

Competitive

Anywhere in the World

2000 ANNUAL REPORT

**Koito**

# Competitive Anywhere

about Koito

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KOITO MANUFACTURING CO., LTD. has led the way in optics since 1915, when it developed the fresnel lens for Japan's first railway signals.

Today, the Company's integrated optical and electronic technologies—as applied in its lighting equipment for automobiles, aircraft parts, and other products—continue a tradition of global innovation for safety.

# in the World

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### *Cautionary Statements to Forward-Looking Statements*

This annual report contains forward-looking statements concerning KOITO MANUFACTURING CO., LTD. and consolidated subsidiaries future plans, strategies and performance. These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on economic, financial and competitive data currently available. Furthermore, they are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide competition in the automotive industry, customer demand, foreign currency exchange rates, tax rules, regulations and other factors. Koito therefore wishes to caution readers that actual results may differ materially from our expectations.

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JUNSUKE KATO, President

Koito continues to push on with the development of new technologies and new products, while also working toward the shortening of the product development cycle and the streamlining of production systems. These endeavors are taking up the slack resulting from the stagnation in domestic automobile production.

Soaring overseas demand is being met with the reinforcement and expansion of overseas subsidiaries. This in turn represents the completion of a series of manufacturing bases spanning Japan, the U.S., Europe and Asia.

### Current Trends in the Automobile Lighting Equipment Industry

The Japanese automobile industry continues to suffer, with fiscal 2000 seeing it produce fewer than 10 million units for the second consecutive year. The steady fall from fiscal 1990's peak of 13.59 million units produced is the result of a variety of factors, including the prolonged recession, the appreciation of the yen and the attendant shift on the part of auto makers to overseas production bases. Increasing demand in North America and several main developing countries spurred total overseas production on, with total worldwide automobile production rising to 56.28 million units.

Koito is pushing forward with the development of high performance, value-added products designed to deal with new issues in safety and energy efficiency, as well as cater to new automobile models and revisions to existing models. These endeavors are taking up the slack resulting from the stagnation in domestic automobile production. Overseas, each company in the industry is focusing on aggressive growth through their affiliates.

### Consolidated Business Results for the Fiscal Year Ended March 2000

Net sales rose 1.1% over the previous year to ¥279,034 million. This was primarily a result of marketing efforts focusing on expanding the sales of new products in lighting equipment for automobiles, which accounts for approximately 70% of total sales.

The automotive lighting equipment division saw sales increase 3.7% to ¥198,381 million. Reinforcing product performance was one factor here. Increasing demand for and exports of gas discharge headlamps and multi-functional headlamps also contributed.

In the non-automotive electrical equipment division, strong demand for Shinkansen devices led to expansion in railway equipment. Cutbacks in orders of traffic signals and other public safety equipment on the part of local government dragged results for the entire division down 1.9% to ¥59,168 million.

The other products division saw sales fall 11.6% to ¥21,483 million. Lower aircraft production and a slump in bulk orders for aircraft seats in the aircraft parts sector were responsible for the drop.

Income suffered despite sales growth and the pursuit of low cost operations in the form of reductions of fixed costs and the shortening of the product development cycle. Depreciation on capital investments in headlamp production facilities at overseas subsidiaries was a chief factor. Operating income sank 9.0% to ¥9,288 million, with consolidated net income falling 11.3% to ¥3,412 million.

### Achievements of the Fiscal Year Ended March 2000

As outlined above, the number of automobiles produced domestically is steadily declining. Koito continues to push on with the development of new technologies and new products however, while also working towards the shortening of the product development cycle and the

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streamlining of production systems.

Shortening of the product development period is a necessary response to reductions in the automobile development period throughout the industry. Koito aims to be able to commence mass production within 11 months of receiving product specifications from automobile manufacturers. Accordingly, we have developed a digital mockup system which makes test models redundant by digitally representing products to be tested. This new system cuts the number of development steps far below that required by conventional methods.

Production systems have seen new efforts to support low volume production of a wide variety of items. Koito's unique production management system, the Koito Production System (KPS) has raised efficiency to a new level in this respect. Koito's lineup of automotive parts consists of 30,000 different items. Inventory turnover at Koito's own production facilities is approximately twice per month, a level unmatched except at manufacturers where all sales are handled by a subsidiary.

Soaring overseas demand is being met with the reinforcement and expansion of overseas subsidiaries. Headlamp operations have been established in both the U.K. and Korea, and all seven overseas subsidiaries have put in place organizations capable of manufacturing a comprehensive range of automobile lighting equipment. This in turn represents the completion of a series of manufacturing bases spanning Japan, the U.S., Europe and Asia.

Thailand and Korea are achieving particularly notable growth in sales, thanks to the full-fledged recoveries their respective economies are making. Production management systems are also becoming ever more integral parts of Koito's manufacturing bases, as are the personnel exchanges and joint R&D activities needed to make them possible. These systems are absolutely essential to maintaining the superlative product quality that is a trademark of Koito. In July 1999, the Koito Europe Technical Center (KETC) was established in the suburbs of Brussels. This will play a big part in allowing us to meet customer demands on time. In the development of new technology, Koito became the first official non-European company member of the Adaptive Frontlighting System (AFS) Project. This accomplishment was further proof of Koito's status as a world-class player in developing new technology.

#### **Outlook and Plans for the Fiscal Year to End March 2001**

The Japanese economy is predicted to make steady progress on the road to recovery. However, there remain many causes for concern, including a surplus of production capacity, an uncertain employment picture and the continuing stagnation of consumer spending. Economic conditions may remain difficult for the foreseeable future. Domestic automobile sales have been forecast to manifest slight growth. The expansion of overseas automobile production is likely to stifle exports however, making a recovery in the number of vehicles produced in Japan unlikely.

Koito intends to meet these challenges by taking product performance and R&D activities to new levels. Simultaneously, we will work towards shortening the product development period, cutting costs through a variety of streamlining measures and boosting sales. Modularization of parts and Intelligent Transport System (ITS) related areas are two fields in which growth is predicted, and both will see timely and appropriate responses from Koito. At the same time, our development of new technology will stay ahead of market and consumer needs and our commercialization of new advances will be prompt. We will be building on our position as a global supplier as auto makers increasingly seek to procure parts from the optimum locations anywhere in the world. That means enhancing our product development, manufacturing and sales activities at overseas bases. A mutual supply structure will be established among Koito companies to cover all four of our major operating regions: Japan, the U.S., Europe and Asia.

The steps outlined above are expected to take net sales up 4% to ¥291,400 million. Income before income taxes is predicted to rise 34% to ¥11,300 million. Net income is expected to drop 44% to ¥1,900 million however, due to the amortization of a ¥10,600 million in pension funding shortfall due to the adoption of new accounting standards for retirement benefits. This drop will therefore be no more than a temporary downturn, with the following year predicted to see a return to form.

### **Boosting Corporate Trust Through Higher Product Quality and Environmental Awareness**

The Koito Group creates customer needs based around the theme of light; this is the basis of our contribution to society. It is also the foundation of our most basic management policies, which call for mutually beneficial relationships with customers, shareholders, employees and related businesses. In order to maximize the satisfaction of all these parties, Koito is taking up environmental preservation as another central management theme. Formulating appropriate measures will see the trust placed in Koito as a corporation grow even more.

Koito's recycling and environmental activities have been evolving constantly in recent years. In January 2000, our three main production facilities, the Shizuoka plant, the Kikkawa plant and the Fujikawa plant, achieved ISO14001 certification for their environmental management systems. The remaining facilities, such as the Haibara and Sagara plants, obtained the same certification in July 2000.

I ask for the continued understanding and support of our shareholders throughout the year to come.



**JUNSUKE KATO, President**

September 2000

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# Technology

## PRODUCTS AND TECHNOLOGY AIMED FIRMLY AT THE FUTURE

Broadly speaking, Koito Manufacturing's technological development in the area of automobile components is divided into three categories. The first is its continually evolving product development, keeping it at the forefront of the world market in this field. The second consists of activities to shorten the development period. The third is the globalization of technological development operations.

## WORLD-LEADING PRODUCT DEVELOPMENT TECHNOLOGY

The gas discharge headlamp (GDHL), first introduced by Koito in 1996, is poised to become the primary automotive headlamp technology in the 21st century. GDHLs, which use an arc discharge to generate light, offer three times the brightness, twice the life time and 70% of the energy consumption of conventional halogen headlamps. Fiscal 2002 is set to see the number of automobiles equipped with them in Japan exceed 1 million. At present, GDHLs tend to be of the four lamp system. Koito is developing a two lamp system as well though, and is due to commence mass production this year. With this new system, Koito will be able to promote GDHLs for use mini-vehicles, too.

Ballast starters are the most vital components in GDHLs. Mass production of the Version 3 ballast starter, offering the world's highest reliability, has been under way since the fall of 1999. Less than half the size and notably lighter than its predecessors, this new ballast starter has won praise from automobile makers throughout the industry. It is also a perfect example of Koito's expertise in the development of new technology. Another illustration is the Version 2 dynamic auto-leveling system, used to keep the beam axis of the headlamp at a constant angle to the road when a vehicle is in motion. Previously, these leveling systems required two vehicle height sensors for the front and rear wheels. The new system utilizes the signal from the seating sensor so that only a single height sensor for the rear wheels is needed.

For signaling lamps, Koito is concentrating on the development of LED lamps; commercial production is expected to begin in the near future. Able to emit light instantaneously and conserve energy, LEDs offer the dual advantages of greater safety and minimal environmental impact.

Environmentally Friendly—Koito makes the utmost efforts to fabricate headlamps that are friendly to people and the environment. One way is by designing products and components

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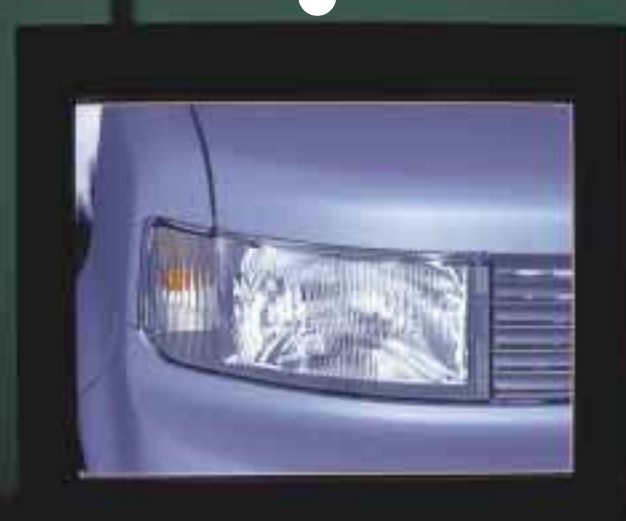


A  
Vision  
Extending  
Many Years  
Ahead



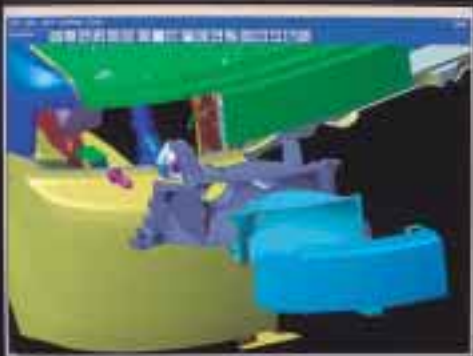
#### GDHL ballast starter

Ballast starters are the key components of discharge headlamp systems. Koito has pushed forward with miniaturization in this area, and has succeeded in producing a ballast starter capable of fitting inside the lamp space.



#### Digital mockup

Computers are used to create digital mockups of products, which are then used in simulations. This process allows the development of high-quality products in a short period, and removes the necessity of making test models.



#### Koito Europe Technical Center

The Center opened in Zaventem in Belgium in July 1999, to serve as the base for Koito's automobile lighting design and development activities in Europe. It is expanding Koito's client base throughout the continent.

that can be easily recycled. Eliminating hazardous substances from components and production processes is another key theme. An example of this attention to environmental issues is the use of a gel instead of glue to attach headlamp components to each other. This makes headlamps easy to take apart for replacing and recycling. The shift from thermosetting resins to thermoplastic resins is one example of accomplishments in this area. Light bulbs are benefiting from research into more durable coatings and coloring agents. Mass production of lead and cadmium free light bulbs incorporating these new advances has already commenced.

## SHORTENING THE PRODUCT DEVELOPMENT PERIOD

Recent years have seen new model development periods shortening at automobile makers. Accordingly, component makers too are being afforded far less time to develop their products. Koito is active in the application of concurrent engineering (CE), which allows simultaneous progress in product design, the preparation of molding equipment and evaluation of product performance. Koito has also introduced a digital mockup system. This allows development, design and performance evaluation to take place with data alone, eliminating the need for physical prototypes. Improvements such as these have slashed the previous product development period of 18 months down to 11 months. This puts Koito at the very top of the world scale in this vital respect, which has been acknowledged by overseas makers as well.

In addition, Koito adopts a "concept-in" development process. Here, Koito works with auto makers from a new model's initial planning stage onward to determine the specifications required. Koito is determined to further reduce its product development period to less than ten months. Designing should be more efficient and accurate. Further shortening the cycle will be the use of parametric designs and knowledge CAD, which incorporates a wide range of regulations and standards.

## GLOBALIZATION IN TECHNOLOGICAL DEVELOPMENT

For over ten years, Koito maintained a base in Brussels, Belgium, with the objective of gathering European technology-related information and obtaining type approvals for headlamps and other signaling lamps. By way of preparation for the expansion of Koito's business in Europe, the base was relocated to Zaventem in the suburbs of Brussels. In 1999, this facility became the Koito Europe Technical Center (KETC). It is playing an integral role in the development of new technology ranging from initial concepts through to product design, geared towards boosting the number of orders received from European automobile makers. Koito is aiming to establish a development chain that spans Japan, the U.S., Europe and Asia. To achieve this goal, it will further expand its existing development centers.

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In 1999, Koito was chosen as the first non-European company to become an official member in the Adaptive Frontlighting System (AFS) project, one of the Eureka projects. The AFS project focuses on the development and regulation of frontlighting systems which automatically ensure that illumination adapts to changing road environments and weather conditions. Koito is actively involved in all aspects of this project, from development to regulation.

### FUTURE TRENDS IN TECHNOLOGICAL DEVELOPMENT

Koito places great importance on Product Data Management (PDM), which involves the integration of data relating to all facets of products, from development and production to sales. Paying no regard to national boundaries, this information is shared throughout the entire Koito Group, and is used to improve efficiency in product and technological development. All members of the group help each other through this mutual information sharing. Koito technology headquarters has itself been at the heart of this system. It assumes responsibility for hosting the All Koito Technology Conference, dedicated to boosting technological prowess and efficiency in R&D activities throughout the Koito Group.

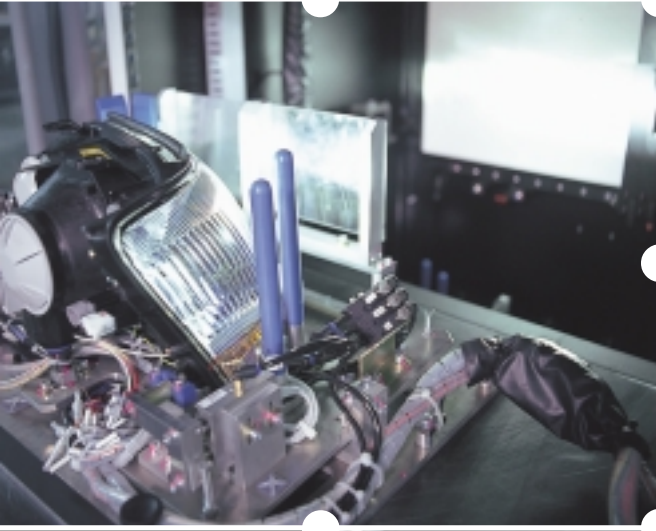
### INVOLVEMENT IN INTELLIGENT TRANSPORT SYSTEM (ITS) DEVELOPMENT

As one part of ITS research in Japan, work is proceeding on the development of probe cars\*. Within this area, KOITO INDUSTRIES is handling traffic information systems and other elements of the infrastructure. Meanwhile, Koito Manufacturing is focusing its efforts on the vehicular side. By bringing together the expertise of all Koito Group members, the entire group is able to function as a single unit, thereby participating in a broader range of ITS development.

\*A probe car is an automobile equipped with a mobile phone style transmitter which sends its own information to the control center. Through the GPS, the automobile gathers information on traffic, road and weather conditions.



Consistently  
High Productivity  
and  
Reliability



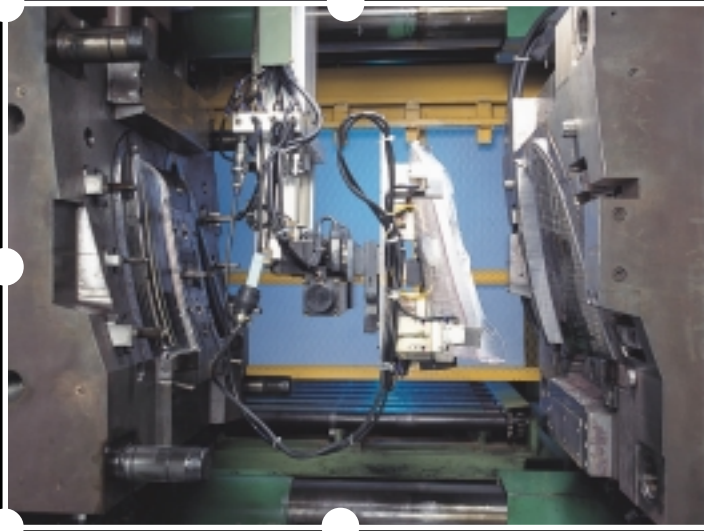
#### **GDHL Assembly**

Each stage of Koito's state-of-the-art assembly lines is fitted with a battery of testing equipment, providing item-by-item inspection to produce high-function and high-performance GDHLs.



#### **GDHL**

GDHLs emit a natural light of great brightness. They also excel in terms of both energy efficiency and longevity, making them extremely environmentally friendly. Used in conjunction with auto-leveling technology, they make night-time driving safer than ever before.



#### **Resin lens**

Resin lenses, for use in headlamps of irregular shape, allow increased customizability of vehicles, while also increasing fuel efficiency through cutting weight. Furthermore, they are easy to recycle.

# Manufacturing

## KOITO'S PRODUCTION SYSTEM—SUPPORTED BY HIGH PRODUCTIVITY AND TRUST

Current demand in the automobile market centers largely around diversity in models available, high quality at affordable prices and the reduction of production lead time. To cater to these needs, Koito introduced the Koito Production System (KPS) several years ago, a system which has yielded great advances in low volume production of a wide variety of items. KPS is designed to boost cost reduction activities by dramatically cutting down on waste in production processes.

KPS' most notable advantages lie in its underlying Just in Time (JIT) thinking and its reliance on "Jidoka" (automation). JIT refers to a system whereby production and transportation are closely coordinated so that the desired products are produced and delivered in the exact quantity at the right time. Koito has established production lines which meet customer needs by allowing low volume production of a wide variety of items. Between 10 and 20 different models of a product can be created in a single line per day, and 20 to 30 in a month. The assembly of modules of completely different shapes presents no problems under this system, as the relevant tools and jigs can be changed in a short time. Koito has also adopted the "Kanban" method to make JIT production possible. Through the use of cards, "Kanban" in Japanese, that accompany each production lot during the assembly process, overproduction can be avoided. This makes it easier to eliminate inefficiencies during production.

"Jidoka" is being pursued at production facilities as part of Koito's drive for heightened efficiency. Aiming to eliminate faulty products, production systems automatically detect abnormalities in equipment or product quality. Sections of production lines are brought to a halt and the abnormality is brought to the operator's attention. Technicians track down the cause and make the necessary improvements to prevent its reoccurrence. Quick identification of problems has the added advantage of restoring normal operation more quickly. Production efficiency is a prerequisite for effective cost reduction activities. Furthermore, all of Koito's automated equipment incorporates the know-how gained over long years in this field. Its excellence is attested to by its introduction by other companies producing automobile components.

KPS improves distribution too, by allowing the simultaneous transport of products and information. Meeting delivery deadlines is of the utmost importance to component makers, and Koito has a 100% record in terms of its production lines. In components, this record is very near to 100%. Through increasing the frequency of deliveries, JIT enables Koito's customers

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to boost their own production efficiency and keep down inventories. More deliveries also cuts Koito's own inventories. Fiscal 2000 saw total inventories of only ¥5,823 million, a remarkably low figure when compared to net sales. In fact, inventories averaged a mere 47% of monthly sales.

Koito is currently introducing KPS at all overseas subsidiaries to ensure that they deliver the same sterling product quality as domestic production operations. The entire Koito Group is conducting a dynamic exchange of production management staff. The Shizuoka plant is a center of these activities, with training of overseas production managers and supervisors taking place there several times a year. Parent company staff also head overseas to enhance Koito's continuing education programs, and play their part in bolstering production efficiency and product quality.

# Quality

## AIMING TO LEAD THE WORLD IN PRODUCT QUALITY

Koito incorporates product quality considerations into its products right from the planning and design stages. To this end, the Quality Assurance Division carries out functional tests on all products. But Koito's insistence on excellence goes further. Not content with conforming only to established guidelines and regulations, Koito set up the Testing Division in 1998 to conduct experiments to ensure that its products conform to the demands of the market. The division then works to transform the knowledge gained into new standards for Koito products. Another quality improvement was achieved through its evaluation simulation system, which predicts problems that may take place when the lamp is actually mounted on a vehicle. The technology used in this testing process is the subject of joint research with Tokyo University. Koito is also active in the development of testing equipment, another area in which it outshines its competitors in the domestic automobile components market.

Product quality management demands the attention of every single Koito employee. To this end, Koito is integrating education programs into its Total Productive Maintenance (TPM) scheme, a scheme dealing largely with preserving quality standards. TPM activities are being carried out at all manufacturing bases and divisions. Results are released periodically both within the company and externally, a policy that ties into further improvements in product quality.





The  
Trust That  
Product  
Quality Brings

### Dark room

Koito ensures that its products match up to safety requirements all over the world. The dark room plays host to experiments designed to ensure that Koito's headlamps optimize visual conditions for oncoming drivers, as well as fully illuminating the driver's own field of vision.



### External environment experiments

Koito's products need to be able to function under any and all road and weather conditions, from snow-capped mountain peaks to baking deserts. To this end, products being tested are exposed to extremes of shock and temperature over long periods, to find out just how far they can be pushed.



### Anechoic chamber

Anechoic chambers allow the accurate measurement of the electromagnetic waves emitted by products containing electronic components, such as GDHLs, and the effect of that radiation on other electronic devices and components in a vehicle. This data allows Koito to continually improve its products.



Koito's quality assurance system is distinguished by a detailed inspection system incorporated in each production process. At each step, manufacturing equipment is integrated with devices to test light distribution, illumination performance, water resistance and other properties. This approach ensures that all products have completed exhaustive testing by the time they are delivered to customers. Further precautions are exercised during production steps particularly susceptible to human error. These include incorporating distinct features into parts likely to be confused with others and similar measures.

These activities have seen product quality indicators improve steadily. A large number of automobile manufacturers, including Toyota, have given Koito awards in recognition of its excellence with regard to the quality of its products.

## PROGRESS IN PRODUCT MANAGEMENT QUALITY AT OVERSEAS SUBSIDIARIES

Koito is making progress overseas to bring product quality up to parent company standards in accordance with the quality improvement plan. Central to these activities is parent company guidance and training, which takes the form of assigning staff to overseas subsidiaries to help with technological and product quality issues at the development stage of each project. The Shizuoka plant is one focus for these activities, conducting training of overseas production supervisors several times a year. This program, known as the supervisor system, pays dividends in terms of higher overseas product quality.

Koito Europe Limited (KEL) formed a self improvement team in 1997 with the aim of bringing about new gains in QCD (quality, costs, delivery). Examining customer demands from all angles, it has dedicated itself to doing whatever is necessary to make improvements. To date, KEL has been successful in maintaining a zero-defect rate on products delivered, and has also made gains in cost reductions and on-time deliveries. In recognition of the greater levels of excellence being achieved by KEL, Honda UK chose the company for its best supplier of the year award in July 1999 from among its 242 suppliers.

## NEW GOALS IN PRODUCT QUALITY MANAGEMENT

Koito aims to obtain ISO9001 certification at all seven of its overseas subsidiaries to reinforce its product quality management structure on an international basis. Six of these subsidiaries have achieved this target already. Koito itself has plans to obtain QS9000 certification in order to raise its quality assurance skills to an even higher plane.

To achieve even more demanding quality standards, Koito is raising the target for gas discharge headlamps (GDHLs), halogen and other bulbs from the current 1.3ppm to less than 1.0ppm. In assembled products. Koito aims to increase the quality line from 15ppm to less than 10ppm, eventually halving this figure over the next three years.

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In 1998, the Koito Group made fully consolidated subsidiaries of its production bases in North America, Europe and Asia. This move represented the establishment of a structure spanning Japan and these three other main markets. At present, automobile makers are committing themselves to global production of models conceived of as strategic products with international appeal. The strength of the Koito Group lies in its ability to deliver parts of uniformly high quality to automobile production centers, wherever they may be in the world. Aiming to take its share of the automobile lighting market up from today's 18% to 25% by the year 2005, Koito will make new efforts on a number of fronts. Technological development, efficiency in production systems and even higher product quality are all areas which will see the whole company making great strides in the years to come.

## Japan

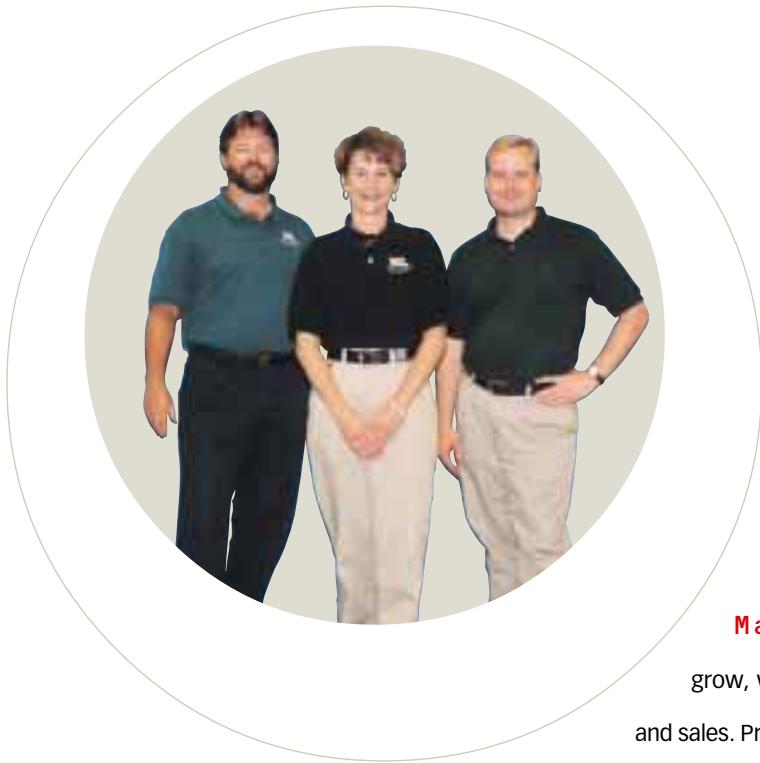
**Market**••• The domestic automobile market was supported by continuing strong demand for mini-cars, which took sales up marginally higher than in the previous year. Due to sinking exports however, total domestic production remained under the 10 million mark for the second consecutive year. Outside the automobile market, the tardiness of economic recovery adversely affected sales.

**Koito Group Activities**••• The Koito Group consists of 23 companies, 16 domestic and seven overseas. Domestic operations cover not only automobile lighting, but a wide range of other lighting equipment and electronic components. This includes aircraft lighting, control systems for rail transports, traffic control systems, external lighting, lighting components and metal dyes.

Koito's offerings in the field of automobile lighting have earned a solid reputation for their added-value features, and rode out the effects of the drop in automobile production to extend sales. Excluding automobile lighting and aircraft electronics, however, net sales and earnings both suffered. Falling sales and earnings on the part of KOITO INDUSTRIES, LIMITED, responsible for railroad car control equipment, traffic control systems and other areas since Koito's establishment, were a key factor here.

Fully 60% of KOITO INDUSTRIES's sales are to governmental bodies. The development and delivery of traffic information systems related to Intelligent Transport Systems (ITS), the highway traffic system gaining rapid acceptance in recent years, holds promise of stable sales growth through public-works expenditures. KOITO MANUFACTURING also intends to make headway in this area through joint activities with KOITO INDUSTRIES.





# North America

**Market** The U.S. automobile market continued to grow, with 1999 surpassing all previous records for production and sales. Predictions suggest that the market will contract from now until the end of 2002, resuming expansion in 2003.

**Koito Group Activities** The automobile lighting market is experiencing trends toward greater size and improved functionality. North American Lighting, Inc.'s two production facilities at Flora and Salem have been the focal points for increased efforts to cater to these two trends. Major capital investments were either completed or started in fiscal 2000 and fiscal 2001. The Flora plant's entire production capacity was devoted to headlamps, with the Salem plant committing itself to indicators. The resulting gains in productivity along with the introduction of new equipment significantly raised overall efficiency. Cost reduction is another area benefiting from these changes. A downturn in the U.S. automobile market cannot be ruled out, but the investments were essential to ensure that Koito can keep up with the U.S. activities of Japanese automobile makers and the introduction of new models. These developments are expected to serve as a stepping stone to increased market share for the Koito Group.



North American Lighting, Inc. (NAL) manufactures automobile lighting equipment and sells its to a broad spectrum of automobile makers in North America, both Japanese and non-Japanese. It is also the largest automobile lighting equipment maker in the continent that is not a member of a conglomerate.

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# Europe

**Market**••• The European automobile market was stable throughout the year. Continental Europe performed particularly well due to the weakness of the euro. The U.K. saw the strength of the pound result in stagnation in production and sales. Production facilities have started to move to the continent in response to this trend. Sales expansion is predicted in former Eastern Bloc countries.

**Koito Group Activities**••• Koito Europe Limited commenced production of automobile headlamps in April 1999, and is currently engaged in expanding production facilities. July 2000 saw production and delivery start of headlamps for the Renault R900 (Twingo). Orders were received from a variety of other European makers, leading to the decision to increase production capacity. Current capacity of 400,000 headlamps and 1 million indicators is set to rise to 1 million headlamps and 1.3 million indicators during 2003.



Koito Europe Limited (KEL) does not limit its activities to European automobile makers. On the contrary, it is also bolstering marketing operations aimed at Japanese makers expanding into European countries.



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# Asia



The progress the Asian economy made on the road to recovery during 1999 was promising. All countries in the region are witnessing favorable trends, which are expected to continue into the future.

## China

**Market●●●** In 1999, General Motors (GM) opened up a base in Shanghai. China's forthcoming entry to the WTO will bring down import duties, and although notable increases in domestic automobile production are too much to hope for, personal consumption will rise along with the standard of living. Stable growth in

this market can be expected as a result.

**Koito Group Activities●●●** With Volkswagen and GM making advances into Shanghai, Shanghai Koito Automotive Lamp Co., Ltd.'s market share in automobiles destined for North American and European markets is on the rise. Expansion is proceeding smoothly, facilitated by Koito's lack of competitors in Shanghai. In 1999, internal production of metal dyes started, marking the completion of an integrated system ranging from production through to assembly. Furthermore, in order to accelerate product development within China, Koito commenced construction of a technical center in June 2000, due to be completed in 2001.

## Thailand

**Market●●●** Thailand's political and economic situation is among the most stable in Asia, and the country possesses considerable growth potential. Automobile production peaked in 1996, then fell sharply. However, 1999 saw production start to grow again and the year 2002 is set to break previous records.

**Koito Group Activities●●●** THAI KOITO COMPANY LIMITED commenced production activities in 1990. In 1999, it manufactured more parts than in any other year since its establishment, to the value of 800 million baht. This figure is expected to double in either 2002 or 2003. THAI KOITO obtained QS9002 certification in December 1998, and is actively involved in overseas exports as a key production center for the Koito Group, backed up by the outstanding product quality of that group. Gas discharge headlamp (GDHL) production is also due to commence in the not too distant future.

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## Korea

**Market●●●** Economic recovery is moving along as steadily in Korea as in the rest of Asia. Automobile production climbed to between 2.6 and 2.7 million units in 1999. Exports, accounting for 53% of all output, were especially healthy, with Koito using its cost competitiveness in compact cars to expand its share of the U.S. market.

**Koito Group Activities●●●** Koito invested in Inhee Lighting Co., Ltd. in 1997, and in rear lamps, the company leads the Korean market with a market share of 60%. May 1999 also saw the commencement of headlamp production, and production facilities are being expanded to cater to increases in orders. The majority of Inhee Lighting's output is destined for Hyundai Motor Company, but exports of finished products to Japanese auto manufacturers are another contributor to earnings here.

## Taiwan

**Market●●●** Nearly 100% of Taiwanese automobiles are produced for domestic use, and production is stable at 4 million units per year.

**Koito Group Activities●●●** Ta Yih Industrial Co., Ltd. maintains a share of 95% in the Taiwanese market, but the limits to future growth in the automobile lighting market have already become apparent. While catering to the need for larger size, value-added products, Ta Yih Industrial will increasingly turn its attention to production and sales for non-automotive markets such as aircraft and railroad cars. Exports are another area seeing new focus, notably in metal dyes and head and rear lamps to Japan.

## India

**Market●●●** India is predicted to experience particularly significant growth. In 1999, total production came to a record 800,000 vehicles, a figure likely to exceed the million mark during 2001. Japanese makers are at the forefront of the global advance into this market, one which holds promise of exceptional growth.

**Koito Group Activities●●●** Moving into India in 1999, Toyota commenced production of its multi-purpose Quoris line. The Koito Group is also providing components for Maruti, a joint venture between Suzuki and the Indian government. India Japan Lighting Ltd. has seen sales increase on the back of headlamp orders accompanying the introduction of new models by its customers. Sub-components such as resin lenses for use in headlamps, hitherto imported from THAI KOITO, will be produced internally from September 2000. This step will mark the full-scale commencement of Koito's headlamp production in India.



## ENVIRONMENTAL POLICIES AND SYSTEMS

In 1972, KOITO MANUFACTURING CO., LTD. founded a Safety, Hygiene and Environmental Office to provide an organization devoted exclusively to the task of addressing environmental issues on a company-wide basis. Going one more step, Koito established a Recycling Committee in 1991 to further enhance its efforts toward environmental preservation.

January 2000 saw Koito obtain ISO14001 certification at its Shizuoka plant, Kikkawa plant and Fujikawa plant. The Haibara and Sagara plants were close behind, obtaining the same certification in July 2000.

Koito intends to up its efforts in these respects, so that they involve every member of the Koito Group. Aiming to become a company where environmental concern is apparent throughout the entirety of its operations, Koito will continue to be proactive in this vital area.

## Environmental Management

### ENVIRONMENTAL ACTIVITIES

- ◆ Since 1991, Koito has been actively engaged in reducing the amount of industrial waste it produces. Fiscal 1992 saw the establishment of a plan to cut this waste, some 6,500m<sup>3</sup> at the time, by half within five years. This goal was achieved during 1995, with the volume of waste having been reduced to 3,013m<sup>3</sup>. This success was followed by the establishment of a second-stage plan, which called for a further 50% reduction over the next five years. Again, this target was met ahead of schedule, with fiscal 2000 waste amounting to only 1,100m<sup>3</sup>. Plans exist to reduce waste to no more than 750m<sup>3</sup> during fiscal 2001. Additionally, the total recycling rate for fiscal 2000 came to 84.4%.
- ◆ Reducing emissions of environmentally harmful substances is another area Koito takes very seriously. Accordingly, the Company abandoned use of organic chlorine compounds in 1999, which had been used in paint stripping applications up until that time. Measures geared toward cutting dioxin emissions are also making steady progress. Aiming to take emissions as close as possible to zero, Koito is reducing the amount of waste it incinerates, and has installed more sophisticated incinerators.
- ◆ As part of its energy efficiency measures, Koito has added cogeneration facilities at its key manufacturing plants in Shizuoka, Haibara. Moves toward energy efficiency facilities and equipment are also progressing smoothly. The 1999 shift from hydraulic power to electric power in plastic molding equipment is one example.
- ◆ Investments in environment-related facilities and equipment totaled ¥215 million in fiscal 1999, and are expected to come to ¥186 million in fiscal 2000.
- ◆ Koito is firmly resolved to actively increase its involvement in environmental preservation on a company-wide basis.

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**IWAO OKIJIMA**  
Chairman



**JUNSUKE KATO**  
President



**TAKASHI OHTAKE**  
Executive Vice President



**RYUZO KOJIMA**  
Executive Vice President



**AKIRA KOITO**  
Executive Vice President

### Chairman

Iwao Okijima

### President

Junsuke Kato

### Executive Vice Presidents

Takashi Ohtake

Ryuzo Kojima

Akira Koito

### Executive Senior Managing Directors

Genpachi Sanada

Masahiro Ohtake

### Executive Managing Directors

Toyofumi Nakagawa

Shigeo Mine

Noriaki Yonezawa

Takao Sato

Shuichi Goto

Norio Saguchi

Yutaka Furuyama

### Directors

Kazuhiro Mori

Hiroaki Sakagawa

Koichi Katase

Keiji Kato

Mizuo Yamamuro

Isao Sano

Mitsuo Kikuchi

### Standing Corporate Auditors

Akira Kamata

Toshio Yumoto

### Corporate Auditors

Seiji Makita

Koichi Kusano

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## financial section

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## six-year summary

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries  
Years Ended March 31

CONSOLIDATED	Millions of yen except per share amounts					Thousands of U.S. dollars except per share amounts	
	1995	1996	1997	1998	1999	2000	2000
01 FOR THE YEAR:							
02 Net sales	¥225,120	¥212,357	¥220,045	¥226,134	¥275,934	<b>¥279,034</b>	<b>\$2,628,676</b>
03 Operating income	11,069	9,608	10,607	8,540	10,201	<b>9,288</b>	<b>87,498</b>
04 Income before income taxes	11,376	10,669	10,899	9,771	8,451	<b>7,341</b>	<b>69,156</b>
05 Income taxes	6,994	6,427	6,310	5,836	3,486	<b>2,997</b>	<b>28,233</b>
06 Net income	4,407	3,917	4,702	4,285	3,846	<b>3,412</b>	<b>32,143</b>
07 Amounts per share: (in yen and U.S. dollars)							
08 Net income	¥27.47	¥24.39	¥29.24	¥26.65	¥23.92	<b>¥21.23</b>	<b>\$ 0.20</b>
09 Cash dividends	9.00	8.00	9.00	8.00	8.00	<b>10.00</b>	<b>0.094</b>
10 AT YEAR-END:							
11 Working capital	¥ 62,111	¥ 64,752	¥ 59,053	¥ 55,348	¥ 40,393	<b>¥ 51,060</b>	<b>\$ 481,017</b>
12 Property, plant and equipment, less accumulated depreciation	46,574	49,297	54,742	46,174	65,857	<b>61,448</b>	<b>578,878</b>
13 Total assets	204,181	207,104	218,079	217,741	267,783	<b>275,063</b>	<b>2,591,267</b>
14 Shareholders' equity	72,897	75,589	78,881	81,313	90,291	<b>92,848</b>	<b>874,686</b>

Note: Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥106.15=\$1, the rate prevailing on March 31, 2000

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## OUTLINE OF OPERATIONS

The Koito Group includes 20 consolidated subsidiaries, three affiliates, and the parent company KOITO MANUFACTURING CO., LTD. Accounting for two of the three affiliates is based on the equity method. Consolidated subsidiaries, KOITO INDUSTRIES, LIMITED, Koito Transport Co., Ltd., Minatsu, Ltd., and India Japan Lighting Ltd. end their fiscal years on March 31. The other 16 consolidated subsidiaries compute their financial statements by provisionally closing accounts on March 31. The Group's three major business categories are lighting equipment for automobiles, non-automotive electrical equipment and other products.

## OPERATING ENVIRONMENT

During the fiscal year under review, the Japanese economy continued to suffer from stagnation in consumer spending. However, the government's comprehensive economic package combined with reform in financial systems to lift the economy out of the worst of the recession and set the stage for a gradual recovery. Overseas, Asian economies are rebounding rapidly as the effects of the currency crisis fade away. The U.S. economy continued to perform strongly and the European economy also made significant progress toward recovery.

The Japanese automobile industry saw domestic sales increase slightly over the previous year due to strong performance from mini-cars. Exports fell however, bringing total domestic production down 0.4% to 9.93 million. Overseas, the U.S. automobile market manifested high growth, recording highest-ever totals for both production and sales in 1999. In contrast, the European automobile industry was relatively stable throughout the year. Continental Europe performed particularly well, with growth backed up by the weak euro. Asian economies, previously struggling with problems precipitated by the abrupt fall in value of the baht in 1997, made a solid recovery in 1999. The whole of Asia is benefiting from favorable economic trends that are expected to continue into the future.

## NET SALES

Consolidated net sales rose 1.1% to ¥279,034 million. Sales in the automobile lighting equipment segment, Koito's mainstay business, increased 3.7% to ¥198,381 million, due to increased orders through stepped-up efforts in product competitiveness and the growing adoption of discharge headlamps and multi-functional headlamps. The non-automotive electrical equipment segment witnessed steady growth in sales of railroad car equipment, centered on shinkansen-related demand. Traffic control systems and other public-safety related equipment saw a drop in orders from government bodies however, resulting in sales in this segment decreasing 1.9% to ¥59,168 million. In the other products segment, aircraft-related business struggled. Aircraft parts sales were lower due to falling aircraft production overseas and there was a decline in bulk orders of seats. As such, total sales for the segment decreased 11.6%, coming to ¥21,483 million.

## NET INCOME

In addition to raising net sales, Koito streamlined operations by reducing fixed expenses and shortening the product development cycle. However, depreciation expenses for new overseas headlamp production facilities and foreign exchange losses combined to bring consolidated operating income down 9.0% to ¥9,288 million. Consolidated net income for the year fell 11.3% to ¥3,412 million.

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## Business Results by Geographical Segment

### >>> Japan

The automobile lighting equipment segment performed strongly, but the non-automotive electrical equipment and other products segments saw orders placed by government bodies fall. These factors combined to take total sales up 0.2% to ¥213,880 million. Operating income rose 1.8% to ¥8,859 million.

### >>> North America

The U.S. economy continued to be robust in all respects. However, the appreciation of the yen caused net sales to fall 0.2% short of last year's total, coming to ¥35,384 million. This helped bring operating income down 58.3% to ¥697 million, due to expenses related to the expansion of Koito subsidiary North American Lighting, Inc. (NAL) and a rise in R&D expenses.

### >>> Asia

Asian economies have overcome the problems presented by the currency crisis, and are making swift recoveries. Automobile production is once more exhibiting healthy growth, and sales at THAI KOITO COMPANY LIMITED and Inhee Lighting Co., Ltd. both increased as a result. Total sales rose 15.7% to ¥25,302 million, with operating income climbing 14.2% to ¥2,062 million.

### >>> Europe

Sales fell 11.5% to ¥4,466 million due to the appreciation of the yen. Increases in R&D expenses and depreciation on investments in headlamp production facilities took costs up, which resulted in operating loss decreasing 17.9% to ¥294 million.

## FINANCIAL POSITION

Total assets rose ¥7,280 million to ¥275,063 million. Current assets decreased ¥703 million, coming to ¥152,983 million. This was due to the sale of marketable securities to fund the redemption of Koito bonds that reached maturity during the year. Property, plant and equipment fell ¥4,625 million to ¥76,808 million, primarily due to a low level of capital expenditures. Investments climbed ¥11,458 million to ¥40,824 million, the reasons being the purchase of investment securities and an increase in long-term loans receivable at Koito Enterprise Corporation. Total liabilities rose ¥4,628 million to ¥156,256 million. Interest-bearing liabilities rose ¥5,123 million to ¥54,050 million as a result of Koito Enterprise Corporation's issuance of bonds and an increase in both short- and long-term debt at the parent company. Shareholders' equity increased ¥2,557 million, coming to ¥92,848 million. The shareholders' equity ratio was 33.8% as opposed to the 33.7% of the year before.

## CASH FLOWS

In the fiscal year under review, a large share of cash flows were used for the redemption of bonds and acquisition of property and equipment. However, despite a decline of 13.1% in income before income taxes to ¥7,341 million, consolidated cash and cash equivalents (hereafter referred to as net cash), increased ¥1,359 million to ¥20,285 million.

Factors affecting changes in net cash for the year were as follows.

### Net cash provided by operating activities

Net cash provided by operating activities totaled ¥21,363 million. Major contributors of cash were depreciation of ¥17,366 million, an increase in notes and accounts payable of ¥3,214 million and net income of ¥3,412 million.

### Net cash provided by investing activities

Net cash used in investing activities came to ¥26,055 million. Acquisition of property and equipment was ¥15,220 million. There was also an increase in investment securities of ¥6,669 million and a net increase of ¥3,897 million in long-term loans.

### Net cash provided by financing activities

Net cash provided by financing activities was ¥6,051 million. Long-term bank loans provided ¥11,941 million and ¥10,000 million was used for bond redemption expenses.

No comparisons with previous years have been made as this is the first year in which Koito has produced a consolidated statement of cash flows.

### CAPITAL EXPENDITURES

Capital expenditures totaled ¥15,220 million. The majority of this amount went into streamlining and updating production facilities, boosting product quality and setting up cost-efficient facilities in the automobile lighting equipment segment. Capital expenditures are predicted to come to ¥22,200 million in the current fiscal year as this segment continues to make investments for further improvements in the three areas outlined above, at Koito, NAL and THAI KOITO.

### Y2K READINESS

The Y2K issue was taken up as a central issue throughout the entire Koito Group. A comprehensive program to deal with the Y2K issue has prevented the occurrence of any problems to date. Koito will continue to position risk management as a key management theme, and upgrade its efforts in this area.

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## consolidated balance sheets

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

At March 31	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
<b>ASSET</b>			
<b>Current assets:</b>			
Cash and time deposits	¥ 14,951	¥ 13,889	\$ 130,843
Notes and accounts receivable—trade	72,179	72,305	681,158
Less: Allowance for doubtful accounts	(768)	(1,237)	(11,653)
	<u>71,411</u>	<u>71,068</u>	<u>669,505</u>
Marketable securities	37,307	39,262	369,872
Inventories	18,583	18,004	169,609
Deferred income taxes	911	1,367	12,878
Prepaid expenses and others	10,523	9,393	88,487
Total current assets	<u>153,686</u>	<u>152,983</u>	<u>1,441,196</u>
<b>Investments:</b>			
Investments in securities	16,205	22,799	214,780
Loans	4,031	7,928	74,686
Deferred income taxes	4,650	5,224	49,213
Other investments	5,755	6,018	56,693
Less: Allowance for doubtful accounts	(16)	(22)	(207)
Total investments	<u>30,624</u>	<u>41,947</u>	<u>395,167</u>
<b>Property, plant and equipment, at cost:</b>			
Buildings and structures	63,442	62,363	587,498
Machinery, equipment and tools	129,787	131,596	1,239,717
Less: Accumulated depreciation	(127,372)	(132,510)	(1,248,327)
	<u>65,857</u>	<u>61,448</u>	<u>578,878</u>
Land	12,739	13,099	123,400
Construction in progress	2,835	2,259	21,281
Property, plant and equipment, net	<u>81,433</u>	<u>76,808</u>	<u>723,579</u>
<b>Translation adjustments</b>	<u>2,037</u>	<u>3,322</u>	<u>31,295</u>
<b>Total assets</b>	<u>¥ 267,783</u>	<u>¥ 275,063</u>	<u>\$ 2,591,267</u>



At March 31	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade . . . . .	¥ 55,258	¥ 57,392	\$ 540,668
Short-term loans (Note 4) . . . . .	17,277	15,968	150,428
Current maturities of bonds (Note 5) . . . . .	10,000	—	—
Income taxes payable . . . . .	2,401	1,812	17,070
Accrued expenses and other current liabilities . . . . .	28,353	26,749	251,992
Total current liabilities . . . . .	<u>113,293</u>	<u>101,923</u>	<u>960,178</u>
<b>Non-current liabilities:</b>			
Long-term debt (Note 4) . . . . .	21,650	32,560	306,735
Bonds (Note 5) . . . . .	—	5,522	52,020
Accrued severance indemnities . . . . .	14,559	14,065	132,501
Other non-current liabilities . . . . .	2,124	2,185	20,584
Total non-current liabilities . . . . .	<u>38,335</u>	<u>54,333</u>	<u>511,851</u>
<b>Contingent liabilities (Note 6)</b>			
<b>Minority interests</b> . . . . .			
	25,863	25,958	244,540
<b>Shareholders' equity:</b>			
Common stock . . . . .	14,270	14,270	134,432
320,000,000 shares authorized and 160,789,436 shares of ¥50 par value issued at 31 March, 1999 and 2000			
Additional paid-in capital . . . . .	17,107	17,107	161,158
Retained earnings . . . . .	58,912	61,469	579,076
	<u>90,291</u>	<u>92,848</u>	<u>874,686</u>
Less			
Treasury common stock, at cost			
597 shares in 1999 and 50 shares in 2000 . . . . .	(0)	(0)	(0)
Total shareholders' equity . . . . .	<u>90,291</u>	<u>92,848</u>	<u>874,686</u>
<b>Total liabilities and shareholders' equity</b> . . . . .	<u>¥267,783</u>	<u>¥275,063</u>	<u>\$2,591,267</u>

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## consolidated statements of income

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
<b>Net sales</b> .....	¥275,934	<b>¥279,034</b>	<b>\$2,628,676</b>
<b>Cost of sales</b> .....	234,987	<b>237,701</b>	<b>2,239,293</b>
Gross profit .....	40,946	<b>41,332</b>	<b>389,373</b>
<b>Selling, general and administrative expenses</b> .....	30,745	<b>32,044</b>	<b>301,874</b>
Operating income .....	10,201	<b>9,288</b>	<b>87,498</b>
<b>Other income (expenses):</b>			
Interest income .....	953	<b>622</b>	<b>5,859</b>
Interest expenses .....	(2,471)	<b>(1,267)</b>	<b>(11,935)</b>
Loss on sale and disposal of property and equipment .....	(120)	<b>(181)</b>	<b>(1,705)</b>
Others, net .....	(110)	<b>(1,122)</b>	<b>(10,569)</b>
<b>Income before income taxes and minority interests</b> .....	8,451	<b>7,341</b>	<b>69,156</b>
<b>Income taxes</b> .....	3,486	<b>2,997</b>	<b>28,233</b>
Income before minority interests .....	4,965	<b>4,344</b>	<b>40,932</b>
<b>Minority interests in consolidated subsidiaries</b> .....	(1,118)	<b>(931)</b>	<b>(8,770)</b>
Net income .....	<u>¥ 3,846</u>	<u>¥ 3,412</u>	<u>\$ 32,143</u>
		Yen	U.S. dollars
	1999	2000	2000
<b>Per share:</b>			
Net income .....	¥ 23.92	¥ 21.23	\$ 0.200
Cash dividends .....	8.00	10.00	0.094
<b>Weighted average number of shares</b> (in thousands) .....	160,789	<b>160,789</b>	<b>160,789</b>

## consolidated statements of shareholders' equity

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Common stock:			
Beginning balance . . . . .	¥14,270	¥14,270	\$134,432
Ending balance . . . . .	¥14,270	¥14,270	\$134,432
Additional paid-in capital:			
Beginning balance . . . . .	¥17,107	¥17,107	\$161,158
Ending balance . . . . .	¥17,107	¥17,107	\$161,158
Retained earnings:			
Beginning balance . . . . .	¥49,934	¥58,912	\$554,988
Adjustment for adoption of tax-effect accounting . . . . .	4,552	568	5,350
Adjustment for newly consolidated subsidiaries . . . . .	2,012	—	—
Beginning balance, as adjusted . . . . .	56,498	59,480	560,339
Net income . . . . .	3,846	3,412	32,143
Deductions:			
Cash dividends applicable to the year . . . . .	(1,286)	(1,286)	(12,114)
Bonuses to directors and corporate auditors . . . . .	(146)	(138)	(1,300)
Ending balance . . . . .	¥58,912	¥61,469	\$579,076
Treasury stock . . . . .	(0)	(0)	(0)
Total shareholders' equity . . . . .	¥90,291	¥92,848	\$874,686

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## consolidated statements of cash flows

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the year ended March 31	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
<b>Cash flows from operating activities:</b>			
Net income	¥ 3,846	¥ 3,412	\$ 32,143
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	17,440	17,366	163,598
Minority interests in consolidated subsidiaries	1,218	931	8,770
Provided for allowance for doubtful accounts	—	576	5,426
Provided for accrued severance indemnities	300	(473)	(4,459)
Loss and evaluation on marketable securities	—	88	829
(Profit) loss on sale and disposal of property and equipment	(25)	52	489
Change in operating assets and liabilities:			
Notes and accounts receivable—trade	7,912	(1,160)	(10,927)
Marketable securities	7,032	(277)	(2,609)
Inventories	2,383	84	791
Prepaid expenses and others	386	452	4,258
Notes and accounts payable—trade	(7,969)	3,214	30,277
Income taxes payable	(813)	(1,619)	(15,252)
Accrued expenses and other current liabilities	(1,771)	(395)	(3,721)
Other—net	(2,784)	(888)	(8,365)
Net cash provided by operating activities	<u>27,155</u>	<u>21,363</u>	<u>201,252</u>
<b>Cash flows from investing activities:</b>			
Acquisition of property and equipment	(15,751)	(15,220)	(143,382)
Proceeds from sales of property and equipment	216	571	5,391
Increase in investment in securities	(7,980)	(6,699)	(63,108)
Increase in long-term loans	(1,352)	(3,897)	(36,712)
Increase in other investments and other assets	(5,364)	(810)	(7,630)
Net cash used in investment activities	<u>(30,231)</u>	<u>(26,055)</u>	<u>(245,454)</u>
<b>Cash flows from financing activities:</b>			
Increase in other long-term liabilities	45	1,471	13,857
Decrease in short-term bank loans	(72)	(698)	(6,575)
Increase in long-term bank loans	12,692	11,941	112,491
Issuance of bonds	—	5,543	52,218
Repayment of bonds	(8,061)	(10,000)	(94,206)
Cash dividends	(1,286)	(2,205)	(20,772)
Net cash (used in ) provided by financing activities	<u>3,318</u>	<u>6,051</u>	<u>57,004</u>
Change in cash and cash equivalents	242	1,359	12,803
Cash and cash equivalents at beginning of the year	<u>18,684</u>	<u>18,926</u>	<u>178,295</u>
Cash and cash equivalents at end of the year	<u>¥ 18,926</u>	<u>¥ 20,285</u>	<u>\$ 191,098</u>

## 1. Basis of presentation

KOITO MANUFACTURING CO., LTD. (the "Company") and its subsidiaries maintain their accounts in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their accounts in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan and compiled from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside these consolidated financial statements, although such statements are not required in Japan.

## 2. Summary of significant accounting policies

- (1) The accompanying consolidated financial statements for the years ended March 31, 1999 and 2000 include the accounts for the Company and the 20 subsidiaries listed below:

Name of consolidated subsidiaries	Equity ownership percentage <sup>(*)</sup> %
KOITO INDUSTRIES, LIMITED	50
Koito Transport Co., Ltd.	100
Koito Enterprise Corporation	100
Aoitec Co., Ltd.	51
Minatsu, Ltd.	100
Nissei Industries Co., Ltd.	62
Shizuokadenco Co., Ltd.	100
Shizuoka Kanagata Co., Ltd.	40
Haibara Machine and Tools Co., Ltd.	100
Shimizu Plating Co., Ltd.	100
Fujieda Auto Lighting Co., Ltd.	100
Kosmotec Co., Ltd.	100
Shizuoka Wire Harness Co., Ltd.	100
North American Lighting, Inc.	94
Ta Yih Industrial Co., Ltd.	33
Shanghai Koito Automotive Lamp Co., Ltd.	45
THAI KOITO COMPANY LIMITED	62
Koito Europe Limited	100
India Japan Lighting Ltd.	50
Inhee Lighting Co., Ltd.	50

(\*) Represents ownership at March 31, 2000 and includes shares owned through a consolidated subsidiaries

- (2) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates  
The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The excess of the costs over the underlying net equity of investments in the consolidated subsidiaries is amortized over five years.  
Investments in two affiliates (owned 20% to 50%) are stated at cost plus equity in their undistributed earnings. Consolidated net income or loss include the Company's equity in the current net income or loss of such companies, after the elimination of unrealized intercompany profits.
- (3) Translation of foreign currency financial statements  
The balance sheet accounts of the consolidated foreign subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date, except for the components of shareholders' equity which are translated at historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year.  
Translation differences are presented as "translation adjustments" in the accompanying consolidated financial statements.
- (4) Inventories  
Inventories are stated principally at cost. The cost of finished products and work in process are determined primarily by the weighted-average method. Raw materials and supplies are determined by the moving-average method.
- (5) Securities  
Securities with market quotation held by the Companies are valued at the lower of cost or market. Other securities held by the Companies are valued at cost. Cost is determined by the moving-average method.

01 (6) Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed with the declining-balance method or straight-line method, at rates based on the estimated useful lives of the assets.

02 Machinery held by the Company is depreciated over useful lives estimated by the Company which are between 3 to 7 years.  
03 Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

04 (7) Accrued severance indemnities and pension plan

Under the terms of the retirement plans of the Companies, substantially all employees are entitled to severance payments at the time of severance from the Companies. The amount of the payment is based on the length or service, salary at the time of severance, and the cause of the severance.

05 The company has a non-contributory funded pension plan which covers substantially full amount of the payment at the retire-  
06 ment age under the above retirement plan.

07 Accrued severance indemnities of the Company are recorded at the amount which would be required if all eligible employees  
08 retire involuntarily at the balance sheet date less amount funded under the above pension plan.

09 The domestic consolidated subsidiaries recorded their accrued severance indemnities at the amount which would be required  
10 if eligible employees retired voluntarily at the balance sheet date. However, KOITO INDUSTRIES, LIMITED recorded its accrued severance  
11 indemnities at 40 percent of the amount which would be required if eligible employees retired voluntarily at the balance sheet date.

12 In addition to the above accrued severance indemnities, the consolidated subsidiaries have pension plans which cover a por-  
13 tion of severance payments at the retirement ages.

14 The directors and corporate auditors of the Company are covered by a retirement benefit plan which allows retiring directors or  
15 corporate auditors to receive lump-sum retirement benefits. The amount of such benefits is determined based on the length of service  
16 and the level of remuneration at the time of retirement. The liability for such benefits is recorded in the other long-term liabilities at the  
17 amount which would be required if all directors and corporate auditors retired at the balance sheet date.

18 (8) Income taxes

19 Effective April 1, 1998, the Company changed its method of accounting for income taxes to adopting tax-effect accounting following the  
20 liability method for the Company and its subsidiaries. Until the year ended March 31, 1998, tax effect accounting was adopted only by  
21 certain foreign subsidiaries.

22 (9) Appropriation of retained earnings

23 Under the Commercial Code of Japan, proposals by the Board of Directors for the appropriation of retained earnings (principally the  
24 payment of annual cash dividends) should be approved by a shareholders' meeting which must be held within three months of the end  
25 of each financial year. In addition to such appropriation, the Code permits the Board of Directors to distribute cash to shareholders at an  
26 interim date (interim dividend). The appropriation of retained earnings reflected in the accompanying consolidated financial statements  
27 for each financial year represents the appropriation which was approved by the shareholders' meeting or by the Board of Directors and  
28 disposed of during that year.

29 The payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to  
30 income for the year and constitutes a part of the appropriations referred to above.

31 (10) Research and development costs

32 Research and development costs are charged to income as incurred.

33 (11) Net income and dividend per share

34 Net income and dividend per share amounts are based upon the weighted average number of shares of common stock outstanding  
35 during each year.

36 Cash dividends per share represent dividends including "interim dividends" declared as applicable to the respective years.

37 (12) Cash equivalents

All deposits at banks with an original maturity date of three months or less including time deposits are considered to be cash equiva-  
lents in the accompanying statements of cash flows.

(13) Consumption tax

Consumption tax is imposed at the flat rate of 5 percent on all domestic consumption of goods and services with certain exceptions.  
The consumption tax withheld upon sales and consumption tax paid by the Companies on the purchases of goods and services is not  
included in the amounts of respective revenues or costs and expenses in the accompanying consolidated statements of income, but is  
recorded as an asset or a liability, as the case may be, and the net balance is included in other current liabilities.

### 3. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥106.15=\$1, the approximate rate of March 31, 2000 has been used. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

#### 4. Accounting change

Up to the year ended March 31, 1999, the accrued severance indemnities of the Company were recorded at the amount which would be required if all eligible employees retired involuntarily at the balance sheet date less the amount funded under the pension plan including the amount which retired employees already received. Effective April 1, 1999, the Company changed accounting standards to recognize the amount of the pension plan excluding the amount which retired employees already received.

The effect of this change was to decrease income before income taxes and minority interests by ¥794 million (\$7,479 thousand) for the year ended March 31, 2000. The above changes were made in order to reflect the accrued severance indemnities related to employees' retirement more accurately in the consolidated financial statements.

#### 5. Short-term loans and long-term debt

At March 31, 1999 and 2000, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Loans, principally from banks			
The company	—	—	—
The consolidated subsidiaries	¥17,277	¥15,968	\$150,428
Total	¥17,277	¥15,968	\$150,428

At March 31, 1999 and 2000, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Loans, principally from banks			
The company	—	—	—
The consolidated subsidiaries	¥21,650	¥32,560	\$306,735
Total	¥21,650	¥32,560	\$306,735

#### 6. Bonds

At March 31, 1999 and 2000, bonds consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Bond			
The company	¥10,000	¥ —	\$ —
The consolidated subsidiaries	—	5,522	52,020
Total	10,000	5,522	52,020
Less : Current maturities	10,000	—	—
Total	¥ —	¥5,522	\$52,020

#### 7. Contingent liabilities

At March 31, 2000, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
As guarantor of employees' housing loans and other from banks and others	¥75	\$706

#### 8. Segment information

##### INDUSTRY SEGMENT INFORMATION

The Companies operate principally in three industrial segments. Each segment has the following main products:

Lighting Equipment Division:	Headlamps, miscellaneous car lamps, all-glass sealed beam lamp units, rear lamps, indicators, high-mount stop lamps and halogen bulbs
Other Electric Equipment Division:	Road traffic signals, traffic control systems, sanitary equipment and control systems for rail transports.
Others:	Aircraft lights, environmental control systems, air conditioning equipment, various electric applications equipment, various special equipment, transportation, finance and insurance.

## Millions of yen

	Lighting Equipment Division	Other Electric Equipment Division	Others	Elimination of Inter-Segment Items	Consolidated Total
01 For the year ended March 31, 1999					
02 Sales:					
03 Sales to outside customers . . . . .	¥191,334	¥60,294	¥24,305	¥ -	¥275,934
04 Inter-segment sales and transfers . . . . .	42,444	-	2,741	(45,186)	-
05 Total . . . . .	<u>233,779</u>	<u>60,294</u>	<u>27,047</u>	<u>(45,186)</u>	<u>275,934</u>
06					
07 Operating expenses . . . . .	224,924	59,443	24,931	(43,565)	265,733
08 Operating income . . . . .	<u>¥ 8,854</u>	<u>¥ 851</u>	<u>¥ 2,116</u>	<u>¥ (1,620)</u>	<u>¥ 10,201</u>
09 Identifiable assets at March 31, 1999 . . . . .	<u>¥138,051</u>	<u>¥59,977</u>	<u>¥30,463</u>	<u>¥ 39,292</u>	<u>¥267,783</u>
10 Depreciation . . . . .	<u>¥ 14,994</u>	<u>¥ 1,494</u>	<u>¥ 1,221</u>	<u>¥ 51</u>	<u>¥ 17,760</u>
11 Capital expenditures . . . . .	<u>¥ 13,758</u>	<u>¥ 782</u>	<u>¥ 1,530</u>	<u>¥ -</u>	<u>¥ 16,070</u>

## Millions of yen

	Lighting Equipment Division	Other Electric Equipment Division	Others	Elimination of Inter-Segment Items	Consolidated Total
16 For the year ended March 31, 2000					
17 Sales:					
18 Sales to outside customers . . . . .	¥198,381	¥59,168	¥21,483	¥ -	¥279,034
19 Inter-segment sales and transfers . . . . .	44,043	-	2,767	(46,810)	-
20 Total . . . . .	<u>242,424</u>	<u>59,168</u>	<u>24,250</u>	<u>(46,810)</u>	<u>279,034</u>
21					
22 Operating expenses . . . . .	233,541	58,475	22,502	(44,773)	269,745
23 Operating income . . . . .	<u>¥ 8,883</u>	<u>¥ 692</u>	<u>¥ 1,748</u>	<u>¥ (2,036)</u>	<u>¥ 9,288</u>
24 Identifiable assets at March 31, 2000 . . . . .	<u>¥138,424</u>	<u>¥61,054</u>	<u>¥47,845</u>	<u>¥ 27,740</u>	<u>¥275,063</u>
25 Depreciation . . . . .	<u>¥ 14,958</u>	<u>¥ 1,355</u>	<u>¥ 997</u>	<u>¥ 56</u>	<u>¥ 17,366</u>
26 Capital expenditures . . . . .	<u>¥ 13,243</u>	<u>¥ 372</u>	<u>¥ 1,605</u>	<u>¥ -</u>	<u>¥ 15,220</u>

## Thousands of U.S. dollars

	Lighting Equipment Division	Other Electric Equipment Division	Others	Elimination of Inter-Segment Items	Consolidated Total
32 For the year ended March 31, 2000					
33 Sales:					
34 Sales to outside customers . . . . .	\$1,868,874	\$557,399	\$202,383	\$ -	\$2,628,676
35 Inter-segment sales and transfers . . . . .	414,912	-	26,066	(440,979)	-
36 Total . . . . .	<u>2,283,787</u>	<u>557,399</u>	<u>228,450</u>	<u>(440,979)</u>	<u>2,628,676</u>
37					
Operating expenses . . . . .	2,200,103	550,871	211,983	(421,789)	2,541,168
Operating income . . . . .	<u>\$ 83,683</u>	<u>\$ 6,519</u>	<u>\$ 16,467</u>	<u>\$ (19,180)</u>	<u>\$ 87,498</u>
Identifiable assets at March 31, 2000 . . . . .	<u>\$1,304,041</u>	<u>\$575,167</u>	<u>\$450,730</u>	<u>\$ 261,328</u>	<u>\$2,591,267</u>
Depreciation . . . . .	<u>\$ 140,193</u>	<u>\$ 12,764</u>	<u>\$ 9,392</u>	<u>\$ 527</u>	<u>\$ 163,598</u>
Capital expenditures . . . . .	<u>\$ 124,257</u>	<u>\$ 3,504</u>	<u>\$ 15,120</u>	<u>\$ -</u>	<u>\$ 143,382</u>



## GEOGRAPHIC SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in the lighting equipment segment. These products are sold in Japan and overseas, principally North America, Asia and Europe.

The geographic segment information for the Company and its consolidated subsidiaries for the year ended March 31, 1999 and 2000 is as follows:

	Millions of yen						
	Japan	North America	Asia	Europe	Total	Elimination and other	Consolidated
For the year ended							
March 31, 1999							
Sales:							
Sales to outside customers . .	¥213,559	¥35,462	¥21,862	¥5,049	¥275,934	¥ -	¥275,934
Interarea sales and transfers . .	44,902	-	284	-	45,186	(45,186)	-
Total . . . . .	258,461	35,462	22,147	5,049	321,121	(45,186)	275,934
Operating expenses . . . . .	249,758	33,792	20,341	5,407	309,299	(43,565)	265,733
Operating income (loss) . . . .	¥ 8,703	¥ 1,670	¥ 1,806	¥ (358)	¥ 11,822	¥ (1,620)	¥ 10,201
Total assets . . . . .	¥177,648	¥20,922	¥23,788	¥6,132	¥228,490	¥ 39,292	¥267,783

	Millions of yen						
	Japan	North America	Asia	Europe	Total	Elimination and other	Consolidated
For the year ended							
March 31, 2000							
Sales:							
Sales to outside customers . .	¥213,880	¥35,384	¥25,302	¥4,466	¥279,034	¥ -	¥279,034
Interarea sales and transfers . .	46,180	-	629	-	46,810	(46,810)	-
Total . . . . .	260,061	35,384	25,931	4,466	325,844	(46,810)	279,034
Operating expenses . . . . .	251,201	34,687	23,869	4,760	314,519	(44,773)	269,745
Operating income (loss) . . . .	¥ 8,859	¥ 697	¥ 2,062	¥ (294)	¥ 11,325	¥ (2,036)	¥ 9,288
Total assets . . . . .	¥195,317	¥20,139	¥25,143	¥6,722	¥247,323	¥27,740	¥275,063

	Thousands of U.S. dollars						
	Japan	North America	Asia	Europe	Total	Elimination and other	Consolidated
For the year ended							
March 31, 2000							
Sales:							
Sales to outside customers . .	\$2,014,884	\$333,339	\$238,360	\$42,072	\$2,628,676	\$ -	\$2,628,676
Interarea sales and transfers . .	435,044	-	5,925	-	440,979	(440,979)	-
Total . . . . .	2,449,938	333,339	244,286	42,072	3,069,656	(440,979)	2,628,676
Operating expenses . . . . .	2,366,471	326,773	224,861	44,842	2,962,967	(421,789)	2,541,168
Operating income (loss) . . . .	\$ 83,457	\$ 6,566	\$ 19,425	\$ (2,769)	\$ 106,688	\$ (19,180)	\$ 87,498
Total assets . . . . .	\$1,840,009	\$189,722	\$236,862	\$63,325	\$2,329,938	\$ 261,328	\$2,779,679

## 9. Subsequent events

At the general shareholders' meeting held by the Company on June 29, 2000, the appropriation of retained earnings was duly approved as follow:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥6 (\$56.52) per share . . . . .	¥964	\$9,085
Bonuses to directors and corporate auditors . . . . .	120	1,130

## The Board of Directors KOITO MANUFACTURING CO., LTD.

01  
02 We have examined the consolidated balance sheets of KOITO MANUFACTURING CO., LTD. and  
03 its subsidiaries at March 31, 1999 and 2000, and the related consolidated statements of income,  
04 shareholders' equity and cash flows for the years ended March 31, 1999 and 2000, all expressed  
05 in Japanese yen. The consolidated financial statements are the responsibility of the Company's  
06 management. Our responsibility is to express our opinion on these consolidated financial statements  
07 based on our audits.  
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11 We conducted our audits in accordance with the auditing standards generally accepted in  
12 Japan. These standards require that we plan and perform the audit to obtain reasonable assur-  
13 ance about whether the financial statements are free of material misstatement. An audit includes  
14 examining, on a test basis, evidence supporting the amounts and disclosures in the financial  
15 statements. An audit also includes assessing the accounting principles used and significant  
16 estimates made by management, as well as evaluating the overall financial statement presen-  
17 tation. We believe that audits provide a reasonable basis for our opinion.  
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21 In our opinion, the consolidated financial statements referred to above present fairly, in all  
22 material respects, the consolidated financial position of KOITO MANUFACTURING CO., LTD. and  
23 its subsidiaries at March 31, 1999 and 2000, and the consolidated results of their operations  
24 and their cash flows for the years ended March 31, 1999 and 2000, in conformity with generally  
25 accepted accounting principles in Japan applied on a consistent basis except for the change,  
26 with which we concur, in the method of accounting for the pension plan of accrued severance  
27 indemnities as described in Note 4 to the consolidated financial statements.  
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TACHIJI MIZUNO



KINGO SAKURAI



TOMOYASU SHIONO

Certified Public Accountants

36  
37  
June 29, 2000

## Overseas Subsidiaries and Affiliates

### North American Lighting, Inc.

20 Industrial Park Flora, Illinois 62839  
U.S.A.  
Phone: 1-618-662-4483  
Facsimile: 1-618-662-8143

### Koito Europe Limited

Kingswood Road, Hampton Lovett Industrial Estate, Droitwich, Worcestershire WR9 0QH, U.K.  
Phone: 44-1905-790800  
Facsimile: 44-1905-794466

### Shanghai Koito Automotive Lamp Co., Ltd.

767 Ye-cheng RD. Jia Ding South Door, Shanghai, 201800 People's Republic of China  
Phone: 86-21-5916-1899  
Facsimile: 86-21-5916-2899

### THAI KOITO COMPANY LIMITED

370 Moo 17 Tambol Bangsaothong King Amphur Bangsaothong, Samutprakarn 10540, Thailand  
Phone: 66-2-315-3278-80  
Facsimile: 66-2-315-3281

### Inhee Lighting Co., Ltd.

742-28, Munsan-Ri, Oedong-Eup, Kyongju-shi, Kyongbuk 780-820, Korea  
Phone: 82-54-770-7700  
Facsimile: 82-54-770-7770

### Ta Yih Industrial Co., Ltd.

No.11 Shin-Sin Road, An-Ping Industrial District, Tainan, Taiwan, Republic of China  
Phone: 886-6-261-5151  
Facsimile: 886-6-264-4614

### India Japan Lighting Ltd.

No.1, Puduchathram, (Via)Tirumazhisai, Tiruvellore High Road, Tamilnadu 602-107, India  
Phone: 91-44-627-4153  
Facsimile: 91-44-627-4253

## Overseas Technical Associates

North American Lighting, Inc. (U. S. A.)  
Electro Optica, S.A. de C.V. (Mexico)  
Industrias Arteb S. A. (Brazil)  
Koito Europe Limited (U.K.)  
Senalizacion y Accesorios del Automovil Yorika, S. L. (Spain)  
Bayraktarlar Motorlu Vasitalar Ticaret Ve Sanayii A.S. (Turkey)  
Automotive Lighting Italy Ltd. (Italy)  
Automotive Lighting UK Ltd. (U.K.)  
Ta Yih Industrial Co., Ltd. (Taiwan)  
Shanghai Koito Automotive Lamp Co., Ltd. (China)

THAI KOITO COMPANY LIMITED (Thailand)  
Inhee Lighting Co., Ltd. (Korea)  
India Japan Lighting Ltd. (India)  
Daeki Industrial Co., Ltd. (Korea)  
Bangkok Diecasting and Injection Co., Ltd. (Thailand)

Hella Australia Pty Ltd (Australia)  
Hella-Phil., Inc. (Philippines)  
Hella (South Africa) (Pty.) Ltd. (South Africa)  
EP Polymers (M) Sdn.Bhd. (Malaysia)  
Hella KG Hueck & Co. (Germany)

## Domestic Subsidiaries and Affiliates

### KOITO INDUSTRIES, LIMITED

(Kanagawa Pref.)  
Business lines: Manufacturing and marketing of railroad car equipment, special seat, lighting equipment, electrical machinery, traffic light maintenance equipment, water and sewage products, and environmental equipment

### Koito Transport Co., Ltd.

(Shizuoka Pref.)  
Business lines: Transportation services and logistics

### Koito Enterprise Corporation

(Tokyo)  
Business lines: Financial services, insurance, leasing

### Aoitec Co., Ltd.

(Shizuoka Pref.)  
Business lines: Manufacturing and marketing electronic components, electrical devices, telecommunications equipment and precision machinery

### Shizuokadensho Co., Ltd.

(Shizuoka Pref.)  
Business lines: Manufacturing and marketing of automobile lighting equipment

### Nissei Industries Co., Ltd.

(Shizuoka Pref.)  
Business lines: Manufacturing and marketing miniature bulbs and automotive accessories

### Fujieda Auto Lighting Co., Ltd.

(Shizuoka Pref.)  
Business lines: Manufacturing and marketing of automobile lighting equipment

### Shizuoka Wire Harness Co., Ltd.

(Shizuoka Pref.)  
Business lines: Manufacturing and marketing of automotive lighting equipment

### Kosmotec Co., Ltd.

(Shizuoka Pref.)  
Business lines: Manufacturing and marketing of automobile lighting equipment

### Shimizu Plating Co., Ltd.

(Shizuoka Pref.)  
Business lines: Electroplating metals and metal products, surface treatment

### Haibara Machine and Tools Co., Ltd.

(Shizuoka Pref.)  
Business lines: Manufacturing and marketing of resin metal molds

### Shizuoka Kanagata Co., Ltd.

(Shizuoka Pref.)  
Business lines: Manufacturing and marketing of resin metal molds

### Takeda Suntech Co., Ltd.

(Shizuoka Pref.)  
Business lines: Manufacturing and marketing of resin metal molds

### New Fuji Co., Ltd.

(Shizuoka Pref.)  
Business lines: Service businesses

### Minatsu, Ltd.

(Kanagawa Pref.)  
Business lines: Signals and safety equipment maintenance

### DOROKEISO CO., LTD.

(Tokyo)  
Business lines: Installation and maintenance of axle weight measuring systems

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**Head Office**

4-8-3, Takanawa, Minato-ku, Tokyo 108-8711,  
Japan  
Phone: 81-3-3443-7111  
Facsimile: 81-3-3447-1520

**International Operations  
Headquarters****Administration Dept.- International Ops.**

Phone: 81-3-3447-5171 (Tokyo)

**Overseas Planning Department**

Phone: 81-543-45-4237 (Shizuoka Pref.)

**Export Department**

Phone: 81-3-3447-5167 (Tokyo)

**Pan-Pacific Operations**

Phone: 81-3-3447-5164 (Tokyo)

**Euro-American Operations**

Phone: 81-3-3447-5166 (Tokyo)

**Plants**

Shizuoka Plant (Shizuoka Pref.)

Haibara Plant (Shizuoka Pref.)

Kikkawa Plant (Shizuoka Pref.)

Sagara Plant (Shizuoka Pref.)

Fujikawa Tooling Plant (Shizuoka Pref.)

Fujikawa Plant (Shizuoka Pref.)

**Laboratory**

Laboratory (Shizuoka Pref.)

**Domestic Business Network**

Tokyo Branch (Tokyo)

Toyota Branch (Aichi Pref.)

Osaka Branch (Osaka)

Hiroshima Branch (Hiroshima Pref.)

Sapporo Sales Office (Hokkaido)

Sendai Sales Office (Miyagi Pref.)

Utsunomiya Sales Office (Tochigi Pref.)

Ohta Sales Office (Gunma Pref.)

Atsugi Sales Office (Kanagawa Pref.)

Shizuoka Sales Office (Shizuoka Pref.)

Nagoya Sales Office (Aichi Pref.)

Osaka Sales Office (Osaka)

Hiroshima Sales Office (Hiroshima Pref.)

Fukuoka Sales Office (Fukuoka Pref.)

**Overseas Representative Offices****Koito Europe Technical Center**

Kelberg Business Park, Excelsiorlaan 31 bus 2  
B-1930, Zaventem, Belgium  
Phone: 32-2-721-4904  
Facsimile: 32-2-721-2373

**Koito Europe Office**

c/o Koito Europe Limited,  
Kingswood Road, Hampton Lovett Industrial  
Estate, Droitwich, Worcestershire WR9 0QH,  
U.K.  
Phone: 44-1905-790983  
Facsimile: 44-1905-770145

**Detroit Office**

c/o North American Lighting, Inc.  
38900 Hills Tech Drive Farmington Hills,  
Michigan 48331 U.S.A.  
Phone: 1-248-553-6408  
Facsimile: 1-248-553-6454

**Seattle Office**

c/o Nissho Iwai American Corp.  
Suite 5900, Gateway Tower 700, 5th Avenue,  
Seattle, Washington 98104-5059 U.S.A.  
Phone: 1-206-386-5624  
Facsimile: 1-206-386-5640

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Head office:	4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan	
Founded:	April 1, 1915	01
Incorporated:	April 1, 1936	02
Capital:	¥14,270 million (As of March 31, 2000, non-consolidated)	03
Employees:	4,563 (As of March 31, 2000, non-consolidated)	04
Common stock (As of March 31, 2000):		05
Authorized:	320,000,000 shares	06
Issued:	160,789,436 shares	07
Number of shareholders:	7,522	08

## Transfer Agent of Common Shares Handling Office:

The Mitsubishi Trust and Banking Corporation  
Corporate Agency Department  
1-7-7, Nishi-Ikebukuro, Toshima-ku, Tokyo 171-8508, Japan  
Phone: 81-3-5391-1900

## Principal Shareholders:

TOYOTA MOTOR CORPORATION  
NISSAN MOTOR CO., LTD.  
Matsushita Electric Industrial Co., Ltd.  
NIPPON LIFE INSURANCE COMPANY  
The Bank of Tokyo-Mitsubishi, Ltd.  
THE SUMITOMO BANK, LTD.  
THE DAI-ICHI KANGYO BANK, LIMITED

*For further information, please contact:*

**KOITO MANUFACTURING CO., LTD.**

4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan

Phone: 81-3-3443-7111

Facsimile: 81-3-3447-1520

Or via the Internet at: <http://www.koito.co.jp>



This annual report is entirely printed on recycled paper and uses soy-based ink.

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 **KOITO MANUFACTURING CO., LTD.**