**(5,234)**
Decrease in retained earnings due to change of consolidation scope	**—**	—	(29)	**—**
Balance at end of period	**¥1,191,370**	¥1,080,996	¥ 989,198	**$11,134,298**
Net Unrealized Gain on Available-for-sale Securities at End of Period	**¥ 173,730**	¥ 142,588	¥ 73,237	**$ 1,623,645**
Foreign Currency Translation Adjustments at End of Period	**¥ (55,608)**	¥ (70,577)	¥ (40,452)	**$ (519,701)**
Treasury Stock:				
Balance at beginning of period	**¥(96,980)**	¥ (77,557)	¥ (1,245)	**$ (906,355)**
Repurchase of treasury stock	**(23,800)**	(19,391)	(76,123)	**(222,430)**
Disposal of treasury stock due to exercise of stock options	**1,031**	—	—	**9,636**
Other increase/decrease in treasury stock	**(69)**	(32)	(189)	**(645)**
Balance at end of period	**¥ (119,818)**	¥ (96,980)	¥ (77,557)	**$ (1,119,794)**
Total Shareholders' Equity at End of Period	**¥1,643,182**	¥1,509,489	¥1,397,888	**$15,356,841**

	Thousands of shares		
Outstanding Number of Shares:			
Balance at beginning of period	**833,873**	843,352	865,686
Repurchase of treasury stock	**(9,100)**	(9,462)	(40,000)
Disposal of treasury stock due to exercise of stock options	**528**	—	—
Issued on conversion of convertible bonds	**—**	—	17,793
Other increase/decrease in treasury stock	**(26)**	(17)	(127)
Balance at end of period	**825,275**	833,873	843,352

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DENSO CORPORATION and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	**2005**
Operating Activities:				
Income before income taxes and minority interests	**¥223,446**	¥185,892	¥233,534	**$2,088,280**
Adjustments for:				
Payment of income taxes	**(92,606)**	(85,063)	(62,483)	**(865,477)**
Depreciation	**160,993**	151,169	146,651	**1,504,607**
Impairment loss on long-lived assets	**1,206**	—	—	**11,271**
Amortization of goodwill including impairment	**225**	425	37,349	**2,103**
Increase (Decrease) in liability for retirement benefits	**7,927**	2,859	(37,936)	**74,084**
Equity in earnings of affiliates	**(2,340)**	(2,333)	(2,322)	**(21,869)**
Loss on sale or disposal of property, plant and equipment, net	**5,422**	4,130	4,691	**50,673**
Foreign exchange (gain) loss	**(2,758)**	(749)	1,004	**(25,776)**
Changes in assets and liabilities:				
(Increase) Decrease in notes and accounts receivable	**(35,411)**	(65,469)	4,682	**(330,944)**
Increase in inventories	**(27,932)**	(26,097)	(12,640)	**(261,047)**
Increase in notes and accounts payable	**29,132**	41,870	10,495	**272,262**
(Decrease) Increase in defined contribution pension payable	**(7,622)**	(4,741)	18,063	**(71,234)**
(Increase) Decrease in prepaid pension cost	**(6,668)**	15,885	(100,135)	**(62,318)**
Other, net	**20,282**	14,036	26,391	**189,553**
Total adjustments	**49,850**	45,922	33,810	**465,888**
Net cash provided by operating activities	**273,296**	231,814	267,344	**2,554,168**
Investing Activities:				
Acquisition of property, plant and equipment	**(226,246)**	(196,443)	(179,339)	**(2,114,448)**
Proceeds from sale of property, plant and equipment	**4,334**	9,580	9,313	**40,505**
Purchase of available-for-sale securities	**(89,623)**	(97,593)	(53,864)	**(837,598)**
Proceeds from sale and redemption of available-for-sale securities	**54,229**	100,904	31,253	**506,813**
Proceeds from (Payment for) purchase of consolidated subsidiaries, net of cash acquired	**85**	(883)	(443)	**794**
Other, net	**(11,561)**	(10,218)	(17,538)	**(108,047)**
Net cash used in investing activities	**(268,782)**	(194,653)	(210,618)	**(2,511,981)**
Financing Activities:				
Net increase(decrease) in short-term borrowings	**8,387**	12,333	(8,491)	**78,383**
Proceeds from long-term borrowings	**22,797**	19,744	675	**213,056**
Repayments of long-term borrowings	**(5,539)**	(4,741)	(6,728)	**(51,766)**
Issuance of bonds	**—**	—	99,985	**—**
Repayments of long-term bonds	**—**	(40,000)	(64,964)	**—**
Dividends paid	**(21,686)**	(17,711)	(16,848)	**(202,673)**
Purchase of treasury stock	**(23,875)**	(19,423)	(76,315)	**(223,131)**
Other, net	**(181)**	838	(1,244)	**(1,692)**
Net cash used in financing activities	**(20,097)**	(48,960)	(73,930)	**(187,823)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**2,920**	(3,537)	(1,758)	**27,290**
Net Decrease in Cash and Cash Equivalents	**(12,663)**	(15,336)	(18,962)	**(118,346)**
Cash and Cash Equivalents at Beginning of Period	**244,509**	259,845	277,894	**2,285,131**
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	**—**	—	913	**—**
Cash and Cash Equivalents at End of Period	**¥231,846**	¥244,509	¥259,845	**$2,166,785**
Additional cash flow information:				
Non-cash investing and financing activities:				
Conversion of convertible bonds to common stock and capital surplus	**—**	—	¥ 28,700	**—**
Assets and liabilities increased due to purchase of consolidated subsidiaries:				
Fair value of assets acquired	**¥ 1,934**	¥ 1,708	¥ 6,508	**$ 18,074**
Liabilities assumed	**(984)**	(411)	(4,639)	**(9,196)**
Cash paid for the acquisitions	**481**	1,213	567	**4,495**

See accompanying notes to consolidated financial statements.

DENSO CORPORATION and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

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 subsidiaries (together, referred to as the"Group") in accordance with the provisions set forth in the Securities and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts and records of foreign consolidated subsidiaries are maintained in conformity with accounting principles of the countries of their domicile.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order 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, 2004 and 2003 have been made to conform with the presentation for the year ended March 31, 2005.

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 ¥107 to U.S.$1, the approximate rate of exchange at March 31, 2005, the last trading day of the fiscal year. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be, converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

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

The Company had 171 subsidiaries at March 31, 2005 (164 for 2004 and 155 for 2003).

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 fully consolidated. The consolidated financial statements for the year ended March 31, 2005 include all 171 subsidiaries (164 for 2004 and 155 for 2003). The Company applied the"power to exercise significant influence" concept to determine affiliates to be accounted for by the equity method. Under the influence concept, those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. The Company applied the equity method to all 29 affiliates for the year ended March 31, 2005 (27 affiliates for 2004 and 25 affiliates for 2003).

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 the year ended March 31, 2005, 3 of the Company's foreign subsidiaries and affiliates (20 foreign subsidiaries and affiliates in 2004 and 6 foreign subsidiaries in 2003), which are consolidated or accounted for by the equity method, decided to change their fiscal year-end from December 31 to March 31. Additionally, in the year ended March 31, 2005, a foreign subsidiary changed its closing date from December 31 to March 31. The Company's consolidated financial statements thus include 15 months of operating results at the 4 subsidiaries and affiliates that changed their fiscal year-end or closing date in the year ended March 31, 2005 (20 subsidiaries and affiliates in 2004 and 6 subsidiaries in 2003).

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The net excess of the acquisition cost of the Company's investments in consolidated subsidiaries and affiliates accounted for under the equity method over the fair value of the net assets of those companies is amortized over the estimated available life or five years.

(B) CASH AND CASH EQUIVALENTS

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, commercial paper and money management funds, all of which mature or become due within three months of the date of acquisition.

(C) INVENTORIES

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

(D) SECURITIES

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

Non-marketable available-for-sale securities are stated 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.

(E) 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 seven years for machinery. Additional depreciation is charged for machinery operated in excess of normal usage.

(F) LONG-LIVED ASSETS

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan (ASBJ) issued ASBJ Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

As a result of the adoption of this new accounting standard, an impairment loss on long-lived assets relating to unused land in Japan in the amount of ¥1,206 million ($11,271 thousand) was recognized. The effect of this was to decrease income before income taxes and minority interests for the year ended March 31, 2005 by the same amount.

(G) INTANGIBLE ASSETS

Intangible assets consisted of in-house software and the net excess of the acquisition cost of the Company's investments in consolidated subsidiaries over the fair value of the net assets of those companies. The straight-line method is primarily used to amortize intangible assets. The amortization of in-house software, which is available to reduce operating costs, is computed using the straight-line method based on the estimated useful life of five years.

(H) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(I) LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Group accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

(J) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to income as incurred.

(K) 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.

(L) 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 tax assets and liabilities, 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.

(M) 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.

(N) TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

All short-term and long-term monetary receivable and payable accounts 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 consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

(O) 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 at the balance sheet date, except for shareholders' equity, which is translated at the historical rates. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the annual average rates.

(P) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are 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, currency options and currency swap contracts employed to hedge foreign exchange exposures to the subsidiaries are measured at 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.

(Q) NET INCOME AND DIVIDENDS PER SHARE

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.

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 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 stock option.

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. Short-term Investments and Investment Securities

Short-term investments consisted of time deposits not classified as cash equivalents in the amount of ¥7,854 million ($73,402 thousand) 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, 2005 and 2004 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
				2005				**2005**
Equity securities	**¥151,322**	**¥288,433**	**¥(10)**	**¥439,745**	**$1,414,224**	**$2,695,635**	**$ (93)**	**$4,109,766**
Debt securities	**163,998**	**1,070**	**(28)**	**165,040**	**1,532,692**	**10,000**	**(262)**	**1,542,430**
Total	**¥315,320**	**¥289,503**	**¥(38)**	**¥604,785**	**$2,946,916**	**$2,705,635**	**$(355)**	**$5,652,196**

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
				2004
Equity securities	¥138,737	¥236,751	¥ (62)	¥375,426
Debt securities	140,788	1,137	(89)	141,836
Total	¥279,525	¥237,888	¥(151)	¥517,262

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, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Equity securities	**¥17,257**	¥17,692	**$161,281**
Debt securities	**2,205**	2,173	**20,607**
Total	**¥19,462**	¥19,865	**$181,888**

The carrying amounts of debt securities by contractual maturities for available-for-sale securities at March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	**¥ 48,024**	**$ 448,822**
Due after one year through five years	**118,146**	**1,104,168**
Due after five years through ten years	**1,075**	**10,047**
Total	**¥167,245**	**$1,563,037**

4. Inventories

Inventories at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Finished products	**¥102,591**	¥ 92,889	**$ 958,794**
Work in process	**67,517**	59,663	**631,000**
Raw materials and supplies	**78,713**	62,199	**735,636**
Total	**¥248,821**	¥214,751	**$2,325,430**

5. 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 40% for the year ended March 31, 2005 (41% in 2004 and 2003).

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Deferred tax assets:			
Depreciation	**¥ 59,634**	¥ 60,421	**$ 557,327**
Retirement benefits	**52,156**	45,182	**487,439**
Accrued bonuses to employees	**19,565**	19,106	**182,850**
Long-term prepaid expenses	**13,597**	11,548	**127,075**
Accrued contributions of transfer to defined contribution pension plans	**2,665**	5,313	**24,907**
Other	**58,890**	46,965	**550,374**
Less: Valuation allowance	**(8,560)**	(6,637)	**(80,000)**
Total deferred tax assets	**¥197,947**	¥181,898	**$1,849,972**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥115,472**	¥ 94,798	**$1,079,178**
Prepaid pension cost	**28,377**	25,718	**265,206**
Other	**21,988**	15,559	**205,495**
Total deferred tax liabilities	**¥165,837**	¥136,075	**$1,549,879**
Net deferred tax assets	**¥ 32,110**	¥45,823	**$ 300,093**

Net deferred tax assets are presented in the consolidated balance sheets at March 31, 2005 and 2004 as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Current assets-Deferred tax assets	**¥49,450**	¥43,745	**$462,150**
Investments and other assets-Other assets	**18,980**	17,456	**177,382**
Current liabilities-Other current liabilities	**(412)**	(85)	**(3,850)**
Long-term liabilities-Deferred tax liabilities	**(35,908)**	(15,293)	**(335,589)**
Net deferred tax assets	**¥32,110**	¥45,823	**$300,093**

The reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2005, 2004 and 2003 was as follows:

	2005	2004	2003
Normal effective statutory tax rate	**39.89%**	41.24%	41.24%
Tax credit of R&D expenses and other	**(5.10)**	(5.58)	—
Tax benefits not recognized on operating losses of subsidiaries	**2.39**	2.57	1.23
Dividend received from foreign subsidiaries	**1.24**	—	—
Items permanently non-taxable such as dividend received	**(0.51)**	—	—
Lower income tax rates applicable to income in certain foreign countries	**(0.26)**	(1.67)	—
Adjustment of deferred tax assets due to tax rate change	**—**	—	1.11
Amortization of goodwill	**—**	—	6.60
Other	**(0.38)**	0.24	0.06
Actual effective tax rate	**37.27%**	36.80%	50.24%

6. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2005 and 2004 consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to short-term borrowings at March 31, 2005 and 2004 were 2.5% and 1.9%, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Unsecured 0.34% yen bonds due 2007	**¥ 50,000**	¥ 50,000	**$ 467,290**
Unsecured 1.11% yen bonds due 2012	**50,000**	50,000	**467,290**
Other long-term debt			
(weighted average interest rates of 2.2% in 2005 and 2.0% in 2004)	**45,705**	26,151	**427,149**
Total	**¥145,705**	¥126,151	**$1,361,729**
Less: Current portion	**4,064**	3,325	**37,981**
Long-term debt, less current portion	**¥141,641**	¥122,826	**$1,323,748**

The Company assigned the obligation to repay its 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 a loss on redemption of bonds, in the amount of ¥4,964 million, was recognized. Contingent liabilities to bond holders with respect to this transaction are described in Note 9.

On November 13, 2002, the Company issued 0.34% unsecured bonds of ¥50,000 million due September 2007 and 1.11% unsecured bonds of ¥50,000 million due September 2012, all payable in Japanese yen. All bonds were issued by public placement.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	**¥ 4,064**	**$ 37,981**
2007	**11,695**	**109,299**
2008	**53,109**	**496,346**
2009	**17,088**	**159,701**
2010	**329**	**3,075**
2011 and thereafter	**59,420**	**555,327**
Total	**¥145,705**	**$1,361,729**

7. Pledged Assets

The following assets were pledged as collateral for short-term borrowings of ¥373 million ($3,486 thousand), current portion of long-term debt of ¥13 million ($121 thousand) and long-term debt of ¥135 million ($1,262 thousand) at March 31, 2005.

	Millions of yen	Thousands of U.S. dollars
Accounts receivable	**¥ 692**	**$ 6,467**
Buildings and structures, net of accumulated depreciation	**936**	**8,748**
Land	**1,726**	**16,131**
Total	**¥3,354**	**$31,346**

8. 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 benefit plans and funded non-contributory pension plans for employees. Under the unfunded retirement benefit 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 and record a 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 decreased by ¥32,245 million and ¥1,922 million, respectively.

The domestic subsidiaries, GAC CORPORATION and ASMO CO., LTD., implemented a defined contribution pension plan in April and October 2003, respectively, by which a portion of the severance lump-sum payment plan was terminated. GAC CORPORATION and ASMO CO., LTD applied accounting treatments specified in the guidance issued by the Accounting Standards Board of Japan. The effects of these transfers were to increase income before income taxes and minority interests by ¥667 million and were recorded as gain on transfer to defined contribution pension plans in the consolidated statement of income for the year ended March 31, 2004. As a result of this transition, the projected benefit obligations and the unrecognized actuarial losses decreased by ¥3,323 million and ¥440 million, respectively, and the liability for employees' retirement benefits decreased by ¥2,883 million at March 31, 2004. Plan assets of ¥2,217 million will be transferred over a period of four years.

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 in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

Following approval on September 1, 2003 from the Ministry of Health, Labor and Welfare for exemption from past pension obligation related to the substitutional portion of the governmental program, the Company returned ¥115,894 million to the government in cash on January 26, 2004. Since the Company applied a transitional measurement of the accounting standard for employees' retirement benefits at the time of approval of exemption from future obligation, the Company recorded a loss on settlement of the substitutional portion of the governmental pension program due to return of corresponding plan assets in the amount of ¥12,132 million in the consolidated statements of income for the year ended March 31, 2004.

ANDEN CO., LTD. obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on April 15, 2003. As a result of this exemption, ANDEN CO., LTD recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥1,429 million in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2004. Estimated plan assets to be returned to the government at March 31, 2005 were ¥1,803 million ($16,850 thousand).

The liability (asset) for employees' retirement benefits at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Projected benefit obligation	**¥490,122**	¥554,057	**$4,580,580**
Fair value of plan assets	**(369,354)**	(331,105)	**(3,451,907)**
Unrecognized actuarial loss	**(140,766)**	(165,758)	**(1,315,570)**
Unrecognized prior service benefit	**80,922**	1,716	**756,280**
Net liability	**60,924**	58,910	**569,383**
Prepaid pension cost	**90,918**	84,250	**849,701**
Liability for employees' retirement benefits	**¥151,842**	¥143,160	**$1,419,084**

The components of net periodic retirement benefit costs for the years ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Service cost	**¥22,824**	¥23,770	¥ 24,321	**$213,309**
Interest cost	**8,920**	11,062	10,861	**83,364**
Expected return on plan assets	**(7,360)**	(5,488)	(9,497)	**(68,785)**
Recognized actuarial loss	**19,729**	18,526	11,397	**184,383**
Amortization of prior service benefit	**(9,023)**	(199)	(109)	**(84,327)**
Net periodic retirement benefit costs	**¥35,090**	¥47,671	¥ 36,973	**$327,944**
Gain on exemption from future pension obligation of the governmental program	**—**	¥(1,429)	¥(112,172)	**—**
Loss on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets	**—**	12,132	—	**—**
Gain on transfer to defined contribution pension plans	**—**	(667)	(6,206)	**—**
Contribution to defined contribution pension plans fund	**3,006**	2,828	10,089	**28,093**
Total	**¥38,096**	¥60,535	¥ (71,316)	**$356,037**

Assumptions used for the years ended March 31, 2005, 2004 and 2003 were set forth as follows:

	2005	2004	2003
Discount rate	**mainly 2.0%**	(Beginning of period) mainly 2.5% (End of period) mainly 2.0%	mainly 2.5%
Expected rate of return on plan assets	**mainly 3.0%**	mainly 3.0%	mainly 4.5%
Amortization period of prior service benefit	**10 years**	10 years	10 years
Recognition period of actuarial gain/loss	**10 years**	10 years	10 years

9. Contingent Liabilities

At March 31, 2005, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans from financial institutions to the Group's employees and others	**¥ 2,395**	**$ 22,383**
Trade notes sold with recourse	**5,658**	**52,879**
Redemption of 1.9% yen bonds transferred to a third party under a debt assumption agreement	**60,000**	**560,748**
Bank guarantees for customs duty	**196**	**1,831**
Total	**¥68,249**	**$637,841**

10. Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the"Code").

The Code requires that all shares of common stock are 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 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 Code allows Japanese 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. 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.

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. The amount of retained earnings available for dividends under the Code was ¥753,620 million ($7,043,178 thousand) at March 31, 2005, based on the amount recorded in the Company's general books of account.

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, managing officers general, managers, key employees and directors of subsidiaries. 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	1,910	From July 1, 2002	¥2,717
	General Managers		to June 30, 2006	
June 28, 2001	Directors	1,912	From July 1, 2003	¥2,397
	General Managers		to June 30, 2007	
June 27, 2002	Directors	3,223	From July 1, 2004	¥2,003
	General Managers		to June 30, 2008	
June 27, 2003	Directors	10,570	From July 1, 2005	¥2,090
	General Managers		to June 30, 2009	
	Directors of subsidiaries			
June 24, 2004	Directors	11,950	From July 1, 2006	¥2,740
	Managing Officers		to June 30, 2010	
	Key Employees			
	Directors of subsidiaries			

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

11. Significant Shareholder

Toyota Motor Corporation ("Toyota") directly owned 203,127 thousand shares, 205,127 thousand shares and 207,626 thousand shares of common stock of the Company at March 31, 2005, 2004 and 2003, respectively, which accounted for 22.98%, 23.20% and 23.48% of the total shares of the Company issued at the respective dates.

Sales of the Group to Toyota for the years ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Sales to Toyota (Japan headquarters only)	**¥883,652**	¥816,295	¥751,576	**$8,258,430**

12. Research and Development Expenses

Research and development expenses charged to income were ¥238,241 million ($2,226,551 thousand), ¥214,917 million, and ¥182,886 million for the years ended March 31, 2005, 2004 and 2003, respectively.

13. Leases

The Group leases certain machinery, computer equipment, and other assets. Total lease expense for finance leases for the years ended March 31, 2005, 2004 and 2003 were ¥2,383 million ($22,271 thousand) ¥2,813 million and ¥3,432 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			
	Buildings and structures	Machinery and equipment	Software	Total
				2005
Acquisition cost	**¥290**	**¥10,381**	**¥1,196**	**¥11,867**
Accumulated depreciation	**94**	**5,451**	**954**	**6,499**
Net leased property	**¥196**	**¥ 4,930**	**¥ 242**	**¥ 5,368**

	Thousands of U.S. dollars			
	Buildings and structures	Machinery and equipment	Software	Total
				2005
Acquisition cost	**$2,710**	**$97,018**	**$11,178**	**$110,906**
Accumulated depreciation	**879**	**50,943**	**8,916**	**60,738**
Net leased property	**$1,831**	**$46,075**	**$ 2,262**	**$ 50,168**

	Millions of yen			
	Buildings and structures	Machinery and equipment	Software	Total
				2004
Acquisition cost	¥289	¥11,285	¥1,527	¥13,101
Accumulated depreciation	77	5,884	1,045	7,006
Net leased property	¥212	¥ 5,401	¥ 482	¥ 6,095

	Millions of yen		U.S. dollars
	2005	2004	**2005**
Obligations under finance leases			
Due within one year	**¥2,045**	¥2,183	**$19,112**
Due after one year	**3,323**	3,912	**31,056**
Total	**¥5,368**	¥6,095	**$50,168**

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, 2005, 2004 and 2003, computed by the straight-line method, were ¥2,383 million ($22,271 thousand), ¥2,813 million and ¥3,432 million, respectively.

The rental commitments under non-cancelable operating leases at March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 613**	**$ 5,729**
Due after one year	**2,694**	**25,178**
Total	**¥3,307**	**$30,907**

14. Segment Information

(A) BUSINESS SEGMENTS

Business segment data for the years ended March 31, 2005, 2004 and 2003 is not presented as the automotive segment represented more than 90% of total sales and assets of all business segments and operating income in each fiscal year.

(B) GEOGRAPHICAL SEGMENTS (BY COMPANY LOCATION)

Year ended March 31,			Millions of yen 2005	2004	2003	Thousands of U.S. dollars 2005
Sales	Japan	Customers	**¥1,590,666**	¥1,469,552	¥1,355,925	**$14,866,037**
		Intersegment	**469,891**	416,245	374,770	**4,391,505**
		Total	**2,060,557**	1,885,797	1,730,695	**19,257,542**
	The Americas	Customers	**571,053**	549,208	531,303	**5,336,944**
		Intersegment	**9,189**	8,532	9,267	**85,879**
		Total	**580,242**	557,740	540,570	**5,422,823**
	Europe	Customers	**367,082**	333,486	269,499	**3,430,673**
		Intersegment	**6,968**	4,809	4,489	**65,121**
		Total	**374,050**	338,295	273,988	**3,495,794**
	Asia & Oceania	Customers	**271,148**	210,165	176,033	**2,534,094**
		Intersegment	**19,757**	13,438	9,837	**184,645**
		Total	**290,905**	223,603	185,870	**2,718,739**
	Eliminations		**(505,805)**	(443,024)	(398,363)	**(4,727,150)**
	Consolidated		**¥2,799,949**	¥2,562,411	¥2,332,760	**$26,167,748**
Operating Income (Loss)	Japan		**¥ 180,000**	¥ 153,473	¥ 123,235	**$ 1,682,243**
	The Americas		**23,638**	24,833	28,173	**220,916**
	Europe		**(8,777)**	(4,250)	(3,965)	**(82,028)**
	Asia & Oceania		**20,067**	14,903	12,360	**187,542**
	Eliminations		**(1,033)**	(300)	90	**(9,654)**
	Consolidated		**¥ 213,895**	¥ 188,659	¥ 159,893	**$ 1,999,019**
Assets	Japan		**¥1,783,896**	¥1,627,930	¥1,497,411	**$16,671,925**
	The Americas		**287,455**	248,500	287,457	**2,686,495**
	Europe		**251,753**	231,332	239,946	**2,352,832**
	Asia & Oceania		**215,582**	161,707	137,230	**2,014,785**
	Corporate and Eliminations		**242,296**	257,033	192,613	**2,264,449**
	Consolidated		**¥2,780,982**	¥2,526,502	¥2,354,657	**$25,990,486**

Assets in Japan were decreased by ¥1,206 million ($11,271 thousand) as a result of the adoption of the new accounting standard for impairment of fixed assets for the year ended March 31, 2005 (see Note 2 (F)).

(C) SALES BY CUSTOMER LOCATION

Year ended March 31,	Millions of yen 2005	2004	2003	Thousands of U.S. dollars 2005
Japan	**¥1,554,795**	¥1,442,645	¥1,325,637	**$14,530,795**
	55.5%	56.3%	56.8%	**55.5%**
The Americas	**582,769**	557,035	539,299	**5,446,439**
	20.8%	21.7%	23.1%	**20.8%**
Europe	**367,588**	332,019	274,271	**3,435,402**
	13.1%	13.0%	11.8%	**13.1%**
Asia & Oceania	**287,627**	224,511	188,863	**2,688,103**
	10.3%	8.8%	8.1%	**10.3%**
Others	**7,170**	6,201	4,690	**67,009**
	0.3%	0.2%	0.2%	**0.3%**
Net Sales	**¥2,799,949**	¥2,562,411	¥2,332,760	**$26,167,748**

The figures in table (B) Geographical Segments are determined based on the locations of the Group companies, and therefore, differ from the figures in table (C) Sales by Customer Location.

15. Derivatives

The Group uses derivatives for the purpose of reducing their exposures to adverse fluctuations in interest rates and foreign exchange rates. Derivatives used include forward exchange contracts, currency swaps, currency options, and interest rate swaps. The amounts of derivatives are limited by the Group's 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 Group does 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 Group's derivative contracts at March 31, 2005 and 2004 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)
			2005			**2005**
Forward exchange contracts:						
Buying contracts —						
U.S. dollar	**¥ 330**	**¥ 325**	**¥(5)**	**$ 3,084**	**$ 3,037**	**$(47)**
Euro	**103**	**97**	**(6)**	**963**	**907**	**(56)**
Interest rate swaps:						
Floating rate receipt,						
fixed rate payment	**¥1,389**	**¥1,398**	**¥ 9**	**$12,981**	**$13,065**	**$ 84**

	Millions of yen		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)
			2004
Forward exchange contracts:			
Buying contracts —			
U.S. dollar	¥ 142	¥ 147	¥ 5
Euro	96	99	3
Others	240	237	(3)
Currency options:			
Selling contracts —			
U.S. dollar call options	¥2,303		
	<19>	¥ 10	¥ 9
Buying contracts —			
U.S. dollar put options	4,606		
	<50>	128	78
Interest rate swaps:			
Floating rate receipt,			
fixed rate payment	¥1,289	¥1,310	¥21

The fair value and net unrealized gain/loss on forward exchange contracts and currency 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)
			2005			**2005**
Forward exchange contracts:						
Selling contracts	**¥27,336**	**¥27,924**	**¥(588)**	**$255,477**	**$260,972**	**$(5,495)**
Buying contracts	**1,013**	**1,009**	**(4)**	**9,467**	**9,430**	**(37)**
Currency swaps:						
Receipt Yen (*)	**¥ 1,087**	**¥ 1,048**	**¥ 39**	**$ 10,159**	**$ 9,795**	**$ 364**
Payment U.S. dollar						
Receipt Yen (*)	**450**	**446**	**4**	**4,205**	**4,168**	**37**
Payment Euro						
Receipt Yen						
Payment Thailand Baht (*)	**2,224**	**2,150**	**(74)**	**20,785**	**20,093**	**(692)**
Receipt Sweden Krone						
Payment Euro (*)	**649**	**660**	**11**	**6,065**	**6,168**	**103**

	Millions of yen		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)
			2004
Forward exchange contracts:			
Selling contracts	¥18,448	¥18,168	¥280
Buying contracts	721	703	(18)
Currency swaps	¥ 3,210	¥ 3,225	¥(15)

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.
5. (*) indicates hedged items.

16. Net Income per Share

The reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended March 31, 2005 and 2004 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S.Dollars
	Net Income	Weighted Average Shares	EPS	EPS
				2005
Basic EPS				
Net income available to common shareholders	**¥132,128**	**830,869**	**¥159.02**	**$1.49**
Effect of Dilutive Securities				
Stock option	**—**	**339**		
Diluted EPS				
Net income for computation	**¥132,128**	**831,208**	**¥158.96**	**$1.49**

	Millions of yen	Thousands of shares	Yen
	Net Income	Weighted Average Shares	EPS
			2004
Basic EPS			
Net income available to common shareholders	¥109,476	842,005	¥130.02
Effect of Dilutive Securities			
Stock option	—	29	
Diluted EPS			
Net income for computation	¥109,476	842,034	¥130.01

17.
Subsequent Events

On June 22, 2005, at a meeting of the shareholders of the Company, the following items were approved.

(1) Appropriation of Retained Earnings

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥15,681	$146,551
Bonuses to directors and corporate auditors	265	2,477
Total	¥15,946	$149,028

(2) Stock Option Plan

The plan provides for issuing stock options mainly to directors, managing officers, key employees and directors of subsidiaries. The options entitle the holders to purchase shares of the Company's common stock up to 1,400 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, 2007 to June 30, 2011.

(3) Purchase of Treasury Stock

The Company is authorized to repurchase up to 10,000 thousand shares of the Company's common stock (aggregate amount of ¥27,000 million ($252,336 thousand)).

Deloitte.

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To the Board of Directors of
DENSO CORPORATION:

We have audited the accompanying consolidated balance sheets of DENSO CORPORATION (the "Company") and subsidiaries (together, the "Group") as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of three years in the period ended March 31, 2005, 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 generally accepted 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 subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005 in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2(F) to the consolidated financial statements, the Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

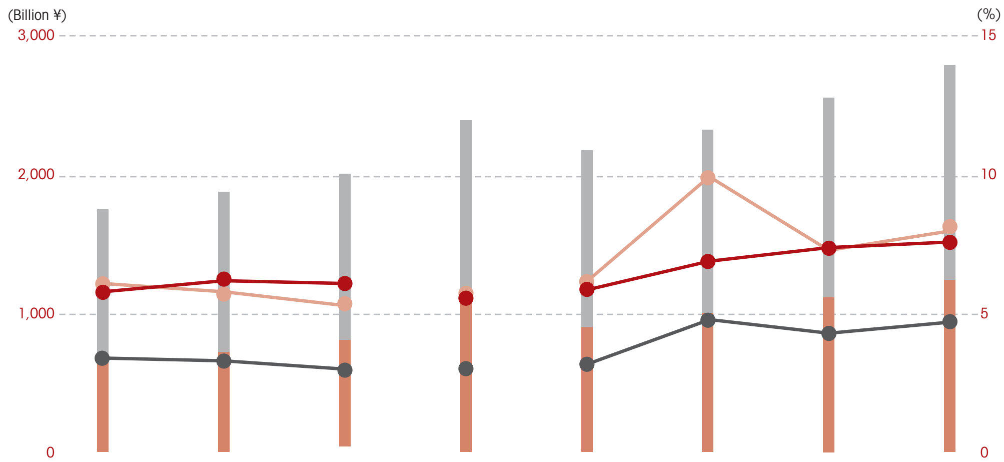
Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 22, 2005

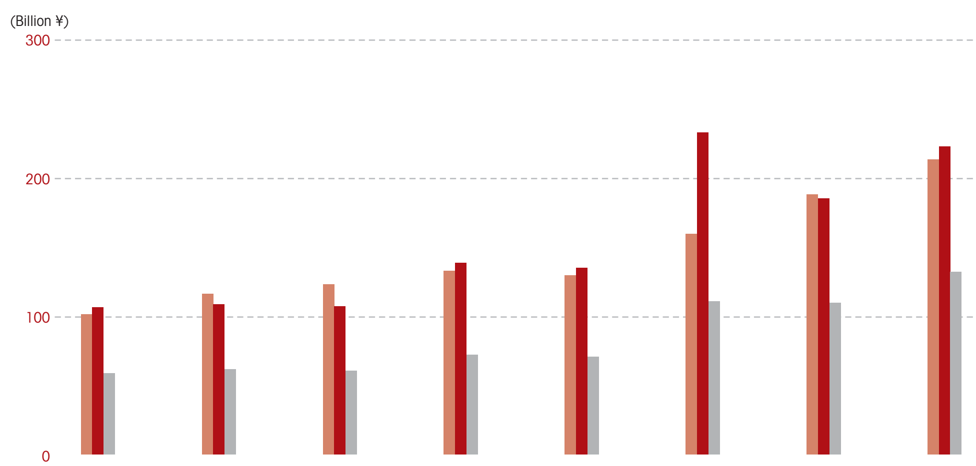
OPERATING RESULTS

(1) Net Sales



Millions of yen	99/3	00/3	01/3	02/3	*02/3**	03/3	04/3	**05/3**
Net Sales	¥1,758,842	¥1,883,407	¥2,014,978	¥2,401,098	*¥2,183,062*	¥2,332,760	¥2,562,411	**¥2,799,949**
Change from previous period	5.5%	7.1%	7.0%	19.2%	*8.3%*	(2.8%)	9.8%	**9.3%**
Sales in Japan	1,104,579	1,161,016	1,245,830	1,277,865	*1,277,865*	1,325,637	1,442,645	**1,554,795**
Change from previous period	(2.8%)	5.1%	7.3%	2.6%	*2.6%*	3.7%	8.8%	**7.8%**
Sales outside Japan	654,263	722,391	769,148	1,123,233	*905,197*	1,007,123	1,119,766	**1,245,154**
Change from previous period	23.1%	10.4%	6.5%	46.0%	*17.7%*	(10.3%)	11.2%	**11.2%**
Operating income/Net Sales	5.8%	6.2%	6.1%	5.6%	*5.9%*	6.9%	7.4%	**7.6%**
Income before income taxes and minority interests/Net Sales	6.1%	5.8%	5.3%	5.8%	*6.2%*	10.0%	7.3%	**8.0%**
Net income/Net Sales	3.4%	3.3%	3.0%	3.0%	*3.2%*	4.8%	4.3%	**4.7%**

(2) Profits



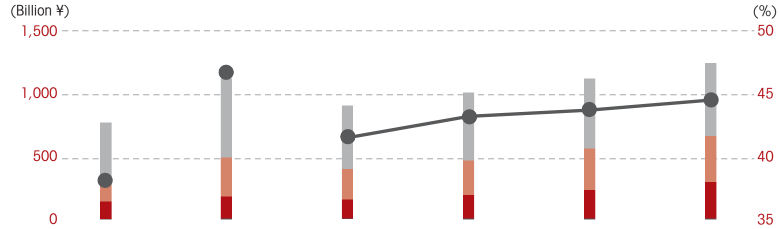
Millions of yen	99/3	00/3	01/3	02/3	*02/3**	03/3	04/3	**05/3**
Operating income	¥101,663	¥116,682	¥123,526	¥133,340	*¥129,888*	¥159,893	¥188,659	**¥213,895**
Change from previous period	(9.9%)	14.8%	5.9%	7.9%	*5.2%*	19.9%	18.0%	**13.4%**
Income before income taxes and minority interests*	106,732	108,908	107,299	138,983	*135,360*	233,534	185,892	**223,446**
Change from previous period	(19.5%)	2.0%	(1.5%)	29.5%	*26.2%*	68.0%	(20.4%)	**20.2%**
Net income*	58,969	61,913	60,799	72,313	*70,800*	111,018	110,027	**132,620**
Change from previous period	(17.1%)	5.0%	(1.8%)	18.9%	*16.4%*	53.5%	(0.9%)	**20.5%**

* Income before income taxes and minority interests and Net income for the year ended March 31, 2003 include a non-recurring gain on exemption from future pension obligation of the governmental program.

Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures are included for reference based on 12 months that exclude the effect of 15-month irregular reporting.*

■ SALES

(1) Sales by Customer Location



Millions of yen	01/3	02/3	*02/3**	03/3	04/3	**05/3**
The Americas	¥461,725	¥ 632,797	*¥504,939*	¥ 539,299	¥ 557,035	**¥ 582,769**
Percentage of Net sales	22.9%	26.4%	*23.1%*	23.1%	21.7%	**20.8%**
Change from previous period	5.7%	37.1%	*9.4%*	(14.8%)	3.3%	**4.6%**
Europe	167,252	310,964	*244,206*	274,271	332,019	**367,588**
Percentage of Net sales	8.3%	12.9%	*11.2%*	11.8%	13.0%	**13.1%**
Change from previous period	(6.4%)	85.9%	*46.0%*	(11.8%)	21.1%	**10.7%**
Asia & Oceania	137,585	174,899	*152,229*	188,863	224,511	**287,627**
Percentage of Net sales	6.8%	7.3%	*7.0%*	8.1%	8.8%	**10.3%**
Change from previous period	31.8%	27.1%	*10.6%*	8.0%	18.9%	**28.1%**
Others	2,586	4,573	*3,823*	4,690	6,201	**7,170**
Percentage of Net sales	0.1%	0.2%	*0.2%*	0.2%	0.2%	**0.3%**
Change from previous period	2.5%	76.8%	*47.8%*	2.6%	32.2%	**15.6%**
Sales outside Japan Total	769,148	1,123,233	*905,197*	1,007,123	1,119,766	**1,245,154**
Sales outside Japan/Net Sales	38.1%	46.8%	*41.5%*	43.2%	43.7%	**44.5%**

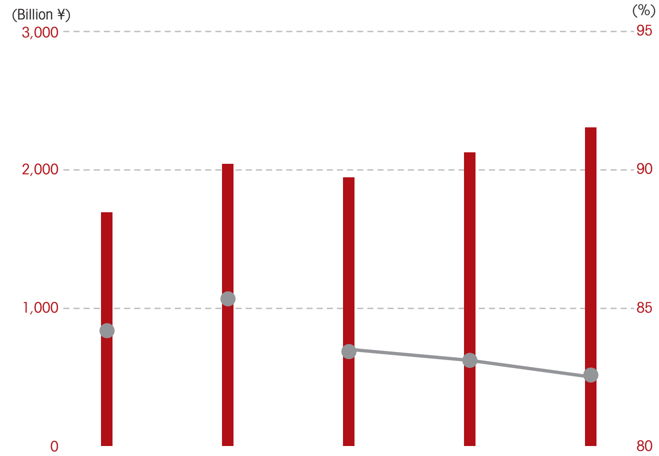
(2) Breakdown of Sales by Customer

Percentage of net sales	01/3	02/3	*02/3**	03/3	04/3	**05/3*1**
TOYOTA	45.7%	44.2%	*45.4%*	46.0%	46.9%	**45.2%**
DAIHATSU	3.4	2.9	*3.1*	2.8	2.6	**2.9**
HINO	1.1	0.9	*1.0*	1.1	1.5	**1.4**
TOYOTA Group sub-total	50.2	48.0	*49.5*	49.9	51.0	**49.5**
HONDA	7.0	7.5	*7.4*	8.3	7.9	**7.8**
GM	1.8	2.8	*2.3*	2.7	2.6	**2.6**
FIAT	1.5	2.7	*2.5*	2.2	2.8	**2.5**
SUZUKI	4.0	3.3	*3.5*	3.5	3.0	**3.0**
ISUZU	1.1	1.1	*1.1*	1.1	1.6	**1.4**
FUJI	1.1	1.0	*1.1*	1.0	1.3	**1.9**
GM Group sub-total	9.5	10.9	*10.5*	10.5	11.3	**11.4**
FORD	0.8	1.1	*0.9*	1.0	1.3	**1.1**
JAGUAR	0.5	0.6	*0.5*	0.5	0.6	**0.4**
VOLVO/LAND ROVER	0.4	0.8	*0.7*	0.6	0.5	**0.6**
MAZDA	1.9	1.5	*1.6*	1.6	1.6	**1.4**
FORD Group sub-total	3.6	4.0	*3.7*	3.7	4.0	**3.5**
CHRYSLER	4.7	4.6	*4.0*	3.5	3.1	**2.5**
BENZ	0.9	1.4	*1.3*	1.2	1.0	**0.8**
MITSUBISHI*2	4.0	2.9	*2.9*	2.9	2.5	**1.7**
DC Group sub-total	9.6	8.9	*8.2*	7.6	6.6	**5.0**
HYUNDAI/KIA	0.7	1.0	*1.1*	1.1	1.3	**1.5**
VW/AUDI	0.9	1.7	*1.5*	1.6	1.5	**1.2**
RENAULT/NISSAN	0.1	0.3	*0.2*	0.3	0.6	**0.8**
BMW	0.5	0.7	*0.6*	0.6	0.5	**0.5**
PSA	0.1	0.3	*0.3*	0.4	0.3	**0.3**
OE Sales for others*3	—	—	—	—	—	**5.9**
OE Sales sub-total	—	—	—	—	—	**87.4**
After Market, New business & others*4	—	—	—	—	—	**12.6**
Others	17.8	16.7	*17.0*	16.0	15.0	**—**
Total	100.0%	100.0%	*100.0%*	100.0%	100.0%	**100.0%**

*NOTES*1: From the fiscal year ended March 31, 2005, categories are changed to "OE Sales (Sales for Automotive Manufacturers)" and "After Market, New business & others".*
*NOTES*2: Including "MITSUBISHI FUSO TRUCK & BUS CORPORATION".*
*NOTES*3: Until the year ended March 31, 2004, "OE Sales for others" was included in "Others".*
*NOTES*4: Until the year ended March 31, 2004, "Sales for After Market by way of Automotive Manufacturers" was included in each category of "OE Sales" respectively, but it is included in "After Market, New business & others" from the fiscal year ended March 31, 2005, due to the category changes.*

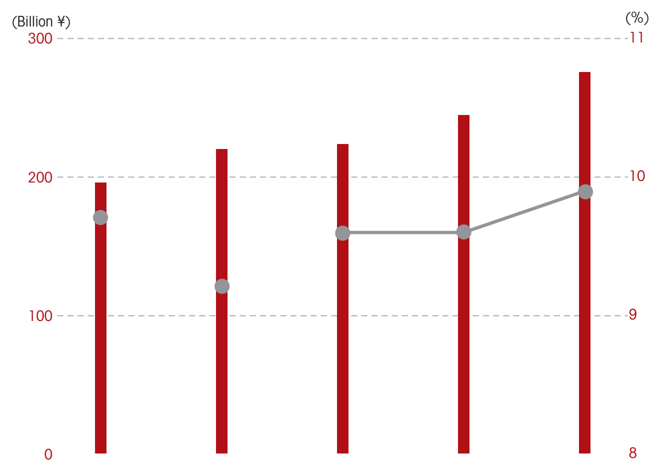
Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures are included for reference based on 12 months that exclude the effect of 15-month irregular reporting.*

■ COST OF SALES



Millions of yen	01/3	02/3	03/3	04/3	05/3
Cost of Sales	¥1,695,344	¥2,047,171	¥1,948,636	¥2,128,604	**¥2,309,713**
Change from previous period	7.2%	20.8%	(4.8%)	9.2%	**8.5%**
Cost of Sales/Net Sales	84.1%	85.3%	83.5%	83.1%	**82.5%**

■ S.G. & A. EXPENSES

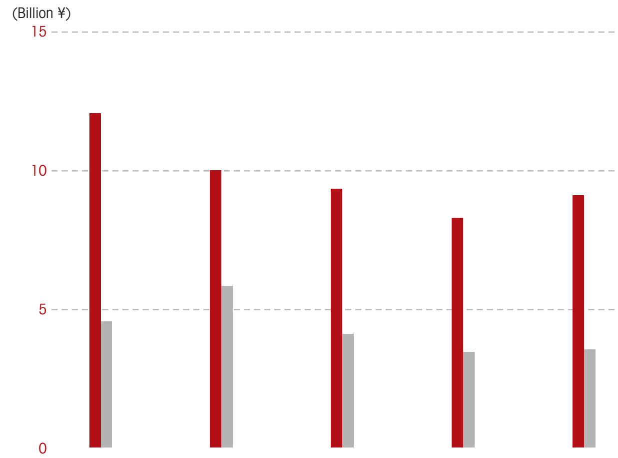


Millions of yen	01/3	02/3	03/3	04/3	05/3
S.G. & A. Expenses	¥196,108	¥220,587	¥224,231	¥245,148	**¥276,341**
Change from previous period	6.1%	12.5%	1.7%	9.3%	**12.7%**
S.G. & A. Expenses/Net Sales	9.7%	9.2%	9.6%	9.6%	**9.9%**

Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures are included for reference based on 12 months that exclude the effect of 15-month irregular reporting.*

OTHER INCOME AND EXPENSES

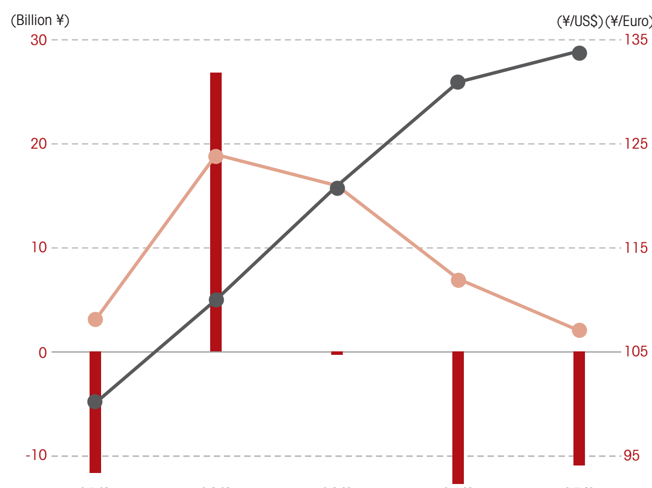
Net Financial Revenue



Millions of yen	01/3	*02/3*	03/3	04/3	**05/3**
Interest and dividend income	¥12,102	¥10,033	¥9,358	¥8,311	**¥9,118**
Interest expense	4,561	5,851	4,103	3,448	**3,541**
Net financial revenue	7,541	4,182	5,255	4,863	**5,577**
Interest coverage (times)*	29.7	24.5	41.3	57.1	**63.0**

NOTE: Interest coverage = (Operating income+Interest and dividend income) / Interest expense

IMPACT OF FOREIGN EXCHANGE TRENDS

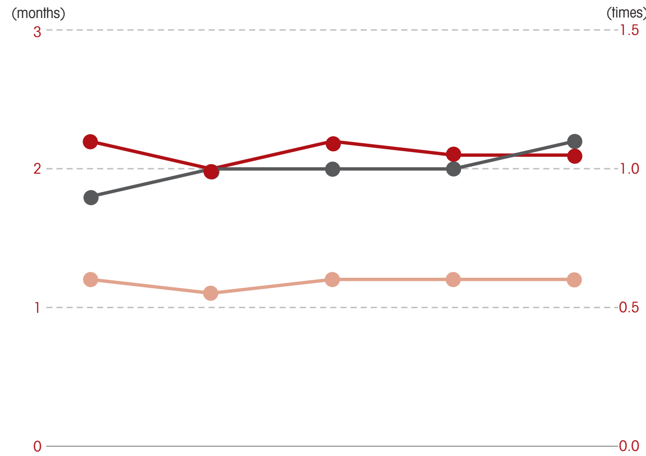


	01/3	02/3	03/3	04/3	**05/3**
Average exchange rate (¥/US$)	¥ 108	¥ 124	¥ 121	¥ 112	**¥ 107**
Average exchange rate (¥/Euro)	100	110	121	131	**134**
Foreign exchange gain (loss) (¥ billion)	(11.7)	26.9	(0.3)	(12.8)	**(11.0)**
Foreign exchange gain (loss)–US$ (¥ billion)	(2.2)	22.9	(4.7)	(16.8)	**(11.1)**
Foreign exchange gain (loss)–Euro (¥ billion)	(5.2)	2.1	3.5	4.7	**1.6**
Impact of ¥1/US$ change (¥ billion)	1.65	1.56	1.64	1.85	**2.12**
Impact of ¥1/Euro change (¥ billion)	0.35	0.22	0.30	0.46	**0.58**

Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures are included for reference based on 12 months that exclude the effect of 15-month irregular reporting.*

■ OTHER FINANCIAL INDICES

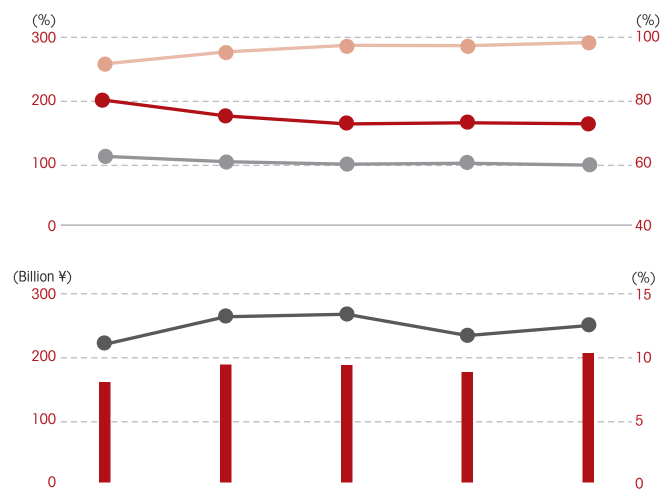
(1) Operational Efficiency



Millions of yen	01/3	02/3	03/3	04/3	**05/3**
Notes and accounts receivable	¥ 391,040	¥ 426,354	¥ 419,924	¥ 475,439	**¥ 519,708**
Average collection period (months)	2.2	2.0	2.2	2.1	**2.1**
Inventories	186,878	188,418	196,581	214,751	**248,821**
Average age of inventory (months)	1.2	1.1	1.2	1.2	**1.2**
Total assets	2,343,328	2,361,048	2,354,657	2,526,502	**2,780,982**
Total assets turnover (times)	0.9	1.0	1.0	1.0	**1.1**

NOTE: The figures for average collection period, average age of inventory and total assets turnover are calculated based on average trade receivable, inventories and total assets at the beginning and the end of each fiscal year.

(2) Safety



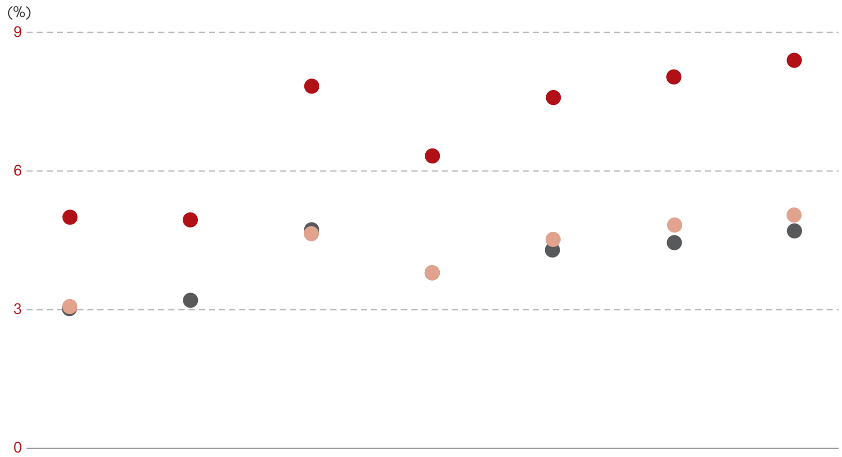
Millions of yen	01/3	02/3	03/3	04/3	**05/3**
Current assets	¥1,017,646	¥1,007,476	¥ 994,690	¥1,058,996	**¥1,167,715**
Fixed assets	1,325,682	1,353,572	1,359,967	1,467,506	**1,613,267**
Current liabilities	511,427	578,889	617,060	649,817	**723,650**
Long-term liabilities	322,435	297,482	273,051	295,261	**338,452**
Interest-bearing debt*	159,537	187,702	187,107	176,147	**205,698**
Shareholders' equity	1,451,211	1,421,212	1,397,888	1,509,489	**1,643,182**
Current ratio [left scale]	199.0%	174.0%	161.2%	163.0%	**161.4%**
Fixed ratio [right scale]	91.4%	95.2%	97.3%	97.2%	**98.2%**
Debt*/equity ratio	11.0%	13.2%	13.4%	11.7%	**12.5%**
Shareholders' equity ratio [right scale]	61.9%	60.2%	59.4%	59.7%	**59.1%**

NOTE: Interest-bearing debt=Short-term borrowings+Current portion of long-term debt+Long-term debt*
Debt/equity ratio = Interest-bearing debt / Shareholders' equity ratio*

Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures are included for reference based on 12 months that exclude the effect of 15-month irregular reporting.*

(3) Profitability and Investment Analysis Ratios

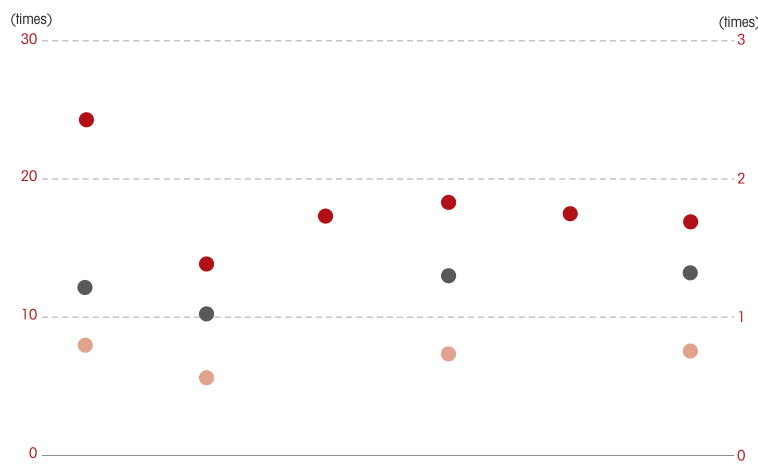
• Return on equity, Return on total assets and Return on sales



Yen	02/3	*02/3**	03/3	*03/3**	04/3	*04/3**	**05/3**
● Return on equity	5.0%	*4.9%*	7.9%	*6.3%*	7.6%	*8.0%*	**8.4%**
● Return on total assets	3.1%	—	4.7%	*3.8%*	4.5%	*4.8%*	**5.0%**
● Return on sales	3.0%	*3.2%*	4.8%	*3.8%*	4.3%	*4.5%*	**4.7%**
Average number of shares outstanding (in thousands)	901,489	*901,489*	860,828	*860,828*	842,005	*842,005*	**830,869**
Earnings per share	¥ 80.22	*¥ 78.54*	¥ 128.37	*¥ 102.60*	¥ 130.02	*¥ 137.27*	**¥ 159.02**
Cash dividends per share	18.00	—	20.00	*20.00*	24.00	*24.00*	**32.00**
Cash flow per share*	243.59	*233.83*	299.33	—	310.21	—	**353.38**
Number of shares outstanding as of the respective balance sheet dates (in thousands)	865,686	*865,686*	843,352	*843,352*	833,873	*833,873*	**825,275**
Shareholders' equity per share	1,641.72	*1,641.72*	1,656.93	—	1,809.55	—	**1,990.48**

NOTES1: The figures for ratios involving shareholders' equity and total assets are calculated based on average shareholders' equity and total assets at the beginning and the end of each fiscal year.
Cash flow per share = (Net income + Depreciation) / Average number of shares outstanding
NOTES2: The italicized figures for the years ended March 31, 2003 and 2004 exclude non-recurring items in other income and expenses for reference.

• PER, PCFR and PBR



	02/3	03/3	*03/3**	04/3	*04/3**	**05/3**
Stock price at the end of fiscal year (yen)	¥1,953	¥1,732	*¥1,732*	¥2,370	*¥2,370*	**¥2,670**
● Price earning ratio (times) *	24.3	13.5	*16.9*	18.2	*17.3*	**16.8**
● Price cash flow ratio (times)*	8.0	5.8	—	7.6	—	**7.6**
● Price book value ratio (times)*	1.2	1.0	—	1.3	—	**1.3**

NOTES1: Price earning ratio = Stock price at the end of fiscal year / Earnings per share
Price cash flow ratio = Stock price at the end of fiscal year / Cash flow per share
Price book value ratio = Stock price at the end of fiscal year / Shareholders' equity per share
NOTES2: The italicized figures for the years ended March 31, 2003 and 2004 exclude non-recurring items in other income and expenses for reference.

Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures are included for reference based on 12 months that exclude the effect of 15-month irregular reporting.*