WORLDWIDE AUTOMOTIVE LIGHTING

2008 ANNUAL REPORT

Year Ended March 31, 2008

KOITO MANUFACTURING CO., LTD.

PROFILE

KOITO MANUFACTURING CO., LTD. (Koito) has been marking a history of leadership in the automotive lighting field since its establishment in 1915.

Today, the Koito Group's lighting technologies are used worldwide in a wide range of fields. These include applications in diverse forms of transportation, such as automobiles, aviation, railways and shipping, and in traffic systems. In all these areas, the Koito Group's technologies are making a significant contribution to safety.

Our products and technologies underpin our commitment to the slogan, "Lighting for Your Safety."

CONTENTS

CAUTIONARY STATEMENT WITH RESPECT 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.

Koito publishes annual reports in Japanese to ensure fair disclosure, in addition to English annual reports. A certified public accountant reviews the financial sections of Koito's Japanese annual reports to ensure consistency in presentation between the Japanese and English versions. We hope the information presented in this annual report serves to deepen your understanding of Koito.

TO OUR SHAREHOLDERS AND OTHER INVESTORS

Koito's financial results for the fiscal year ended March 31, 2008 continued the achievements of the previous fiscal year with further record highs in net sales and net income. I thank all our stakeholders for making this possible through the indispensable support and patronage they have granted us over the years.

The Koito Group produces automotive lighting equipment in eight countries overseas in addition to Japan, catering to four regions (North America, Europe, Asia and Japan). This infrastructure has established Koito as a global supplier capable of shipping products to customers in countries all over the world.

The global automobile industry is projected to expand and spread on a worldwide scale despite the market having reached maturity in North America, Western Europe and Japan. Higher demand and production are expected in newly emerging economies such as Brazil, Russia, India and China (BRIC), as is the development of global production, procurement and supply capabilities at optimal locations. Looking ahead, the industry is projected to grow further, but at the same time worldwide competition is forecast to steadily intensify.

In this operating environment, Koito aims to satisfy its customers, and is enhancing its growth potential, competitiveness and profitability under a Development, Quality, Cost, Delivery, and Speed (DQCDS) initiative. This entails an effort throughout the Koito Group to improve quality, cost and delivery, along with the development of products as well as an emphasis on responding to customers with speed.

Koito succeeded in commercializing the world's first LED (light-emitting diode) headlamps in May 2007. There is significant expectation that LED headlamps will become next-generation headlamps, reflecting their superior characteristics which include instantaneous lighting capabilities, long working lives, energy efficiency and improved design freedom. In addition, Koito continues to develop industry-leading products, and to supply safe and high-quality products that earn the trust of customers and that are people- and environmentally friendly. Such industry-leading products include environmentally friendly Mercury-free, high-intensity discharge headlamps, the Adaptive Front Lighting System (AFS), which is designed to further enhance safety, and LED rear combination lamps.

In terms of worldwide expansion, Koito further advanced its global reach. July 2007 saw the start of operations at the fourth plant of North American Lighting, Inc. in Alabama, U.S.A. In September, operations commenced at the second plant at INDIA JAPAN LIGHTING PRIVATE LIMITED in Haryana in the north of India. In Japan, construction began on a second plant at KOITO KYUSHU LIMITED, with the target of commencing operations in September 2008.

Under the corporate message, "Lighting for Your Safety," Koito is committed to developing products in its core automotive lighting equipment business and in all other transport equipment and system fields, such as aerospace and shipping. In these and other ways, we will continue in our aim to make society safer and more pleasant.

To remain a leader in the automotive lighting equipment industry in the 21st century, we will work to educate and sharpen the skills of our employees. In doing so, our objective is to pursue the latest, most advanced technologies and drive further improvement in product quality. In parallel, we will stay true to our stance of constantly adopting the perspective of customers to supply products and services that meet their expectations. We ask for your continued support and guidance as we work toward these goals.

August 2008

Takashi Ohtake
Chairman & CEO

Masahiro Ohtake
President

FINANCIAL OVERVIEW AND MEDIUM-TERM OUTLOOK

Fiscal 2008 Results

During fiscal 2008, the year ended March 31, 2008, the Japanese economy experienced modest expansion against a backdrop of higher capital expenditures, and increased consumer spending accompanying improved corporate earnings partly due to a weakening yen in the first half of the fiscal year. In the second half of the fiscal year, however, the real economy showed strong signs of a slowdown, mainly due to a rapid appreciation of the yen and plummeting share prices arising from worldwide financial instability linked to the U.S. sub-prime loan problem.

Takashi Ohtake
Chairman & CEO

The world economy grew firmly overall as a result of continued economic growth in China and other newly developing countries. This came despite modest growth in the U.S., European and other economies due to such factors as much higher crude oil and other materials prices, and the negative impact of financial instability.

In the auto industry, domestic unit automobile production increased year on year as exports to Europe, Asia and the Middle and Near East more than compensated for lower domestic demand. Overseas, automobile production in North America and elsewhere declined, whereas higher production was reported in Asian countries such as China and Thailand. On the whole, worldwide unit automobile production rose.

In this climate, the Koito Group worked to expand sales of automotive lighting equipment over the medium and long terms. Measures included boosting product development capabilities, increasing production capacity and aggressively implementing initiatives to win more orders.

The Koito Group reported consolidated net sales of ¥470.6 billion, a 4.0% increase and a record high result. This reflected increased sales resulting from higher unit automobile production, expanded sales of new products and other factors in Japan, as well as a strong performance overseas in its mainstay automotive lighting equipment segment.

On the earnings front, amid intensifying price-based competition in automotive lighting equipment worldwide, operating income increased 35.8% year on year to ¥28.9 billion. The increase in operating income reflected efforts by Koito and Group companies to streamline operations by conducting quality improvement activities and aggressively promoting cost-cutting measures. It also reflected smooth new product launches at new production bases such as KOITO KYUSHU and GUANGZHOU KOITO. Recurring profit rose 23.6% to ¥30.3 billion, despite exchange rate losses associated with the yen's second-half appreciation. Net income increased 16.5% to ¥15.5 billion.

Net sales and net income both increased for the sixth consecutive fiscal year to record levels.

Koito has decided to pay a year-end dividend of ¥12 per share, ¥1 per share higher than the previous year, in light of its significantly better results. Including the interim dividend, this results in a full-year dividend of ¥23 applicable to fiscal 2008, ¥1 per share higher than fiscal 2007, marking the sixth consecutive year that Koito has increased the dividend.

Looking ahead, Koito will continue to pursue further earnings increases to meet the expectations of its shareholders.

Consolidated Financial Highlights

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

	Millions of yen (except per share amounts)			Thousands of U.S. dollars (except per share amounts)
	2006	2007	**2008**	**2008**
Annual:				
Net sales	¥397,509	¥452,520	**¥470,648**	**$4,697,555**
Operating income	22,262	21,328	**28,959**	**289,041**
Net income	12,731	13,374	**15,581**	**155,515**
Per share (Yen and U.S. dollars)**:**				
Net income	¥ 79.39	¥ 83.23	**¥ 96.95**	**$ 0.97**
Year-end:				
Total assets	¥366,254	¥385,300	**¥388,585**	**$3,878,481**
Total shareholders' equity	139,849	149,553	**151,713**	**1,514,253**

Note: U.S. dollar amounts have been converted from Japanese yen solely for the convenience of readers at the rate of exchange effective on March 31, 2008 of ¥100.19=US$1.

Masahiro Ohtake
President

Outlook for Fiscal 2009

In fiscal 2009, the year ending March 31, 2009, the global economy is expected to create an unpredictable business environment for Koito. Among the many factors cloaking the outlook with uncertainty are financial instability, exchange rate and share price fluctuations, and crude oil and material price hikes, combined with slowing U.S. and European economies.

As a global supplier with a product development and manufacturing network covering the world's four key markets, the Koito Group will continue working to expand orders and production capacity, and to improve its mutual complementary supply network and structure. The Company will also extend cost-cutting and other measures, with the goal of improving operating results.

For fiscal 2009, the Koito Group is projecting a rise in consolidated net sales to ¥474.6 billion on a projected increase in orders for products used in new models of automobiles and increased sales of new products. Operating income, recurring profit and net income are each forecast to remain flat, despite an expected improvement in performance at the parent company, as well as increased improved earnings at Japanese and overseas affiliates. This is mainly because of the negative impact of increased fixed expenses associated with the start of operations at the second plant at KOITO KYUSHU and unpredictable trends in exchange rates.

Medium-term Outlook

Advancing globalization in the automobile industry is spurring increasingly intense international competition, resulting in the operating environment becoming decidedly harsher. Nonetheless, unit automobile production is expected to benefit from a combination of robust demand in Japan and Western Europe, projected increased demand in emerging markets such as the BRIC nations and other regions as motorization becomes increasingly widespread, and projected increases in production over the medium and long terms. This is despite decreased unit automobile production in North America which has been impacted by financial instability, and exchange rate and share price fluctuations.

In this manner, the expansion and proliferation of the automobile industry on a worldwide scale present significant opportunities for the Koito Group. Koito is working closely with its Group companies to achieve consolidated net sales of ¥520 billion, its medium-term management target for fiscal 2010.

Koito conducts its business centered on 18 production bases run by 12 companies in 8 overseas countries. To make the Koito Group even more globally competitive, Koito is working to strengthen and enhance the corporate structure of each Group company. In Japan, Koito is accelerating efficient utilization of resources and optimization of business structures.

Looking at business segments, in the core automotive lighting equipment business, Koito will pursue order-winning initiatives grounded on an accurate understanding of trends in areas where the world's leading automakers are boosting production, as well as regions with sizable untapped demand. We are aggressively launching value-added products, such as LED headlamps, discharge headlamps and the Adaptive Front Lighting System (AFS). Our response to the standardization of specifications and quality standards accompanying the launch of global strategic vehicles will be to carry out technology transfers and promote our complementary supply structure. In this manner, we will work to win more orders and raise sales.

In the non-automotive electrical equipment segment, our priority is to drive business growth by winning more orders for road traffic control systems, LED displays, electronic aircraft components, hydraulic equipment and biological control equipment as well as seats for aircraft and railroad cars such as the N700 bullet train, and by developing new products and opening up new markets.

All of us at Koito will make concerted efforts to deliver products and services that satisfy customers. To do so, we will continue to bring together the knowledge and energy of Koito and its Group companies as we strive on the basis of CSR (corporate social responsibility) to develop and provide environmentally friendly products, conduct social contribution activities and cultivate personnel who can inherit our unique manufacturing philosophy.

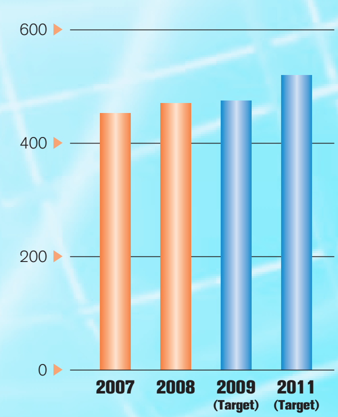
OUTLOOK FOR MEDIUM-TERM GLOBAL STRATEGIES

In the fiscal year ended March 31, 2008, consolidated net sales set a historical record for Koito. These record-breaking results were underpinned by firm automobile production in Japan, Europe and Asia.

The Koito Group is focused on continuing to respond promptly to the expansion and proliferation of the automobile industry. Koito and all its Group companies are aiming to further expand market share and increase earnings by enhancements in areas such as quality, cost and delivery.

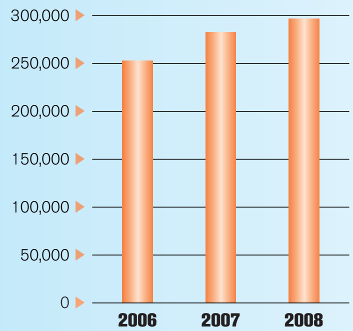
Medium-term Net Sales Targets

Years ended March 31
(Billions of yen)

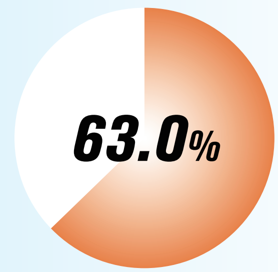


JAPAN

Net Sales [Japan]
Years ended March 31
(Millions of yen)



Share of Sales [Japan]
Year ended March 31, 2008
(%)



In Japan's automobile industry, automobile production rose 3.0% year on year to 11.79 million units, reflecting brisk exports to Europe, Asia and the Near and Middle East, despite negative factors such as lower domestic sales of small passenger cars.

KOITO MANUFACTURING CO., LTD.

In fiscal 2008, net sales at Koito in Japan rose 8.4% to ¥247.8 billion, a record-high. This was the result of efforts to expand sales of new products in its mainstay automotive lighting equipment segment. Results for each segment were as follows:

[Automotive Lighting Equipment Segment]

This segment recorded net sales of ¥235.9 billion, a year-on-year increase of 7.3%. Factors behind this result included the launch of LED headlamps into the market, the growing adoption of discharge headlamps and LED rear combination lamps in new cars, as well as the contribution from new products, such as "intelligent" Adaptive Front Lighting System (AFS) products.

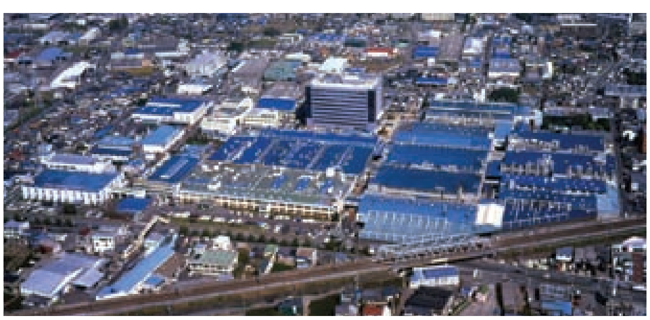
[Aircraft Equipment Segment]

Segment sales increased 9.4% to ¥3.3 billion, reflecting strong overseas sales due to increased aircraft fuselage production as a result of a switch to new aircraft models.

[Other Products Segment]

The segment recorded sales of ¥8.5 billion, up 48.0% year on year. This was due to healthy growth in sales of automobile headlamp cleaners and other products such as electrical components.

On the earnings front, operating income jumped 28.4% year on year to ¥15.0 billion and net income increased 7.1% to ¥12.8 billion, with both



KOITO MANUFACTURING Shizuoka Plant

KOITO MANUFACTURING Haibara Plant

KOITO MANUFACTURING Kikkawa Plant

KOITO MANUFACTURING Sagara Plant

KOITO MANUFACTURING Fujikawa Tooling Plant reaching a record high. The increases came as a result of efforts to streamline operations by strengthening cost-cutting measures, which offset intensifying price competition in automotive lighting equipment and a harsh operating environment due mainly to rises in plastics prices due to soaring crude oil prices.

During fiscal 2008, Koito made total capital expenditures of ¥9.2 billion for the development of new products and model changes in the automotive lighting equipment segment. Expenditures also included new facilities needed for quality enhancements, rationalization and cost-cutting measures, as well as molds and industrial tools.

While domestic auto sales are projected to decrease, strong exports to Europe, Asia and the Near and Middle East are expected to support domestic automobile production at around the 11 million-unit level for the foreseeable future. Koito will work to expand sales of new products and at the same time, push through cost reduction measures to strengthen profitability and raise operating efficiency.

KOITO KYUSHU LIMITED

KOITO KYUSHU LIMITED was established in November 2005 with the aim of responding to increased production by automakers in the Kyushu region, mainly in order to offset risks associated with an earthquake in the Tokai-region and improve distribution efficiency. A new plant was constructed and operations commenced in October 2006.

KOITO KYUSHU recorded net sales of ¥21.6 billion, an increase of 344% year on year, for the fiscal year ended March 31, 2008, when it began its full scale operation.

In order to meet a projected increase in orders, a second plant is currently being constructed with operations scheduled to commence in September 2008.

KOITO KYUSHU LIMITED Head Office and Plant

KOITO INDUSTRIES, LIMITED

In fiscal 2008, consolidated net sales at KOITO INDUSTRIES, LIMITED increased 12.8% to ¥62.9 billion due to steady performances in the transportation equipment and electrical equipment segments, which outweighed a decrease in the home appliances and environment segment. Results by segment were as follows:

[Transportation Equipment Segment]

Segment sales climbed 25.2% to ¥33.1 billion, due to a jump in sales in the railroad car equipment division and the effect of consolidation of three new subsidiaries, which outweighed a decrease in the aircraft seat division.

[Electrical Equipment Segment]

Segment sales edged up 2.7% to ¥26.7 billion. This was due to growth in information systems and elsewhere, which offset decreases in lighting equipment and traffic systems.

[Home Appliances and Environment Segment]

Segment sales declined 7.8% to ¥3.0 billion despite higher sales in environmental systems, due to a decrease in sales in home appliances.

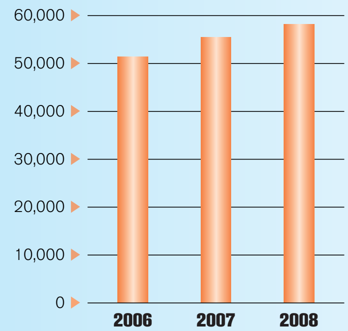
On the earnings front, consolidated operating income was ¥1.8 billion and net income was ¥1.2 billion. This was the result of improved profitability due to reduced expenses and cost-cutting measures throughout the Company under the selection and focus policy.

KOITO INDUSTRIES, LIMITED Head Office and Plant

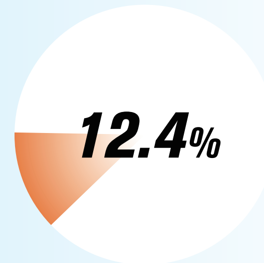
KOITO INDUSTRIES, LIMITED Fuji Nagaizumi Plant

NORTH AMERICA

Net Sales [North America]
Years ended March 31
(Millions of yen)



Share of Sales [North America]
Year ended March 31, 2008
(%)



In 2007, automobile production in North America fell 2% year on year to 13.58 million units due to lower production at the Big 3 automakers, combined with sluggish consumer spending as a result of financial instability triggered by the U.S. sub-prime loan problem in the second half of the fiscal year.

In North America, North American Lighting, Inc. (NAL), established in 1983, supplies automotive lighting equipment to the Big 3 automakers and all local plants of Japanese automakers. Now the largest independent manufacturer of lighting equipment in North America, NAL conducts its operations at the Paris, Flora and Salem plants in Illinois, U.S., and a fourth plant that started operating in Alabama in July 2007. NAL also has a Technical Center in Farmington Hills, Michigan. The Paris Plant manufactures headlamps employing state-of-the-art AFS technology.

In the non-automotive electrical equipment segment, KPS N.A., INC. was newly included in the scope of consolidation. KPS N.A. sells components for airplane seats, and manufactures and sells seats and electrical components for railroad cars.

In fiscal 2008, net sales rose slightly to ¥58.2 billion. Although sales to Japanese automakers were firm, this was largely offset by overall decreased automobile production and the effects of exchange rate changes.

Looking ahead, the company will be working to strengthen its business framework and improve its earnings power by undertaking order-winning activities, increasing productivity and engaging in cost-cutting activities.

NAL Head Office (Paris)

NAL Paris Plant

NAL Flora Plant

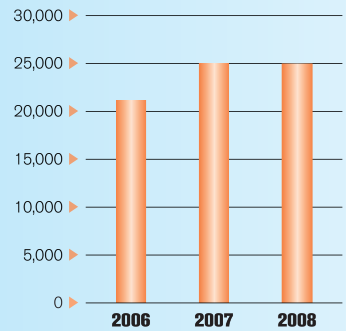
NAL Salem Plant

NAL Alabama Plant

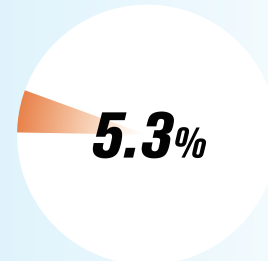
NAL Technical Center

EUROPE

Net Sales [Europe]
Years ended March 31
(Millions of yen)



Share of Sales [Europe]
Year ended March 31, 2008
(%)



Automobile production in Europe in 2007 increased 7% year on year to 21.68 million units. This reflected continued steady production in Western Europe, and growth in Central and Eastern Europe, and Russia.

Koito's automotive lighting equipment business in Europe is developed by two manufacturing bases under the control of Koito Europe NV (KENV) in Leuven, Belgium—Koito Europe Limited (KEL) in Droitwich, England, and Koito Czech s.r.o. (KCZ) in Zatec, the Czech Republic.

In fiscal 2008, net sales in the European business were down slightly year on year at ¥24.9 billion, the result of a decrease in orders for automobile production.

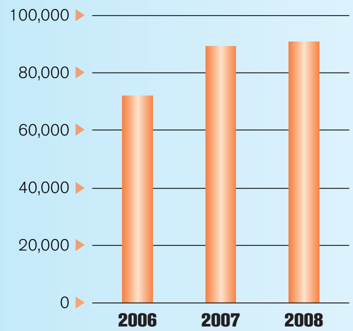
KENV will promote the localization of technological development, further develop strategic order-winning initiatives, and boost competitiveness and profitability through improved operational efficiency. Going forward, Koito anticipates further growth in orders and operations over the medium and long terms.

KENV

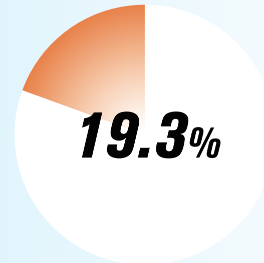
KEL

KCZ

Net Sales [Asia]
Years ended March 31
(Millions of yen)



Share of Sales [Asia]
Year ended March 31, 2008
(%)



In 2007, automobile production in Asia grew 14% year on year to 18.40 million units on the back of continued resounding economic growth in newly emerging countries such as China and India.

CHINA

China's automobile production increased 22% year on year to 8.88 million units in 2007, reflecting the country's rapid economic growth.

Koito is developing its automotive lighting equipment business in China through three companies: Shanghai Koito Automotive Lamp Co., Ltd. (Shanghai Koito), a joint venture established in 1989; FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (FUZHOU KOITO), consolidated as a subsidiary in September 2005; and GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (GUANGZHOU KOITO), established in November 2005. In April 2002, Shanghai Koito established a Technical Center in China, one of the first auto parts manufacturers to do so. This move has given the joint venture product development and molding die manufacturing capabilities, as well as quality assurance, enabling it to win high marks from automakers.

In the non-automotive electrical equipment segment, CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD., which manufactures and sells electrical components for railroad cars, was newly included in the scope of consolidation.

In fiscal 2008, net sales jumped 56.0% to ¥62.5 billion. This reflected an increase in orders for products for new models of automobiles and a higher volume of automobile production.

The Chinese auto industry is poised to develop further, spurred by high economic growth. By 2010, China is expected to be producing at least 12 million units annually. Eyeing this trend, Koito will seek to expand operations and increase earnings by taking appropriate measures.


Shanghai Koito First and Second Plants


Shanghai Koito Third Plant


Shanghai Koito Technical Center


GUANGZHOU KOITO


FUZHOU KOITO

THAILAND

Automobile production in Thailand rose 8% in 2007 year on year to 1.28 million units due to expansion in both new vehicle sales and exports. Automakers from around the world are focusing on Thailand as a core production base in Southeast Asia, and production is expected to expand in the future.

The Koito Group's operations in Thailand are conducted through THAI KOITO COMPANY LIMITED (THAI KOITO). Established in 1986, THAI KOITO supplies automotive lighting equipment to all local Japanese automakers. In particular, THAI KOITO supplies the main lamps for global strategic vehicles such as Toyota's IMV and Camry, and Isuzu's D-MAX. Orders in this area are driving firm earnings growth.

In fiscal 2008, THAI KOITO posted net sales of ¥20.7 billion, 27.9% increase year on year, mainly due to an increase in new orders.

THAI KOITO aims to further develop by continuing to channel its energies to winning lamp orders for the global strategic vehicles of all automakers.

THAI KOITO

TAIWAN

Automobile production in Taiwan declined 7% in 2007 year on year to 280 thousand units.

In Taiwan, operations are conducted by Ta Yih Industrial Co., Ltd., in which Koito took an equity interest in 1988. Ta Yih Industrial commands high market shares of around 70% in both headlamps and rear combination lamps.

In fiscal 2008, Ta Yih Industrial recorded net sales of ¥12.2 billion, a 10.4% increase year on year. This reflected advances in making larger headlamps with high-performance functions, including the manufacture of discharge-type lamps, which offset a drop in automobile production units.

Although automobile production in Taiwan is not expected to grow strongly, to achieve growth over the long term, Ta Yih Industrial plans to launch value-added lamps and actively develop products for new business fields such as aircraft and railroad cars.

Ta Yih Industrial

INDIA

Automobile production in India rose 13% in 2007 year on year to 2.21 million units, as the industry continued to steadily expand. The higher production was due to an increase in domestic sales, which was supported by India's economic growth.

INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL), a joint venture established in 1997 with Lucas-TVS Limited, is seeing its sales increase steadily. As a measure to meet increased orders, IJL completed the construction of a second plant in Bawal, in the northern Indian state of Haryana, which started operations in September 2007.

In fiscal 2008, IJL recorded net sales up 31.6% to ¥3.7 billion year on year on higher sales, mainly to Japanese automakers. IJL continues to work to increase earnings in this market, which is expected to show continued production growth.

IJL Chennai Plant

IJL Bawal Plant

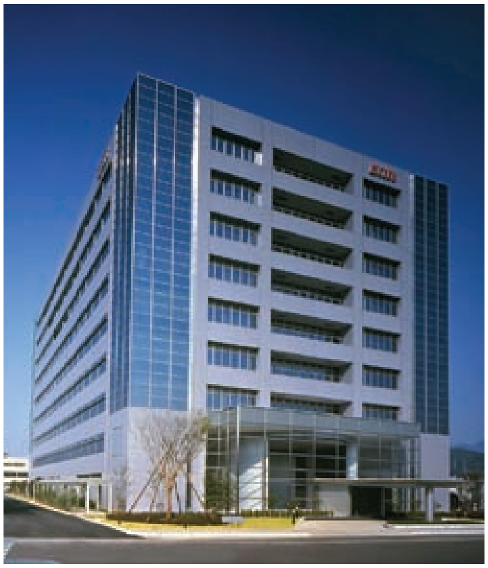
RESEARCH AND DEVELOPMENT

The Koito Group is committed to delivering attractive products that anticipate customer needs in a timely manner through R&D aimed at the pursuit and creation of leading-edge technologies, and through product line development for efficiently transforming those technologies into viable products. At the same time, Koito aims to conduct manufacturing activities that put people and the environment first. To this end, Koito is developing technologies to ensure safety and focusing on environmental themes that include recycling and the use of materials and manufacturing methods with low environmental impact.

The Koito Group's R&D activities in the automotive lighting equipment segment are conducted by Koito's global R&D network of four bases, led by Koito Technical Center in Japan. The other bases include NAL's Technical Center in the U.S., KENV's Technical Section in Belgium, and a Technical Center in China run by Shanghai Koito. This R&D network gives Koito the ability to meet the needs of automakers seeking to diversify their operations worldwide. R&D activities in the non-automotive electrical equipment and other products & services segments are conducted mainly by the technical centers of Koito and KOITO INDUSTRIES. As of March 31, 2008, there were 2,105 personnel engaged in the Koito Group's R&D activities.

In fiscal 2008, R&D costs totaled ¥20.8 billion. By segment, the automotive lighting equipment segment used ¥19.7 billion, the non-automotive electrical equipment segment ¥0.6 billion and the other products & services segment ¥0.5 billion.

The main research themes in each segment are outlined below.



KOITO MANUFACTURING Technical Center

Automotive Lighting Equipment

1. Core technologies (optics, electronics, mechanical and structural engineering, etc.)
2. Production technologies
3. Simulation technologies and others

Non-automotive Electrical Equipment

1. Electrical components for railroad rolling stock
2. System development of ITS-related equipment and materials
3. Internet-based systems and others

Other Products & Services

1. Non-lighting automotive components
2. Aircraft components and seats
3. New products in new business domains and others

Development of LED Headlamps

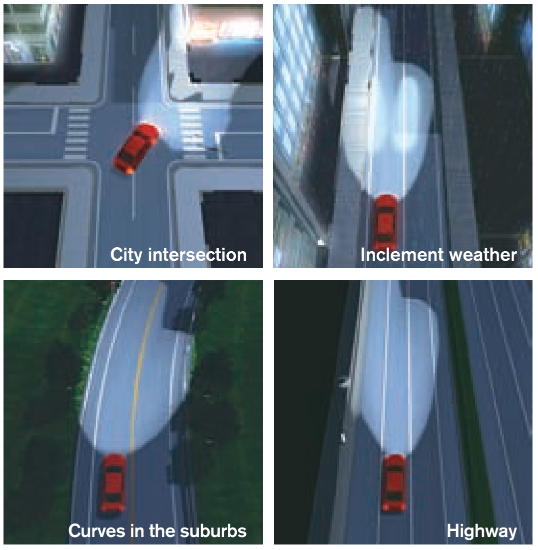
In May 2007, Koito became the first company in the world to succeed in commercializing an LED headlamp. LED headlamps are next-generation headlamps that use a high-output white LED (light-emitting diode). Using Koito's own optical control system and optimum lighting system, Koito has achieved world-leading levels of brightness and lighting speed. LED headlamps are promising from an environmental viewpoint, mainly due to the fact that white LEDs have long working lives, and save energy and space.

Koito is earnestly conducting committed research and development to produce LED headlamps offering even better performance and higher quality.

Development of the Adaptive Front Lighting System (AFS)

AFS is a headlamp system that provides optimal beam control according to driving conditions. The system's variable light distribution creates the right visual environment for safer driving. In February 2003, Koito succeeded in developing the first commercial AFS in the world.

Koito is currently pursuing research and development to create a next-generation AFS capable of automatically adjusting the headlamp beam vertically or horizontally in response to information from a range of sensors.



Development of Mercury-free Discharge Headlamps

Current discharge bulbs contain trace amounts of mercury, a substance with a high environmental impact. However, developing an alternative technology to the mercury used in discharge bulbs was seen as a technical challenge, as mercury is an indispensable substance for producing light with the stable electric characteristics and efficiency of an electric bulb. To meet this challenge, Koito pressed ahead with R&D in collaboration with other related manufacturers. Through this initiative, the Koito Group successfully developed a mercury-free discharge bulb with a level of performance equivalent to existing bulbs, and also a super small and lightweight ballast (lighting control unit) especially for mercury-free headlamps. In July 2004, the Koito Group became first in the world to achieve mass production of mercury-free discharge headlamps.

SOCIAL CONTRIBUTION AND ENVIRONMENTAL ACTIVITIES

Public Communication and Contributing to Society

Koito believes that managing business operations in a way that considers the interests of various stakeholders, including local communities, customers, suppliers and investors, is vital to building relationships of trust between companies and society. Koito also discloses environmental information through its environmental reports, annual reports and website. Disclosure of this kind is essential to fostering a deeper understanding of Koito's business and environmental protection activities.

In addition to working to raise the awareness of employees regarding environmental problems close at hand, other important areas where we are making proactive efforts include participation in community cleanup activities and other programs to keep the local natural environment clean, as well as environmental preservation initiatives. We intend that each and every employee should continue to actively engage in activities that contribute to society so as to help Koito fulfill its obligations as a good corporate citizen.

System for Promoting Environmental Management

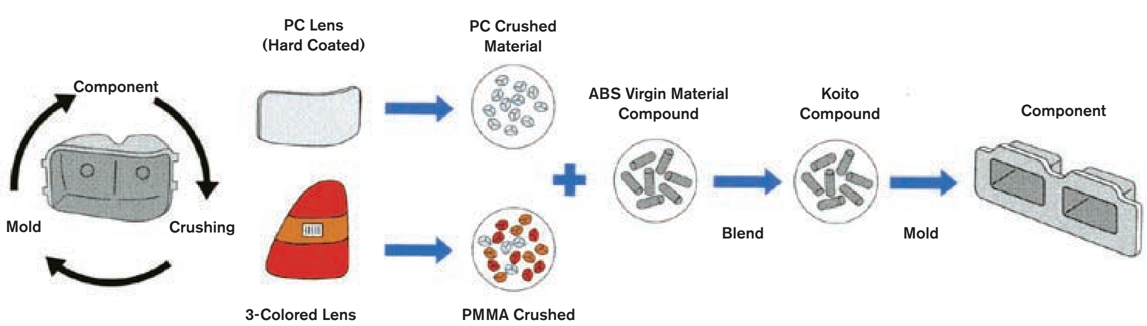
Koito has an Environmental Committee under which four additional committees have been established: the Environmental Protection Committee, Environmental Audit Committee, Energy Conservation Committee and Recycling Promotion Committee. This framework has been structured to promote sustained company-wide activities to lessen environmental burdens.

In addition, Koito has an integrated company-wide environmental management system based on the international ISO 14001 standard for environmental management. This system covers all processes from development through manufacturing, and all employees participate in sustained efforts to improve performance by using the PDCA cycle. By January 2003, all five domestic plants had obtained ISO 14001 certification. Going further, as part of the Koito Group, affiliated companies are also working to further enhance their environmental preservation systems by building environmental management systems and supporting the acquisition of ISO 14001 certification. So far, 13 Koito Group companies, including 9 overseas subsidiaries, have obtained ISO 14001 certification. The Koito Group will continue to implement environmental activities appropriate to host countries and regions.

Promoting Manufacturing That Puts the Environment First

The Koito Group is implementing measures to conserve energy, as well as reduce waste and chemical substances, with the aim of lowering the environmental impact of its manufacturing operations. Controlling and minimizing the volume of use and emissions is thus a key priority. The Koito Group is also making efforts to reduce the overall environmental impact of its core automotive lamp products over the entire product lifecycle from product development to manufacturing, use, disposal and recycling.

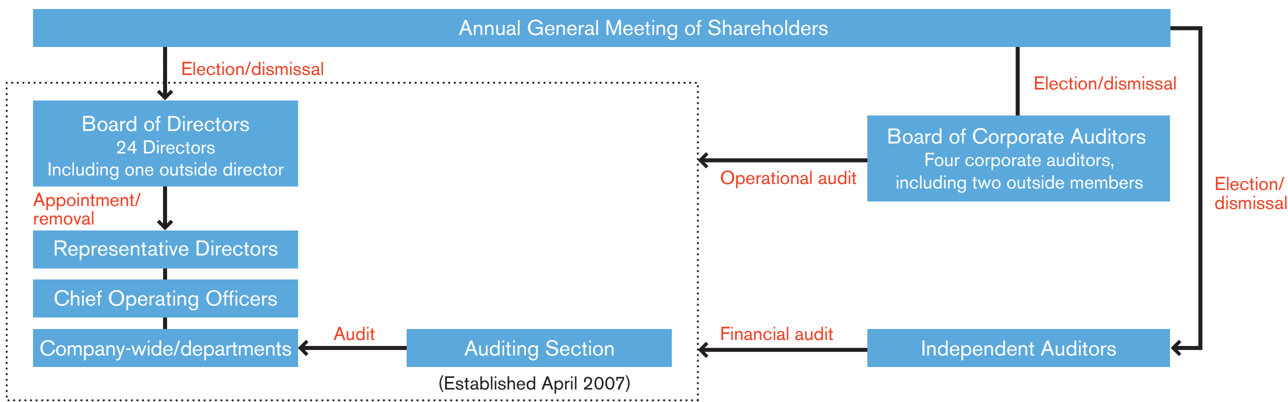
At Koito, along with our primary effort to keep waste emissions as close to zero as possible, we are striving to eliminate the use of environmentally harmful substances in manufacturing processes. We are also pursuing "3R compatibility" in the structural design of our lamps and in product and component development, which is the title for our aim to develop products that allow us to reduce, reuse and recycle. Koito is proactive in its efforts to preserve the global environment in line with internationally recognized targets. We are pursuing "3R"-related initiatives in a bid to realize a number of aims in this regard, including early attainment, and long-term maintenance, of zero-emission status.



CORPORATE GOVERNANCE

The Koito Group's basic approach to corporate governance is the strong awareness of the importance of observing ethical standards and upholding the integrity of management if it is to retain the trust of all its stakeholders. Enhancing corporate governance and strengthening compliance is therefore viewed as a top management priority. Koito has implemented measures to ensure greater transparency and fairness in management decision-making and operational execution. These measures include the appointment of outside directors and other actions such as strengthening the role of corporate auditors and the Board of Auditors.

Furthermore, in response to the enforcement of the Financial Products Transaction Law (the Japanese version of the U.S. Sarbanes-Oxley Act), Koito has established the Auditing Section and is strengthening internal auditing functions.



(1) Corporate Governance Structure, Internal Control System and Risk Management System

At Koito, business execution is supervised by the Board of Directors and audited by the Board of Corporate Auditors. The Board of Directors, which comprises 24 directors, including 1 outside director, in principle meets once per month and is attended by directors and corporate auditors. It reports on progress in business execution and makes decisions on important matters.

The Board of Corporate Auditors comprises 4 corporate auditors, including 2 outside auditors. Each corporate auditor audits the performance of directors in line with auditing policies through such means as their participation in meetings of the Board of Directors, and surveys of the Company's operations and financial condition. Moreover, the standing corporate auditors attend meetings of the Board of Directors and other important meetings and committees to audit business execution by directors. With regard to cooperation between auditors and the Auditing Section, internal auditing is conducted primarily by the General Affairs Department (Auditing Section) and Accounting Department. Corporate auditors receive regular reports from the Auditing Section regarding audit plans and audit inspection methods, as well as results of audits, and exchange information as necessary.

In the area of risk management, Koito implements measures to reduce and avoid risk, and divides the responsibility for day-to-day risk management between internal departments. In the event of a given risk transpiring, Koito will make a rapid and appropriate response based on leadership from top management.

Status of Financial Audits

To ensure the adequacy of financial statements, the Board of Corporate Auditors and Board of Directors periodically receive progress reports on the status of financial audits based on relevant directives and other laws from the independent auditors.

The certified public accountants who executed Koito's audit were Tachiji Mizuno, Kingo Sakurai and Akio Nagasawa. The audit was also supported by three other certified public accountants and one other staff member. When audit certification is performed by an individual accountant, a review is conducted by a third-party certified accountant.

(2) Remuneration for Directors and Corporate Auditors and the Independent Auditor

Remuneration for directors, corporate auditors and the independent auditor for the fiscal year ended March 31, 2008 was as follows:

Remuneration for Directors and Corporate Auditors:

For Directors	¥1,096 million
For Corporate Auditors	¥83 million
Total	¥1,179 million

Remuneration for the Independent Auditor:

Fee for Certificate of Audit	¥30 million

(Remuneration based on work stipulated by Article 2, Paragraph 1 of the Certified Public Accountant Law)

BOARD OF DIRECTORS

Takashi Ohtake
Chairman & CEO

Masahiro Ohtake
President

Shuichi Goto
Executive Vice President

Chairman & CEO
Takashi Ohtake

President
Masahiro Ohtake

Executive Vice President
Shuichi Goto

Executive Senior Managing Directors
Hiroshi Koishihara
Mizuo Yamamuro
Mitsuo Kikuchi
Toshiharu Suzuki

Executive Managing Directors
Isao Sano
Yoshihisa Ogawa
Yuji Yokoya
Youhei Kawaguchi
Hiroshi Mihara
Koichi Sakakibara
Kazuo Ueki

Advisor
Junsuke Kato

Directors
Ikusaburo Kashima
Kiminori Nagakura
Kenji Arima
Michiaki Kato
Jun Toyota
Osami Takikawa
Takao Yamanashi
Masami Uchiyama
Atsushi Inoue

Standing Corporate Auditors
Toyofumi Nakagawa
Akira Nagasawa

Corporate Auditors
Koichi Kusano
Nobuyoshi Kawashima

(As of June 27, 2008)

FINANCIAL SECTION

CONTENTS

TEN-YEAR SUMMARY

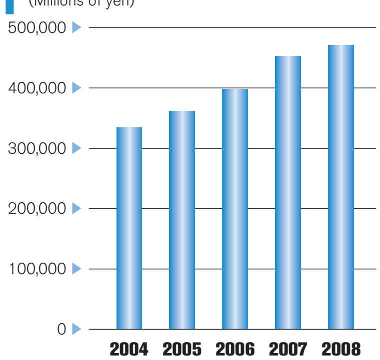
KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Consolidated	1999	2000	2001	2002
	Millions of yen (except per share amounts)			
For the year:				
Net sales	¥275,934	¥279,034	¥297,280	¥301,141
Operating income	10,201	9,288	10,991	9,779
Income before income taxes and minority interests	8,451	7,341	6,190	6,292
Income taxes	3,486	2,997	2,476	2,516
Net income	3,846	3,412	3,072	2,784
Amounts per share (Yen and U.S. dollars):				
Net income	¥ 23.92	¥ 21.23	¥ 19.11	¥ 17.38
Cash dividends	8.00	10.00	8.00	8.00
At year-end:				
Working capital	¥ 40,393	¥ 51,060	¥ 16,724	¥ 27,340
Property, plant and equipment, less accumulated depreciation	65,857	61,448	64,856	69,148
Total assets	267,783	275,063	306,084	295,097
Total shareholders' equity	90,291	92,848	102,532	101,738

Note: Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥100.19=US$1, the rate prevailing on March 31, 2008.

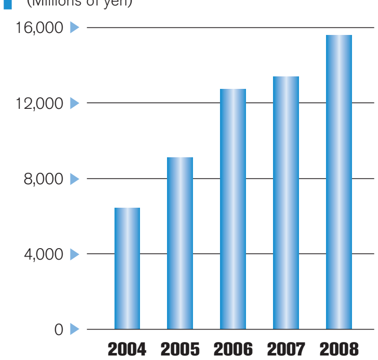
Net Sales

(Millions of yen)



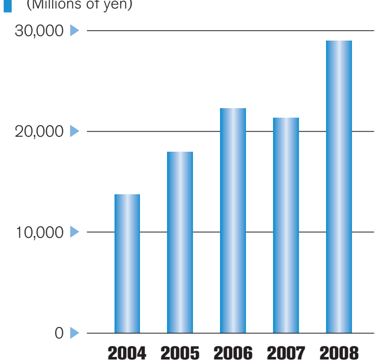
Net Income

(Millions of yen)



Operating Income

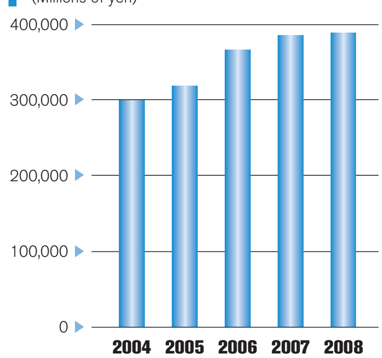
(Millions of yen)



2003	2004	2005	2006	2007	2008	Thousands of U.S. dollars (except per share amounts) 2008
¥311,133	¥334,254	¥361,477	¥397,509	¥452,520	**¥470,648**	**$4,697,555**
13,157	13,723	17,962	22,262	21,328	**28,959**	**289,041**
12,766	14,061	18,287	23,277	24,799	**30,097**	**300,399**
5,113	5,554	7,225	9,078	9,622	**11,678**	**116,559**
5,826	6,440	9,093	12,731	13,374	**15,581**	**155,515**
¥ 35.51	¥ 39.19	¥ 55.62	¥ 79.39	¥ 83.23	**¥ 96.95**	**$ 0.97**
10.00	12.00	14.00	20.00	22.00	**23.00**	**0.23**
¥ 26,663	¥ 18,085	¥ 24,043	¥ 27,993	¥ 24,182	**¥ 26,813**	**$ 267,621**
66,342	66,981	70,106	76,800	84,644	**83,875**	**837,159**
290,397	299,344	318,739	366,254	385,300	**388,585**	**3,878,481**
102,475	111,707	119,278	139,849	149,553	**151,713**	**1,514,253**

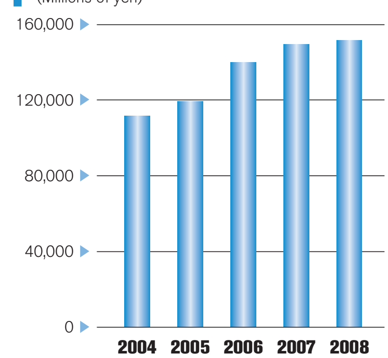
Total Assets

(Millions of yen)



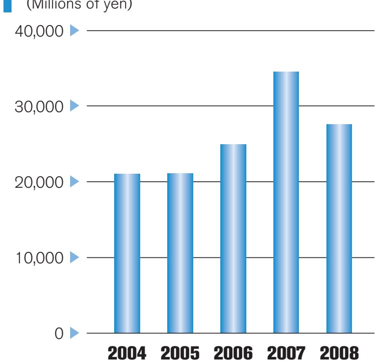
Total Shareholders' Equity

(Millions of yen)



Capital Expenditures

(Millions of yen)



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The Koito Group comprises the parent company (KOITO MANUFACTURING CO., LTD.), 26 subsidiaries, 2 affiliates and 1 non-consolidated subsidiary. The Group manufactures and sells automotive lighting equipment, components for airplanes, trains and railways, a wide variety of electrical devices and measuring equipment. It is also involved in related financial and distribution operations.

Net Sales

In the auto industry, domestic unit automobile production increased year on year as exports to Europe, Asia, the Middle and Near East, and elsewhere more than compensated for lower domestic demand. Overseas, automobile production in North America and elsewhere declined, whereas higher production was reported in Asian countries such as China and Thailand. On the whole, worldwide unit automobile production rose.

In this climate, the Koito Group boosted product development capabilities and production capacity, and aggressively sought to win more orders, with the view to expand automotive lighting equipment sales over the medium and long terms.

Supported by higher sales due to increased automobile unit production in Japan and activities to expand sales of new products, as well as a strong performance overseas of its mainstay automotive lighting equipment segment, the Koito Group reported a 4.0% year-on-year increase in consolidated net sales to ¥470.6 billion. This was a new record high.

Earnings

On the earnings front, amid intensifying price-based competition in automotive lighting equipment worldwide, operating income increased 35.8% year on year to ¥28.9 billion. The increase in operating income reflected efforts by Koito and Group companies to streamline operations by conducting quality improvement activities and aggressively promoting cost-cutting measures. It also reflected smooth new product launches at new production bases such as KOITO KYUSHU and GUANGZHOU KOITO. Recurring profit rose 23.6% to ¥30.3 billion, despite booking exchange rate losses associated with the yen's second-half appreciation. Net income increased 16.5% to ¥15.5 billion. Net sales and net income both increased for the sixth consecutive fiscal year to record levels.

Results by Business Segment

Automotive Lighting Equipment

Segment sales rose 2.1% to ¥391.8 billion, fueled in Japan by greater adoption of discharge headlamps, intelligent Adaptive Front Lighting System (AFS) headlamps, LED rear combination lamps and other automotive lighting equipment in new vehicles, as well as the launch of LED headlamps. Other contributing factors were efforts made to win new orders and increase new product sales in response to higher unit automobile production at overseas subsidiaries in China, Thailand and some other newly developing countries. Segment operating income amounted to ¥26.9 billion, up 23.4% year on year.

Non-Automotive Electrical Equipment

Segment sales increased 12.8% to ¥42.9 billion, reflecting steady sales growth of road information equipment and certain other products, as well as increased sales of railroad car equipment for a new bullet train and other uses. Segment operating income jumped 311.7% year on year to ¥2.7 billion.

Other Products & Services

Segment sales were ¥35.8 billion, up 16.6% year on year due to higher sales of seats mainly due to significantly increased orders for railroad car seats for the new bullet train, as well as higher sales of automotive headlamp cleaners and other products. The segment recorded ¥0.3 billion in operating income for the fiscal year.

Results by Geographical Segment

Japan

Net sales in Japan, mainly in the mainstay automotive lighting equipment segment, increased 4.9% to ¥296.5 billion, the result of greater adoption of discharge headlamps, intelligent Adaptive Front Lighting System (AFS) headlamps, LED rear combination lamps and other value-added automotive lighting equipment in new vehicles, as well as the launch of LED headlamps. In non-automotive electrical equipment, firm sales of railroad car equipment, road information equipment and traffic management systems also contributed. Operating income was up 38.9% year on year to ¥22.0 billion.

North America

Net sales of automotive lighting equipment in North America rose 4.9% year on year to ¥58.2 billion. While automobile output decreased, this was offset by successful efforts to increase orders. Operating income amounted to ¥2.2 billion, a 13.3% decrease year on year.

Asia

Net sales in Asia rose 1.8% to ¥90.8 billion, due to efforts to expand orders for automotive lighting equipment, particularly at Shanghai Koito Automotive Lamp Co., Ltd. in China and THAI KOITO COMPANY LIMITED in Thailand. Operating income amounted to ¥5.7 billion, an increase of 58.7% year on year.

Europe

Net sales in Europe decreased 0.2% to ¥24.9 billion, despite activities to expand sales of automotive lighting equipment and other products to local automakers, owing to flat market conditions. Operating income amounted to ¥40 million, a 86.0% decrease year on year.

Financial Position

Total assets as of March 31, 2008 increased ¥3.2 billion from a year ago to ¥388.5 billion, the result mainly of an increase in investment securities under fixed assets, despite sales of marketable securities and other decreases of current assets.

Total liabilities declined ¥0.6 billion to ¥204.2 billion, reflecting a decrease in accounts payable and other trade notes and accounts payable.

Total shareholders' equity amounted to ¥151.7 billion. This was mainly attributable to an increase in retained earnings due to net income of ¥15.5 billion.

Cash Flows

Operating activities provided net cash of ¥40.5 billion, a ¥1.9 billion increase from the previous fiscal year. This was mainly due to increases in net income, depreciation and other items.

Investing activities used net cash of ¥42.5 billion, ¥9.9 billion more than the previous fiscal year. This reflected capital investments primarily to increase production capacity and to raise quality of automotive lighting equipment, and acquisitions of marketable securities and investment securities.

Financing activities used net cash of ¥1.0 billion, ¥0.7 billion less than in the previous fiscal year. This mainly reflected an increase in loans which outweighed dividends paid.

As a result, cash and cash equivalents as of March 31, 2008 were ¥16.7 billion, ¥3.2 billion lower than at March 31, 2007.

Capital Expenditures

Capital expenditures totaled ¥27.6 billion. The majority of capital expenditures were used to streamline and update production facilities, boost product quality and reduce production costs in the automotive lighting equipment segment. A breakdown of capital expenditures for the fiscal year under review by segment on the basis of tangible fixed assets and transfers, exclusive of consumption tax, is as follows:

In the automotive lighting equipment segment, ¥26.2 billion of capital expenditures were made for the development of new products and model changes, to boost production capacity, to enhance quality, and for facilities to streamline production and cut costs. Capital expenditures in the non-automotive electrical equipment segment were ¥0.7 billion, mainly for upgrading manufacturing facilities for traffic management systems. The other products & services segment made capital expenditures of ¥0.6 billion, primarily for production facilities for new products such as electronic components.

The funds required for capital expenditures were provided by internal funds and debt.

There were no disposals or sales of key facilities during the fiscal year under review.

Pressing Issues

(1) Current Recognition of the Koito Group

The Koito Group is facing an unpredictable business environment as a result of turbulence in the global economy as well as in the domestic economy. Among the factors cloaking the outlook with uncertainty are financial instability related to the U.S. sub-prime loan problem, exchange rate and share price fluctuations, and crude oil and material price hikes, combined with slowing U.S. and European economies.

As a global supplier with a product development and manufacturing network covering the world's four key markets, the Koito Group will continue working to expand orders and production capacity, and to improve its mutual complementary supply network and structure. The Company will also extend cost-cutting and other measures, with the goal of improving operating results.

(2) Key Issues

As a global supplier, the Koito Group is working to realign and reinforce its management framework and organization to be able to respond flexibly to trends in the automobile industry worldwide, to establish development, production and sales systems, and to enhance internal control over corporate activities.

To accomplish this, the most pressing issue for Koito is to build a stronger management structure. Key to this is developing innovative new technologies and products that anticipate market and customer needs, shortening development times, preserving the environment, expanding production capabilities in response to increased orders and implementing cost-cutting measures throughout the Group. Equally important are quality improvement initiatives, allocating business resources effectively and establishing a complementary Group structure.

Furthermore, in the area of internal controls Koito is working to enhance corporate governance and strengthen compliance in order to retain the trust of all its stakeholders. This will be achieved by maintaining our awareness of the importance of observing corporate ethical standards, upholding the integrity of management, ensuring transparency and fairness in management decision-making and operational execution, and implementing correct and accurate responses to the Financial Products Transaction Law (the Japanese version of the U.S. Sarbanes-Oxley Act).

(3) Policies

As a manufacturer of automotive lighting and electrical equipment, the Koito Group creates new value demanded by customers and delivers technologies and reliability based on its corporate slogan of "Lighting for Your Safety." Furthermore, the Koito Group strives to improve its products through greater innovation in product development and the pursuit of cutting-edge technologies. Together with ongoing efforts to shorten development timeframes and far-reaching, cost-cutting measures, the Koito Group is working to enhance its competitiveness. Moreover, by promoting even greater operational efficiency, the Group is determined to increase its global market share and secure profits overseas.

(4) Specific Measures

To advance the Koito Group to the next stage of growth, the following measures will be taken:

- As a global supplier capable of meeting the needs of automobile manufacturers seeking to expand production, procurement and supply networks to optimal locations worldwide, the Koito Group will reinforce the product development, manufacturing and sales functions of its overseas bases, while enhancing the system to respond to the world's four key regional automobile markets (Japan, North America, Europe and Asia). This will include promoting a complementary supply structure and network within the Group.
- The Koito Group will develop cutting-edge technologies that stay ahead of customer and market needs, and commercialize products at the earliest opportunity. Moreover, the Group will bring attractive products to market in a timely manner.
- The Koito Group promotes the pursuit of the highest quality and safety standards, and protection of the environment.
- The Koito Group plans to further reinforce its profit structure and operations by securing and effectively allocating resources.

Business Risk Factors

The following factors could affect the Koito Group's operating results, share price and financial position.

Forward-looking statements in this annual report are based on the management's judgment as of June 30, 2008.

(1) Economic Conditions

Demand for automotive lighting equipment, which represents a material share of the Koito Group's operating revenues around the world, is subject to economic conditions in countries and regions in which the Group's products are sold. Consequently, an economic downturn and accompanying contraction of demand in the Koito Group's main markets, including Japan, elsewhere in Asia, North America and Europe, may adversely affect its operating results and financial position.

(2) Legal Regulations

Automotive lighting equipment, the mainstay product of the Koito Group, is subject to various legal regulations, including road transportation vehicle laws and safety standards, in Japan as well as all other countries where the Group conducts business to provide key safety components of vehicles. Consequently, unexpected changes in legal regulations could adversely affect the Koito Group's operating results and financial position.

(3) Exchange Rate Movements

The Koito Group produces and sells products around the world. Sales, expenses, assets, liabilities and other accounts denominated in the local currencies of each region in which the Group operates are converted into yen for the purpose of preparing Koito's consolidated financial statements. Accordingly, the exchange rate prevailing on the conversion date may affect the post-conversion yen value of these accounts. Generally speaking, an appreciation of the yen relative to other currencies (particularly the U.S. dollar in which a material portion of the Group's sales are denominated) may adversely affect the Koito Group's operating results and financial position.

(4) Potential Risks of Expanding Overseas

The Koito Group is rapidly becoming more dependent on overseas-based production and sales activities. The expansion of these business activities in overseas markets carries the following inherent risks:

① Unanticipated changes in laws and regulations
② Disadvantageous changes in political and economic conditions
③ Social unrest caused by terrorism, war or other factors

(5) Product Defects

The Koito Group manufactures products in accordance with quality control standards approved in Japan and other countries where it conducts business. Nevertheless, there is no guarantee that all products will be free of defects and that recall and other costs will not arise from defects in the future. Therefore, product defects could adversely affect the Koito Group's operating results and financial position.

(6) Changes in Raw Material Prices

The Koito Group currently faces the risk of raw material price fluctuations. In particular, prices for plastics, key raw materials for the Koito Group's businesses, are subject to soaring market prices for crude oil. This trend could cause a rise in procurement costs for the Koito Group, which could adversely affect the Koito Group's operating results and financial position.

(7) Natural Disasters, etc.

There is a risk that the Koito Group's production, logistics, sales and other bases could be damaged by an earthquake, typhoon or other natural disaster. While the Koito Group conducts disaster prevention activities and carries out inspections of facilities, these efforts do not guarantee that bases will be completely shielded from their effects. In particular, the Koito Group production bases in Japan are concentrated in the prefecture of Shizuoka. Therefore, a major disaster could dramatically lower the Koito Group's capacity to produce automotive lighting equipment and other products and in turn adversely affect its operating results and financial position.

CONSOLIDATED BALANCE SHEETS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

At March 31,	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars 2008
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 19,996	¥ 16,709	$ 166,773
Trade notes and accounts receivable	98,092	95,951	957,690
Less: Allowance for doubtful accounts	(1,127)	(936)	(9,342)
	96,965	95,015	948,348
Marketable securities	8,761	7,666	76,515
Inventories	38,547	39,810	397,345
Deferred income taxes assets-current (Note 6)	6,036	6,365	63,529
Prepaid expenses and others	9,580	12,929	129,045
Total current assets	179,885	178,494	1,781,555
Investments:			
Investment securities	97,716	98,921	987,334
Loans	529	598	5,969
Deferred income taxes assets-noncurrent (Note 6)	–	3,502	34,954
Other investments	4,366	5,616	56,053
Less: Allowance for doubtful accounts	(242)	(227)	(2,266)
Total investments	102,369	108,412	1,082,064
Property, plant and equipment, at cost:			
Buildings and structures	76,211	79,573	794,221
Machinery, equipment and tools	190,949	194,712	1,943,427
Less: Accumulated depreciation	(182,515)	(190,410)	(1,900,489)
	84,644	83,875	837,159
Land	12,415	12,591	125,671
Construction in progress	5,985	5,211	52,011
Property, plant and equipment, net	103,045	101,677	1,014,842
Total assets	¥ 385,300	¥ 388,585	$ 3,878,481

At March 31,	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars 2008
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade notes and accounts payable	¥ 80,395	**¥ 78,378**	**$ 782,294**
Short-term loans (Note 4)	36,313	**33,846**	**337,818**
Income taxes payable	5,126	**5,101**	**50,913**
Accrued expenses and other current liabilities	33,869	**34,356**	**342,908**
Total current liabilities	155,703	**151,681**	**1,513,934**
Non-current liabilities:			
Long-term debt (Note 4)	19,936	**23,513**	**$ 234,684**
Accrued retirement benefits (Note 5)	26,107	**26,549**	**264,987**
Deferred income tax liabilities—noncurrent (Note 6)	861	**–**	**–**
Other non-current liabilities	2,258	**2,492**	**24,873**
Total non-current liabilities	49,162	**52,554**	**524,543**
Contingent liabilities (Note 7)			
Minority interests	30,881	**32,635**	**325,731**
Shareholders' equity:			
Common stock	14,270	**14,270**	**142,429**
320,000,000 shares authorized and 160,789,436 shares issued at 31 March, 2007 and 2008			
Additional paid-in capital	17,107	**17,107**	**170,746**
Retained earnings	99,299	**110,980**	**1,107,695**
Valuation adjustment on investment securities	17,731	**10,292**	**102,725**
Translation adjustments	1,196	**(876)**	**(8,743)**
Treasury common stock, at cost:			
72,000 shares in 2007 and 77,000 shares in 2008	(54)	**(61)**	**(609)**
Total	149,553	**151,713**	**1,514,253**
Total liabilities and shareholders' equity	¥385,300	**¥388,585**	**$3,878,481**

CONSOLIDATED STATEMENTS OF INCOME

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars 2008
Net sales	¥452,520	**¥470,648**	**$4,697,555**
Cost of sales	395,650	**404,414**	**4,036,471**
Gross profit	56,869	**66,234**	**661,084**
Selling, general and administrative expenses	35,540	**37,274**	**372,033**
Operating income	21,328	**28,959**	**289,041**
Other income (expenses):			
Interest income	1,318	**1,614**	**16,109**
Interest expenses	(1,387)	**(1,399)**	**(13,963)**
Loss on sale and disposal of property and equipment	(465)	**(275)**	**(2,745)**
Others, net	4,005	**1,198**	**11,957**
Income before income taxes and minority interests	24,799	**30,097**	**300,399**
Income taxes	9,622	**11,678**	**116,559**
Income before minority interests	15,176	**18,419**	**183,841**
Minority interests in consolidated subsidiaries	1,802	**2,837**	**28,316**
Net income	¥ 13,374	**¥ 15,581**	**$ 155,515**

	Yen 2007	Yen 2008	U.S. dollars 2008
Per share:			
Net income	¥ 83.23	**¥ 96.95**	**$ 0.97**
Cash dividends	22	**23**	**0.23**
Average total number of shares during the year (thousands of shares)	160,695	**160,714**	**160,714**

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars 2008
Common stock:			
Beginning balance	¥ 14,270	**¥ 14,270**	**$ 142,429**
Ending balance	¥ 14,270	**¥ 14,270**	**$ 142,429**
Additional paid-in capital:			
Beginning balance	¥ 17,107	**¥ 17,107**	**$ 170,746**
Ending balance	¥ 17,107	**¥ 17,107**	**$ 170,746**
Retained earnings:			
Beginning balance	¥ 89,548	**¥ 99,299**	**$ 991,107**
Net income	13,374	**15,581**	**155,515**
Deductions:			
Cash dividends applicable to the year	(3,534)	**(3,535)**	**(35,283)**
Change of retained earnings due to newly acquired subsidiaries	–	**(365)**	**(3,643)**
Other	(88)	**–**	**–**
Ending balance	¥ 99,299	**¥110,980**	**$1,107,695**
Valuation adjustment on investment securities	¥ 17,731	**¥ 10,292**	**$ 102,725**
Translation adjustments	1,196	**(876)**	**(8,743)**
Treasury stock	(54)	**(61)**	**(609)**
Total	¥149,553	**¥151,713**	**$1,514,253**

CONSOLIDATED STATEMENTS OF CASH FLOWS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2007	2008	2008
Cash flows from operating activities:			
Net income	¥ 13,374	¥ 15,581	$ 155,515
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	22,347	25,140	250,923
Minority interests in consolidated subsidiaries	1,802	2,837	28,316
Provision for allowance for doubtful accounts	82	(71)	(709)
Provision for accrued retirement benefits	1,892	426	4,252
(Profit) loss on revaluation of marketable securities	(882)	(4)	(40)
Loss on sale and disposal of property and equipment	428	225	2,246
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	(2,910)	(231)	(2,306)
Inventories	(8,498)	(2,534)	(25,292)
Prepaid expenses and others	2,124	(3,663)	(36,561)
Trade notes and accounts payable	9,825	158	1,577
Accrued expenses and other current liabilities	(145)	1,772	17,686
Others, net	(886)	886	8,843
Net cash provided by operating activities	38,553	40,522	404,452
Cash flows from investing activities:			
Acquisition of property and equipment	(34,988)	(28,306)	(282,523)
Proceeds from sale of property and equipment	404	403	4,022
Purchase of marketable and investment securities	(29,592)	(41,830)	(417,507)
Proceeds from sale of marketable and investment securities	32,523	28,829	287,743
(Decrease) increase in long-term loans	27	(312)	(3,114)
Increase (decrease) in other investments and other assets	(1,014)	(1,375)	(13,724)
Net cash used in investing activities	(32,640)	(42,591)	(425,102)
Cash flows from financing activities:			
(Decrease) increase in short-term bank loans	(961)	(6,242)	(62,302)
Increase (decrease) in long-term bank loans	3,821	9,598	95,798
Decrease (increase) in treasury stock	86	(7)	(70)
Cash dividends	(4,760)	(4,368)	(43,597)
Net cash used in financing activities	(1,814)	(1,019)	(10,171)
Foreign currency translation adjustment on cash and cash equivalents	159	(199)	(1,986)
Change in cash and cash equivalents	4,258	(3,287)	(32,808)
Cash and cash equivalents at beginning of the year	15,773	19,996	199,581
Decrease in cash and cash equivalents due to exclusion of a previously consolidated subsidiary	(35)	–	–
Cash and cash equivalents at end of the year	¥ 19,996	¥ 16,709	$ 166,773

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan.

In preparing the consolidated financial statements, certain rearrangements and reclassifications have been made and certain additional financial information has been included in the consolidated financial statements issued in Japan for the convenience of readers outside Japan.

2. Summary of significant accounting policies

(1) The accompanying consolidated financial statements for the years ended March 31, 2007 and 2008 include the accounts for the Company and the 25 subsidiaries (Note) **listed below:**

Names of consolidated subsidiaries	Equity ownership Percentage (*) %
KOITO KYUSHU LIMITED	100
KOITO INDUSTRIES, LIMITED	50
Koito Transport Co., Ltd.	100
Koito Enterprise Corporation	100
Aoitec Co., Ltd.	70
Shizuokadenso Co., Ltd.	100
Nissei Industries Co., Ltd.	62
Fujieda Auto Lighting Co., Ltd.	100
Shizuoka Wire Harness Co., Ltd.	100
Haibara Machine and Tools Co., Ltd.	100
Shizuoka Kanagata Co., Ltd.	40
Minatsu, Ltd.	100
Okayama Industry Co., Ltd.	51
North American Lighting, Inc.	100
Koito Europe NV	100
Koito Europe Limited	100
Koito Czech s.r.o.	100
Shanghai Koito Automotive Lamp Co., Ltd.	45
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	100
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.	67
THAI KOITO COMPANY LIMITED	62
Ta Yih Industrial Co., Ltd.	33
INDIA JAPAN LIGHTING PRIVATE LIMITED	50
KPS N.A., INC.	100
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	50

(*) Represents ownership at March 31, 2008 and includes shares owned through consolidated subsidiaries.

(Note) In the period under review, Okayama Industry Co., Ltd., KPS N.A., INC., and CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD. became 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 includes 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 exchange rates in effect at acquisition dates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year.

Foreign currency translation adjustments are included in minority interest and shareholders' equity 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. Inventories in the consolidated foreign subsidiaries are stated at the lower of cost or market as determined by the moving-average method.

(5) Securities

Securities for the year are valued by type of security as follows:

Securities held for trading	Market value
Securities held to maturity	Depreciable cost
Other securities	
Where there is a market quotation	Market value as determined by the quoted price at the end of the fiscal year.
Where there is no market quotation	Cost as determined by the moving-average method.
Specified money trusts	Market value

(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.

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

(7) Accrued retirement benefits

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

The Company has a non-contributory funded pension plan which covers substantially all of the benefits at the retirement age under the above retirement plan.

Accrued retirement benefits are recorded based on the amount that would be required if all eligible employees retired at the balance sheet date less the amount funded by plan assets.

Consolidated subsidiary KOITO INDUSTRIES, LIMITED has two types of defined benefit retirement plan: a fund-type corporate pension plan and a lump-sum retirement benefit plan. Other domestic consolidated subsidiaries have qualified retirement plans and lump-sum retirement benefit plans. Certain overseas subsidiaries have defined contribution retirement plans or defined benefit retirement plans.

The directors and corporate auditors of the Company are covered by a retirement benefit plan which allows retiring directors and corporate auditors to receive lump-sum retirement benefits. The amount of such benefits is determined based on the length of service and the level of remuneration at the time of retirement.

The amount of the retirement benefits for directors and auditors is recorded in other non-current liabilities.

(8) Income taxes

The Company and its subsidiaries adopt tax-effect accounting and account for income taxes using the asset and liability method. Under this method deferred tax assets and deferred tax liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities using enacted rates.

(9) Appropriation of retained earnings

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

(10) Research and development costs

Research and development costs are charged to income as incurred.

(11) 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 for the period.

Cash dividends per share represent dividends, including "interim dividends" declared, as applicable to the respective periods.

(12) Cash equivalents

Cash and cash equivalents include time deposits and readily marketable securities with original maturities of three months or less.

(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 on 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.

(14) Derivative transactions

The Company utilizes foreign exchange forward contracts and interest rate swap agreements designated as hedges. The hedge transactions are only utilized on foreign exchange forward transactions and interest rate swap transactions when the transactions are fixed to hedge any risk anticipating from these transactions and to fix the cash flows value resulting from future transactions denominated in foreign currencies and loans bearing interest. Due to the nature of the hedging arrangements, no significant losses are anticipated.

3. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥100.19=US$1, the approximate rate of exchange at March 31, 2008, has been used. This translation should not be construed as a representation that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. Short-term loans and long-term debt

At March 31, 2007 and 2008, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Loans, principally from banks			
To the Company	–	–	–
To consolidated subsidiaries	¥36,313	¥33,846	$337,818
Total	¥36,313	¥33,846	$337,818

At March 31, 2007 and 2008, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Loans, principally from banks			
To the Company	–	–	–
To consolidated subsidiaries	¥19,936	¥23,513	$234,684
Total	¥19,936	¥23,513	$234,684

5. Employee retirement benefits

Retirement benefit obligations at March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Projected benefit obligations	¥(57,056)	¥(56,084)	$(559,776)
Plan assets	28,389	29,916	298,593
Unfunded pension liabilities	(28,666)	(26,168)	(261,184)
Unrecognized net transition obligation	–	–	–
Unrecognized actuarial differences	2,559	(381)	(3,803)
Accrued retirement benefits on balance sheet	¥(26,107)	¥(26,549)	$(264,987)

Net periodic cost for the fiscal years ended March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Service cost	¥2,233	¥2,363	$23,585
Interest cost	1,127	1,106	11,039
Expected return on plan assets	(551)	(578)	(5,769)
Amortization of transition obligation	–	–	–
Actuarial loss	2,257	1,291	12,886
Total	¥5,066	¥4,183	$41,751

6. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income, which in the aggregate resulted in a normal statutory tax rate of approximately 40%.

Foreign subsidiaries are subject to income taxes of the countries in which they operate.

(a) The significant components of deferred tax assets and liabilities at March 31, 2007 and 2008 were as follows:

At March 31	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars 2008
Deferred income tax assets:			
Excess accrued bonus	¥ 1,854	**¥ 1,908**	**$ 19,044**
Excess accrued retirement benefits	9,689	**9,823**	**98,044**
Disallowed retirement allowance to directors	633	**614**	**6,128**
Excess depreciation, other	2,271	**1,731**	**17,277**
Loss on revaluation of investment securities, other	551	**551**	**5,500**
Loss on revaluation of land	478	**478**	**4,771**
Reserve for liability claims	899	**1,278**	**12,756**
Reserve for product warranties	528	**528**	**5,270**
Others	150	**7**	**70**
Deferred income tax assets total	¥ 17,053	**¥16,921**	**$168,889**
Deferred tax liabilities:			
Reserve for reduction of asset costs	¥ (541)	**¥ (528)**	**$ (5,270)**
Valuation adjustment on investment securities	(11,336)	**(6,525)**	**(65,126)**
Deferred income tax liabilities total	¥(11,878)	**¥ (7,053)**	**$ (70,396)**
Net deferred income tax assets (liabilities)	¥ 5,175	**¥ 9,868**	**$ 98,493**

(b) The net deferred income tax assets and liabilities at March 31, 2007 and 2008 were included in the balance sheets as follows:

At March 31	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars 2008
Deferred income tax assets—current	¥6,036	**¥6,365**	**$63,529**
Deferred income tax assets (liabilities)—non-current	(861)	**3,502**	**34,954**
Net deferred income tax assets (liabilities)	¥5,175	**¥9,868**	**$98,493**

7. Contingent liabilities

At March 31, 2007 and 2008, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars 2008
As guarantor of employees' housing loans and other from financial institutions and others	¥14	**¥7**	**$70**

8. Segment information

INDUSTRY SEGMENT INFORMATION

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

Automotive Lighting Equipment:	LED headlamps, discharge headlamps, headlamps, miscellaneous car lamps, rear lamps, indicators, high-mount stop lamps and halogen bulbs, various miniature bulbs and other lighting products.
Non-automotive Electrical Equipment:	Control systems for rail transports, road traffic signals, traffic control systems.
Other Products & Services:	Aircraft lights and electronic components, aircraft and train seats, environmental control systems, finance and insurance services.

	Millions of yen					
	Automotive Lighting Equipment	Non-automotive Electrical Equipment	Other Products & Services	Total	Corporate and Elimination	Consolidated Total
For the year ended March 31, 2007						
Sales:						
Sales to outside customers	¥383,668	¥38,071	¥30,780	¥452,520	¥ –	¥452,520
Inter-segment sales and transfers	93,916	984	3,400	98,302	(98,302)	–
Total	¥477,585	¥39,055	¥34,181	¥550,822	¥(98,302)	¥452,520
Operating expenses	455,715	38,395	34,368	528,479	(97,287)	431,191
Operating income (loss)	¥ 21,870	¥ 660	¥ (187)	¥ 22,343	¥ (1,014)	¥ 21,328
Identifiable assets at March 31, 2007	¥228,785	¥49,406	¥56,639	¥334,830	¥ 50,470	¥385,300
Depreciation	¥ 20,596	¥ 944	¥ 766	¥ 22,306	¥ 41	¥ 22,347
Capital expenditures	¥ 33,283	¥ 688	¥ 518	¥ 34,489	¥ –	¥ 34,489

	Millions of yen					
	Automotive Lighting Equipment	Non-automotive Electrical Equipment	Other Products & Services	Total	Corporate and Elimination	Consolidated Total
For the year ended March 31, 2008						
Sales:						
Sales to outside customers	**¥391,829**	**¥42,943**	**¥35,875**	**¥470,648**	**¥ –**	**¥470,648**
Inter-segment sales and transfers	**125,284**	**2,058**	**10,132**	**137,475**	**(137,475)**	**–**
Total	**¥517,114**	**¥45,001**	**¥46,007**	**¥608,124**	**¥(137,475)**	**¥470,648**
Operating expenses	**490,132**	**42,284**	**45,673**	**578,090**	**(136,400)**	**441,689**
Operating income (loss)	**¥ 26,981**	**¥ 2,717**	**¥ 334**	**¥ 30,034**	**¥ (1,075)**	**¥ 28,959**
Identifiable assets at March 31, 2008	**¥232,751**	**¥46,781**	**¥62,008**	**¥341,540**	**¥ 47,045**	**¥388,585**
Depreciation	**¥ 23,129**	**¥ 927**	**¥ 1,032**	**¥ 25,088**	**¥ 52**	**¥ 25,140**
Capital expenditures	**¥ 26,295**	**¥ 778**	**¥ 604**	**¥ 27,677**	**¥ –**	**¥ 27,677**

	Thousands of U.S. dollars					
	Automotive Lighting Equipment	Non-automotive Electrical Equipment	Other Products & Services	Total	Corporate and Elimination	Consolidated Total
For the year ended March 31, 2008						
Sales:						
Sales to outside customers	**$3,910,859**	**$428,616**	**$358,070**	**$4,697,555**	**$ –**	**$4,697,555**
Inter-segment sales and transfers	**1,250,464**	**20,541**	**101,128**	**1,372,143**	**(1,372,143)**	**–**
Total	**$5,161,333**	**$449,157**	**$459,198**	**$6,069,708**	**$(1,372,143)**	**$4,697,555**
Operating expenses	**4,892,025**	**422,038**	**455,864**	**5,769,937**	**(1,361,413)**	**4,408,514**
Operating income (loss)	**$ 269,298**	**$ 27,118**	**$ 3,334**	**$ 299,770**	**$ (10,730)**	**$ 289,041**
Identifiable assets at March 31, 2008	**$2,323,096**	**$466,923**	**$618,904**	**$3,408,923**	**$ 469,558**	**$3,878,481**
Depreciation	**$ 230,851**	**$ 9,252**	**$ 10,300**	**$ 250,404**	**$ 519**	**$ 250,923**
Capital expenditures	**$ 262,451**	**$ 7,765**	**$ 6,029**	**$ 276,245**	**$ –**	**$ 276,245**

GEOGRAPHIC SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in the automotive lighting equipment and electric 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 years ended March 31, 2007 and 2008 is as follows:

	Millions of yen						
	Japan	North America	Asia	Europe	Total	Corporate and Elimination	Consolidated Total
For the year ended March 31, 2007							
Sales:							
Sales to outside customers	¥282,668	¥55,525	¥89,317	¥25,009	¥452,520	¥ –	¥452,520
Inter-area sales and transfers	70,817	–	3,107	24,377	98,302	(98,302)	–
Total	¥353,485	¥55,525	¥92,425	¥49,386	¥550,822	¥(98,302)	¥452,520
Operating expenses	337,634	52,985	88,788	49,071	528,479	(97,287)	431,191
Operating income (loss)	¥ 15,851	¥ 2,540	¥ 3,637	¥ 314	¥ 22,343	¥ (1,014)	¥ 21,328
Total assets	¥225,826	¥24,793	¥58,060	¥26,151	¥334,830	¥ 50,470	¥358,300

	Millions of yen						
	Japan	North America	Asia	Europe	Total	Corporate and Elimination	Consolidated Total
For the year ended March 31, 2008							
Sales:							
Sales to outside customers	**¥296,554**	**¥58,241**	**¥90,881**	**¥24,971**	**¥470,648**	**¥ –**	**¥470,648**
Inter-area sales and transfers	**104,365**	**8**	**8,499**	**24,602**	**137,475**	**(137,475)**	**–**
Total	**¥400,919**	**¥58,250**	**¥99,380**	**¥49,574**	**¥608,124**	**¥(137,475)**	**¥470,648**
Operating expenses	**378,905**	**56,047**	**93,607**	**49,529**	**578,090**	**(136,400)**	**441,689**
Operating income (loss)	**¥ 22,014**	**¥ 2,202**	**¥ 5,773**	**¥ 44**	**¥ 30,034**	**¥ (1,075)**	**¥ 28,959**
Total assets	**¥234,675**	**¥24,394**	**¥57,302**	**¥25,169**	**¥341,540**	**¥ 47,045**	**¥388,585**

	Thousands of U.S. dollars						
	Japan	North America	Asia	Europe	Total	Corporate and Elimination	Consolidated Total
For the year ended March 31, 2008							
Sales:							
Sales to outside customers	**$2,959,916**	**$581,306**	**$907,087**	**$249,236**	**$4,697,555**	**$ –**	**$4,697,555**
Inter-area sales and transfers	**1,041,671**	**80**	**84,829**	**245,553**	**1,372,143**	**(1,372,143)**	**–**
Total	**$4,001,587**	**$581,395**	**$991,915**	**$494,800**	**$6,069,708**	**$(1,372,143)**	**$4,697,555**
Operating expenses	**3,781,864**	**559,407**	**934,295**	**494,351**	**5,769,937**	**(1,361,413)**	**4,408,514**
Operating income (loss)	**$ 219,723**	**$ 21,978**	**$ 57,621**	**$ 439**	**$ 299,770**	**$ (10,730)**	**$ 289,041**
Total assets	**$2,342,300**	**$243,477**	**$571,933**	**$251,213**	**$3,408,923**	**$ 469,558**	**$3,878,481**

9. Subsequent events

At the general shareholders' meeting held by the Company on June 27, 2008, appropriations of retained earnings were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥12 per share ($119.77 per 1,000 shares)	**¥1,928**	**$19,243**

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
KOITO MANUFACTURING CO., LTD.

We have examined the consolidated balance sheets of KOITO MANUFACTURING CO., LTD. and its subsidiaries at March 31, 2007 and 2008, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended March 31, 2007 and 2008, all expressed in Japanese yen. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. These 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 KOITO MANUFACTURING CO., LTD. and its subsidiaries at March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years ended March 31, 2007 and 2008, in conformity with generally accepted accounting principles in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Tachiji Mizuno Kingo Sakurai Akio Nagasawa

TACHIJI MIZUNO KINGO SAKURAI AKIO NAGASAWA

Certified Public Accountants
June 16, 2008

CORPORATE INFORMATION

As of March 31, 2008

KOITO MANUFACTURING CO., LTD.

Head office:	4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan
Founded:	April 1, 1915
Incorporated:	April 1, 1936
Capital:	¥14,270 million
Employees:	15,315 (Consolidated) 4,202 (Non-consolidated)
Common stock:	
Authorized:	320,000,000 shares
Issued:	160,789,436 shares
Number of shareholders:	6,887
Transfer agent:	Mitsubishi UFJ Trust and Banking Corporation
Official address as transfer agent:	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Department 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan
Contact address:	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Department 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan Phone: 0120-232-711 (Toll-free in Japan)
Principal shareholders:	TOYOTA MOTOR CORPORATION The Master Trust Bank of Japan, Ltd. Matsushita Electric Industrial Co., Ltd. Japan Trustee Services Bank, Ltd. NIPPON LIFE INSURANCE COMPANY Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.
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Ohta Sales Office (Gunma Pref.)
Atsugi Sales Office (Kanagawa Pref.)
Shizuoka Sales Office (Shizuoka Pref.)
Nagoya Sales Office (Aichi Pref.)
Osaka Sales Office (Osaka)
Fukuoka Sales Office (Fukuoka Pref.)

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Electro Optica, S.A. de C.V. (Mexico)

Industrias Arteb S.A. (Brazil)

Koito Europe NV (Belgium)

Koito Europe Limited (U.K.)

Automotive Lighting UK Ltd. (U.K.)

Koito Czech s.r.o. (Czech Republic)

HELLA KGaA HUECK & CO. (Germany)

Senalizacion y Accesorios del Automovil Yorka, S.A. (Spain)

Farba Otomotiv Aydinlatma ve Plastik Fabrikalari A.S. (Turkey)

Automotive Lighting Italia S.p.A. (Italy)

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FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (China)

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THAI KOITO COMPANY LIMITED (Thailand)

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Ta Yih Industrial Co., Ltd. (Taiwan)

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Hella-Phil., Inc. (Philippines)

Hella (South Africa) (Pty.) Ltd. (South Africa)

EP Polymers (M) Sdn. Bhd. (Malaysia)

AuVitronics Limited (Pakistan)

DOMESTIC SUBSIDIARIES AND AFFILIATES

KOITO KYUSHU LIMITED (Saga Pref.)
Business lines: Manufacturing and marketing of automotive lighting equipment

KOITO INDUSTRIES, LIMITED (Kanagawa Pref.)
Business lines: Railroad car equipment, equipment for traffic control systems, road traffic signals, and seats for railroad cars and aircrafts

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 of electronic components, electrical devices, telecommunications equipment and precision machinery

Shizuokadenso Co., Ltd. (Shizuoka Pref.)
Business lines: Manufacturing and marketing of automotive lighting equipment

Nissei Industries Co., Ltd. (Shizuoka Pref.)
Business lines: Manufacturing and marketing of miniature bulbs and electrical equipment

Fujieda Auto Lighting Co., Ltd. (Shizuoka Pref.)
Business lines: Manufacturing and marketing of automotive lighting equipment

Shizuoka Wire Harness Co., Ltd. (Shizuoka Pref.)
Business lines: Manufacturing and marketing of automotive lighting equipment

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

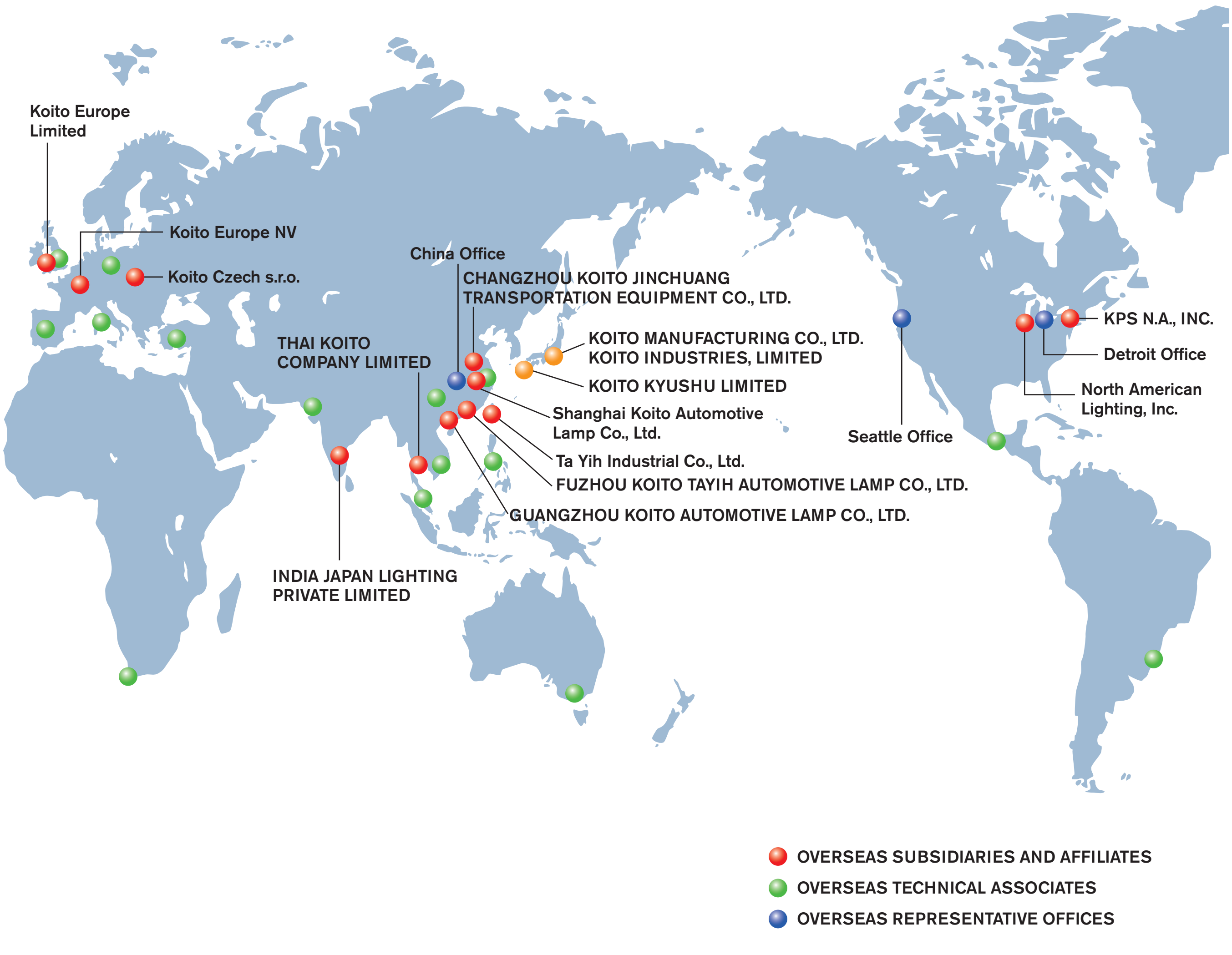
Takeda Suntech Co., Ltd. (Shizuoka Pref.)
Business lines: Manufacturing and marketing of resin metal molds

New Fuji Co., Ltd. (Shizuoka Pref.)
Business lines: Service businesses

Minatsu, Ltd. (Kanagawa Pref.)
Business lines: Maintenance of signals and safety equipment

Okayama Industry Co., Ltd. (Gunma Pref.)
Business lines: Manufacturing and marketing of railroad car seats

DOROKEISO CO., LTD. (Tokyo)
Business lines: Installation and maintenance of axle weight measuring systems



Koito Europe Limited
Koito Europe NV
Koito Czech s.r.o.
China Office
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KOITO MANUFACTURING CO., LTD.
KOITO INDUSTRIES, LIMITED
KOITO KYUSHU LIMITED
Shanghai Koito Automotive Lamp Co., Ltd.
Ta Yih Industrial Co., Ltd.
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