

The Kōito logo is located in the top right corner. It features the word "Kōito" in a stylized, italicized font with a red-to-white gradient and a black outline. The background of the entire page is a dynamic blue and white light streak pattern radiating from a bright sun-like source in the upper left.

WORLDWIDE AUTOMOTIVE LIGHTING

2007 ANNUAL REPORT

Year Ended March 31, 2007

KOITO MANUFACTURING CO., LTD.

PROFILE

KOITO MANUFACTURING CO., LTD. (Koito) celebrated its 90th anniversary in April 2005, 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."

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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, 2007 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 expanding and spreading on a worldwide scale with higher demand and production expected in newly emerging economies such as Brazil, Russia, India and China (BRIC), in addition to robust growth in Japan, the Americas and Europe, together with 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 that are safe and environmentally responsible, as well as an emphasis on responding to customers with speed.

Koito succeeded in commercializing the world's first LED (light-emitting diode) headlamp in May 2007. There is significant expectation that LED headlamps will become a next-generation light-source, reflecting their superior characteristics which include instantaneous lighting capabilities, long working lives, energy saving 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 are people- and environmentally friendly. Such industry-leading products include 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 response to business expansion, Koito further advanced its global reach. In Japan, operations commenced in October 2006 at the new plant of KOITO KYUSHU LIMITED. Overseas, April 2006 saw production commence at Shanghai Koito Automotive Lamp Co., Ltd.'s third plant in China, and in March 2007 production started at the new factory of GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. During the new fiscal year started April 2007, operations commenced at the fourth plant at North American Lighting, Inc. in Alabama in the south of the U.S., and at the second plant at INDIA JAPAN LIGHTING PRIVATE LIMITED in Haryana in the north of India.

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 of making 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. I ask for your continued support and guidance as we work toward these goals.



Takashi Ohtake
Chairman & CEO

Masahiro Ohtake
President

September 2007

Takashi Ohtake
Chairman & CEO

Masahiro Ohtake
President

FINANCIAL OVERVIEW AND MEDIUM-TERM OUTLOOK

[Fiscal 2007 Results]



Takashi Ohtake
Chairman & CEO

During fiscal 2007, the year ended March 31, 2007, the Japanese economy experienced modest expansion against a backdrop of improved corporate earnings due to a weakening yen, accompanied by higher capital expenditures and increased consumer spending. Global economic conditions were firm overall, despite sluggish economic growth in the U.S. and Europe stemming from factors including persistently high crude oil and raw material prices, rising interest rates, and exchange rate and share-price fluctuations.

In the Japanese automobile industry, unit automobile production surpassed the previous year's figures, reflecting increased exports to the Americas, Europe and elsewhere. Overseas, moreover, worldwide automobile production trended upwards, with increased production in China, Thailand and elsewhere in the Asian region despite flat growth in production levels in North America and Europe.

In this climate, the Koito Group worked to expand sales of automotive lighting equipment over the medium and long terms. Measures included increasing production capacity, boosting product development capabilities and aggressively implementing initiatives to win more orders. In Japan, operations commenced in October 2006 at the state-of-the-art plant of KOITO KYUSHU LIMITED.

With overseas businesses, in the Chinese market with its continuously expanding automobile production, April 2006 saw production commence at the third plant of Shanghai Koito Automotive Lamp Co., Ltd. In March 2007, full-fledged production started at the new factory of GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.

Supported by a strong performance both domestically and overseas in its mainstay automotive lighting equipment, the Koito Group reported a 13.8% year-on-year increase in consolidated net sales to ¥452.5 billion, setting a new record high.

On the earnings front, amid intensifying price competition in automotive lighting equipment in Japan and overseas, both operating income and recurring profit declined year on year, despite efforts by Group companies as well as Koito to streamline operations by aggressively promoting cost-cutting measures, due mainly to increased startup costs of new production bases such as KOITO KYUSHU and GUANGZHOU KOITO AUTOMOTIVE LAMP, and increased quality-related expenses.

On the other hand, the Koito Group reported net income of ¥13.3 billion, a year-on-year increase of 5.1%, due to increased extraordinary gains mainly because of proceeds from sale of marketable and investment securities and decreased extraordinary losses. Net sales and net income therefore both increased for the fifth consecutive fiscal year.

Koito has decided to pay a year-end dividend per share of ¥11, which is the same year-end dividend amount that was paid in the previous year. Consequently, the annual dividend per share, including the interim dividend, was ¥2 higher year on year at ¥22, marking the fifth consecutive year of dividend growth.

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

	Millions of yen (except per share amounts)			Thousands of U.S. dollars (except per share amounts)
	2005	2006	2007	2007
Annual:				
Net sales	¥361,477	¥397,509	¥452,520	\$3,833,291
Operating income	17,962	22,262	21,328	180,669
Net income	9,093	12,731	13,374	113,291
Per share (Yen and U.S. dollars):				
Net income	¥ 55.62	¥ 79.39	¥ 83.23	\$ 0.71
Year-end:				
Total assets	¥318,739	¥366,254	¥385,300	\$3,263,871
Total shareholders' equity	119,278	139,849	149,553	1,266,861

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, 2007 of ¥118.05=US\$1.

[Outlook for Fiscal 2008]



Masahiro Ohtake
President

In fiscal 2008, the year ending March 31, 2008, continued high growth is forecast in Asian regions. Nevertheless, the combination of economic slowdowns in the U.S., Europe and elsewhere together with many causes for concern including trends in crude oil and raw material prices, higher interest rates and exchange rate fluctuations are bringing about an unpredictable business environment for Koito.

As a global supplier with a product development and manufacturing network covering the world's four key markets, the Koito Group is strengthening order-winning initiatives and expanding production capacity. In July 2007, operations commenced at the fourth plant at North American Lighting, Inc. in Alabama in the south of the U.S., and in September 2007 at the second plant at INDIA JAPAN LIGHTING PRIVATE LIMITED in Haryana in the north of India. Going forward, Koito will work to expand orders received, to improve its mutual complementary supply network and structure and to further extend cost-cutting and other measures, with the goal of further improving operating results.

In March 2007, Koito sold its shares in Innovative Hightech Lighting Corporation, a subsidiary in Korea, which was consequently excluded from the scope of consolidation. In light of this, for the fiscal year ending March 31, 2008 the Koito Group is forecasting a drop in consolidated net sales to ¥447.0 billion. Nevertheless, operating income, recurring profit and net income are all forecast to increase, mainly due to anticipated improved results at KOITO MANUFACTURING CO., LTD., the commencement of full-fledged operations at KOITO KYUSHU and improved earnings at KOITO INDUSTRIES, LIMITED.

[Medium-term Outlook]

Advancing globalization in the automobile industry is spurring increasingly intense international competition. The operating environment has become decidedly harsher, with the tendency toward “survival of the fittest” more pronounced than ever. Nonetheless, unit automobile production has benefited from the prospect of expansion in both demand and production over the medium and long terms. This reflects a combination of robust demand in Japan, North America and Western Europe, and improving income levels in line with economic development in emerging markets such as the BRIC nations and other regions with untapped demand.

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 17 production bases run by 10 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 increase sales of numerous products in promising growth fields such as Intelligent Transportation Systems (ITS), aeronautics and space, and biotechnology. Products include road traffic control systems, LED displays, electronic aircraft components, hydraulic equipment and aircraft seats, as well as biological control equipment.

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.



OPERATIONS BY REGION AND FUTURE DEVELOPMENTS

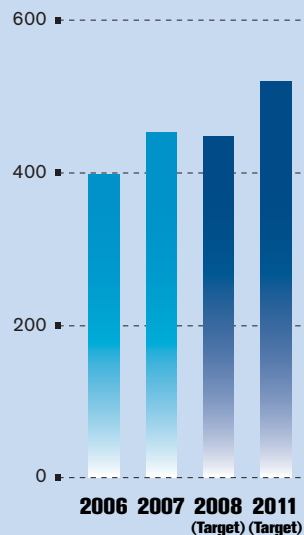
OUTLOOK FOR MEDIUM-TERM GLOBAL STRATEGIES

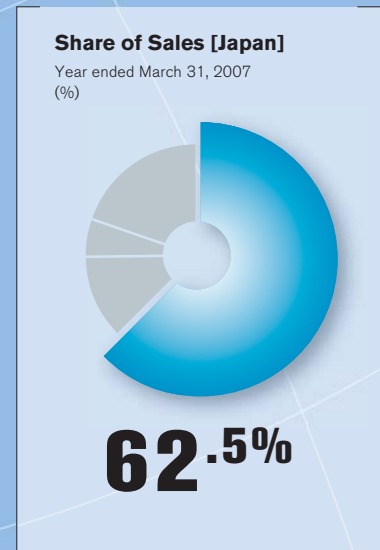
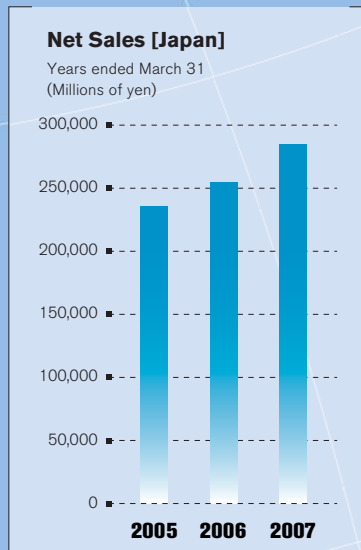
In the fiscal year ended March 31, 2007, consolidated net sales grew strongly, setting a historical record for Koito. These record-breaking results were underpinned by strong automobile production in Japan, North America, Europe and Asia.

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 enhancing Development, Quality, Cost, Delivery and Speed (DQCDS).

Medium-term Net Sales Targets

Years ended March 31
(Billions of yen)





In Japan's automobile industry, automobile production rose 5.6% year on year to 11.50 million units, reflecting brisk exports to North America, Latin America and Europe, despite such depressed factors as lower domestic sales of both regular and small passenger cars.

KOITO MANUFACTURING CO., LTD.

In this climate, Koito worked to expand sales of new products in its mainstay automotive lighting equipment segment. In fiscal 2007, net sales at Koito in Japan rose 9.2% to ¥228.7 billion, a record-high. Results for each segment were as follows:

[Automotive Lighting Equipment Segment]

This segment recorded net sales of ¥219.8 billion, a year-on-year increase of 9.4%. Several factors were behind this result.

One was technological advances to produce larger headlamps with more functions. Other factors were the growing adoption of high-intensity gas discharge headlamps (GDHLs) and headlamp leveling systems 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 11.1% to ¥3.0 billion, reflecting strong overseas sales due to increased aircraft fuselage production.

[Other Products Segment]

The segment recorded sales of ¥5.7 billion, remaining flat with the previous fiscal year. This was due to healthy growth in sales of headlamp cleaners and other products.



KOITO MANUFACTURING Shizuoka Plant



KOITO MANUFACTURING Haibara Plant



KOITO MANUFACTURING Kikkawa Plant



KOITO MANUFACTURING Sagara Plant



KOITO MANUFACTURING Fujikawa Tooling Plant

On the earnings front, amid intensifying price competition in automotive lighting equipment, both operating income and recurring profit declined year on year, despite efforts to streamline operations by aggressively promoting cost-cutting measures, due mainly to increased quality-related expenses. On the other hand, net income increased 7.2% year on year to ¥12.0 billion, due to increased extraordinary gains mainly because of proceeds from the sale of marketable and investment securities.

During fiscal 2007, Koito made total capital expenditures of ¥12.7 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 remain flat, strong exports are expected to support domestic automobile production at around the 10 million-unit level for the foreseeable future.

Koito will work to expand sales of new products. At the same time, it will push through cost reduction measures to strengthen its 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, and in response to reviews of the production system, mainly as regards offsetting risks associated with an earthquake in the Tokai-region and improving distribution efficiency. A new plant was constructed and operations commenced in October 2006.

For the fiscal year ended March 31, 2007, KOITO KYUSHU recorded net sales of ¥4.8 billion and an operating loss of ¥1.0 billion.

As regards forecasts, net sales for the fiscal year ending March 31, 2008 are projected to increase by a multiple of 4.5 to reach ¥21.8 billion, due to full-fledged production associated with increased orders.



KOITO KYUSHU LIMITED Head Office and Plant

KOITO INDUSTRIES, LIMITED

In fiscal 2007, consolidated net sales at KOITO INDUSTRIES, LIMITED increased 16.3% to ¥55.7 billion due to steady performances in the transportation equipment and electrical equipment segments. Results by segment were as follows:

[Transportation Equipment Segment]

Segment sales climbed 44.7% to ¥26.4 billion, due to higher sales in the railroad car equipment division and the aircraft seat division.

[Electrical Equipment Segment]

Segment sales edged up 1.5% to ¥26.0 billion due to increases in both lighting equipment and traffic systems, despite a decline in information systems and elsewhere.

[Home Appliances and Environment Segment]

Segment sales declined 18.4% to ¥3.3 billion due to lower sales in environmental systems, despite higher sales in home appliances.

KOITO INDUSTRIES recorded a consolidated operating loss of ¥0.3 billion, mainly because of increased expenses associated with the launch of a new model of aircraft seat and rising prices of raw materials, despite rigorous efforts to cut costs. The company also recorded a consolidated net loss of ¥0.1 billion due to the booking of an extraordinary loss as a result of the dissolution of a European subsidiary.

Looking ahead, the company expects higher sales of railroad car equipment and aircraft seats. As a result, for the fiscal year ending March 2008 the company is projecting consolidated net sales up 9.3% to ¥61.0 billion, operating income of ¥0.4 billion and net income of ¥0.3 billion.

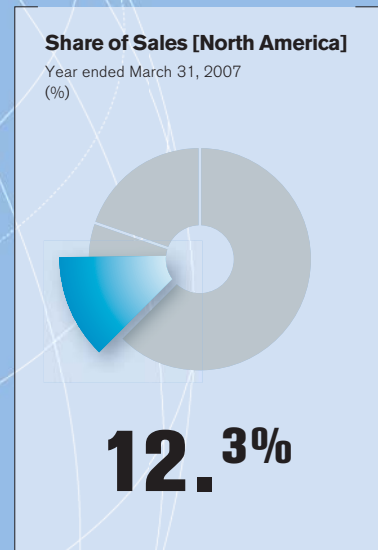
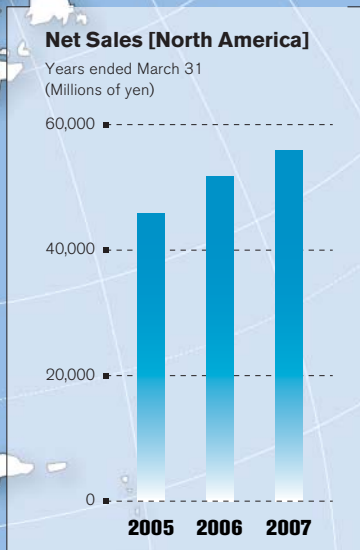


KOITO INDUSTRIES, LIMITED Head Office



KOITO INDUSTRIES, LIMITED Fuji Nagaizumi Plant

NORTH AMERICA



Automobile production in North America in 2006 fell 4% year on year to 13.97 million units due to lower production at the Big 3 automakers, despite growth at Japanese automakers.

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 the state of Illinois in the U.S., and a fourth plant at Alabama in the south of the U.S. which started operating 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 fiscal 2007, net sales rose 8.0% to ¥55.5 billion on the back of strong sales to Japanese automakers.

Looking ahead, efforts continue to be made to improve earnings and reinforce corporate operations by enhancing order-winning activities, raising productivity and promoting cost-cutting initiatives.



NAL Head Office (Paris)



NAL Paris Plant



NAL Flora Plant



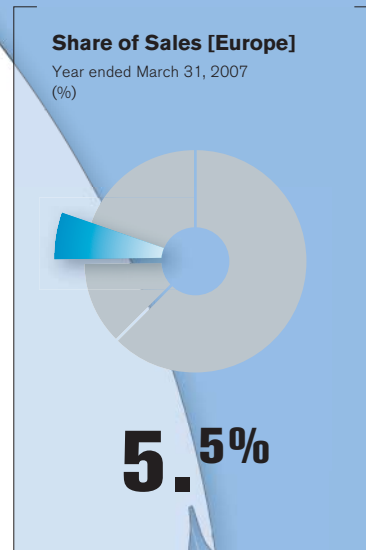
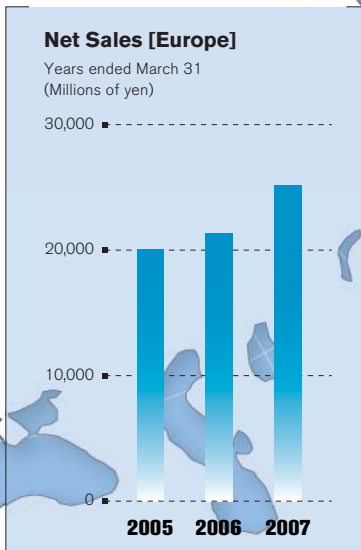
NAL Salem Plant



NAL Alabama Plant



NAL Technical Center



Automobile production in Europe in 2006 increased slightly year on year at 20.25 million units. This reflected a slight drop in production in Western Europe, despite steady 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. Aiming to win more orders and drive Koito's growth in Europe over the medium and long terms,

KENV will promote the localization of technological development, further develop strategic order-winning initiatives, and boost competitiveness and profitability through improved operational efficiency.

In fiscal 2007, net sales in the European business increased 18.3% year on year to ¥25.0 billion, reflecting an increase in new orders for headlamps. Going forward, Koito anticipates further growth in sales, mainly to local automakers. Together with ongoing actions to improve production efficiency, European operations are anticipated to contribute to earnings.



KENV

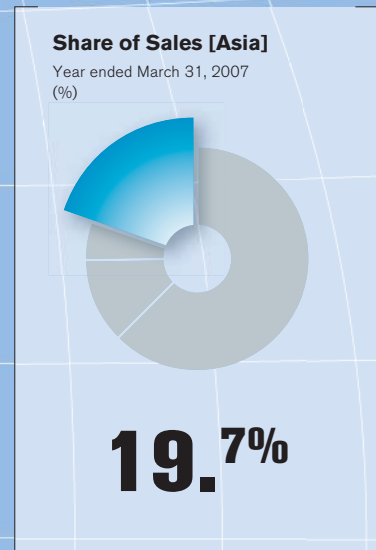
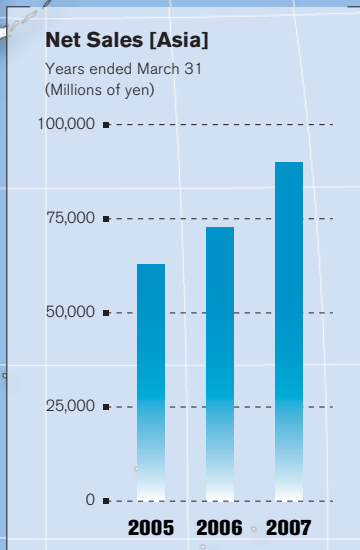


KEL



KCZ

ASIA



CHINA

China's automobile production increased 30% year on year to 7.28 million units in 2006, 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., a joint venture established in 1989; FUZHOU TAYIH INDUSTRIAL CO., LTD., consolidated as a subsidiary in September 2005; and GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD., established in November 2005. In April 2002, Shanghai Koito Automotive Lamp established a Technical Center in China, one of the first auto parts manufacturers to do so. This move has given the joint venture unrivaled product development and molding die manufacturing capabilities, as well as quality assurance, enabling it to win high marks from automakers.

In fiscal 2007, net sales at Shanghai Koito Automotive Lamp jumped 75.5% to ¥40.1 billion, due to increased use of products in new models of automobiles.

The Chinese auto industry is poised to develop further, spurred by high economic growth. By 2010, China is expected to be producing at least 9 million units annually. Eyeing this trend, the start of operations at Shanghai Koito Automotive Lamp's third plant in April 2006 was followed by the commencement of production at GUANGZHOU KOITO AUTOMOTIVE LAMP's new plant in March 2007.



Technical Center, Shanghai Koito Automotive Lamp



First and second plants, Shanghai Koito Automotive Lamp



Third plant, Shanghai Koito Automotive Lamp



GUANGZHOU KOITO



FUZHOU TAYIH INDUSTRIAL

THAILAND

Automobile production in Thailand rose 8% in 2006 to 1.19 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 IMV, Toyota's much-talked-about globally strategic vehicle. To respond to higher automobile production, THAI KOITO completed construction of a third plant in December 2003, significantly raising its production capacity of headlamps and signaling lamps.

In fiscal 2007, THAI KOITO posted net sales of ¥16.2 billion,

31.5% higher than the previous year, mainly due to an increase in new orders.

THAI KOITO aims to further improve earnings 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 during 2006 declined 32.0% compared with the previous year to 300,000 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 an overwhelming market share of around 90% in both headlamps and signaling lamps.

For fiscal 2007, Ta Yih Industrial recorded net sales of ¥11.1 billion, a 19.0% decrease year on year despite advances in making larger headlamps with high-performance functions, including the manufacture of discharge-type lamps, due to 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 railcars.



Ta Yih Industrial

INDIA

Automobile production in India in 2006 rose 16% year on year to 1.96 million units, as the industry continued to steadily expand. The higher production was due to a large increase in domestic sales, which were supported by India's economic growth and a low interest rate.

INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL), a joint venture established in 1997 with Lucas-TVS Limited, is seeing its operating results increase steadily. For fiscal 2007, IJL recorded net sales up 9.2% to ¥2.8 billion on higher sales of

automotive lamps to Japanese automakers, the Tata Group and other companies.

By strengthening its product development capabilities and cost competitiveness, IJL continues to work to increase orders in this vibrant market. At the same time, the company proceeded with the construction of a second plant in Bawal, in the northern Indian state of Haryana, to bolster its production capacity and started operations in September 2007.



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 by leveraging its innovative product development system, which rests on two pillars—R&D aimed at the pursuit and creation of leading-edge technologies and 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 non-polluting materials and manufacturing methods.

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 Automotive Lamp. This R&D network gives Koito the ability to meet the needs of automakers seeking to diversify their operations worldwide. R&D staff from eight countries overseas attend a technology conference as part of active efforts to constantly improve technologies and disseminate knowledge throughout the Group. R&D activities in the non-automotive electrical equipment and other products segments are conducted mainly by the technical centers of Koito and KOITO INDUSTRIES. As of March 31, 2007, 1,938 personnel were engaged in the Koito Group's R&D activities.

In fiscal 2007, R&D costs totaled ¥20.7 billion. By segment, the automotive lighting equipment segment used ¥18.8 billion, the non-automotive electrical segment ¥0.4 billion and the other products segment ¥1.3 billion.

The main research themes in each segment are outlined below.

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

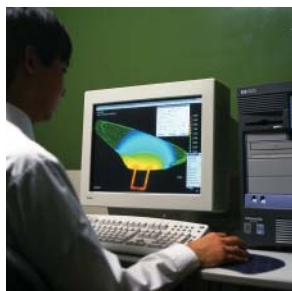
1. Image transmission technologies for railroad rolling stock
2. System development of ITS-related equipment and materials
3. Internet-based systems and others

Other Products & Services

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



Technical Center, KOITO MANUFACTURING



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 are energy- and space saving.

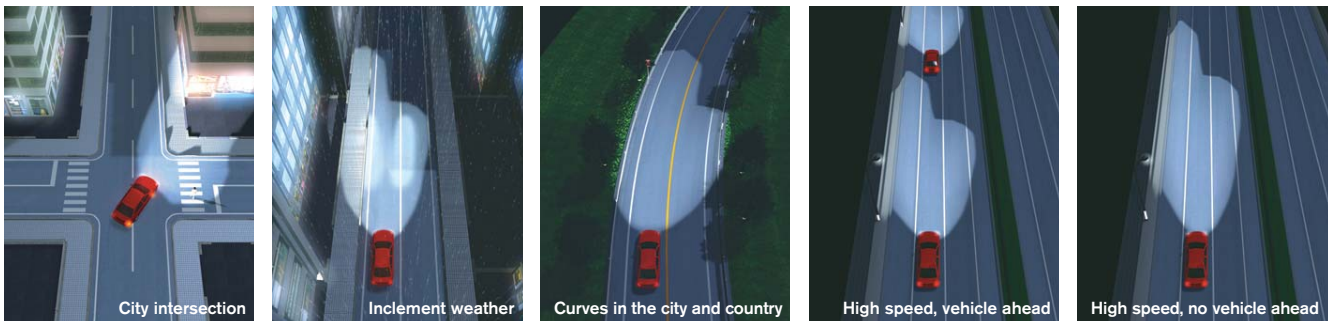
Koito is earnestly conducting committed research and development to produce LED headlamps offering even better performance and higher quality.



Development of the Adaptive Front Lighting System (AFS)

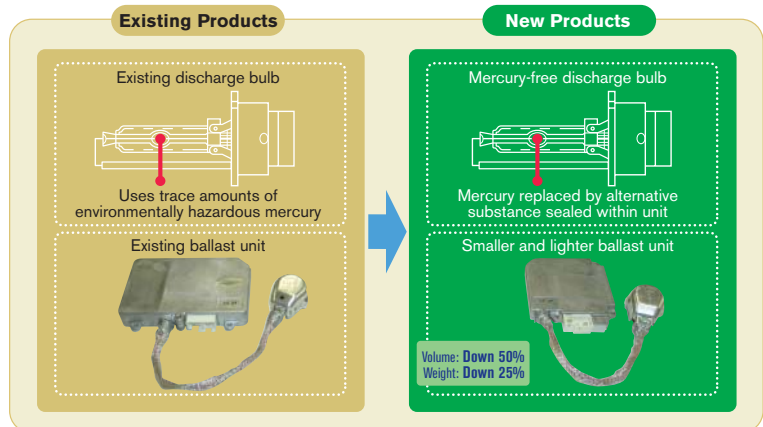
AFS is a headlamp system that provides optimal beam control according to driving conditions. The system's variable light distribution creates the right visual environment for safer driving. In February 2003 Koito commenced mass production of AFS, the first system of its kind in the world.

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, an environmentally burdensome substance. However, developing an alternative technology to the mercury used in discharge bulbs, which is an indispensable substance for producing light with the stable electric characteristics and efficiency of a discharge bulb, was seen as a technical challenge. 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

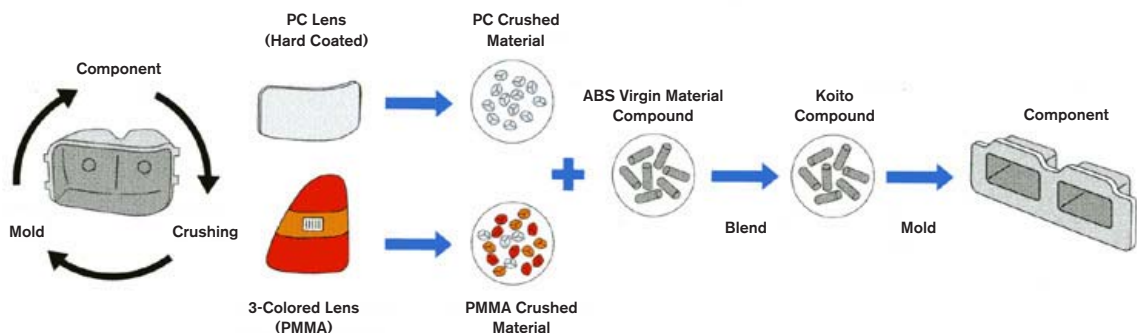
Koito has an Environmental Committee under which four additional committees have been established: the Environmental Protection Committee, Environmental Audit Committee, Energy Conservation Committee and Recycling Promotion Committee. This framework has been structured to promote sustained company-wide 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, twelve Koito Group companies, including eight 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. Grasping 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.

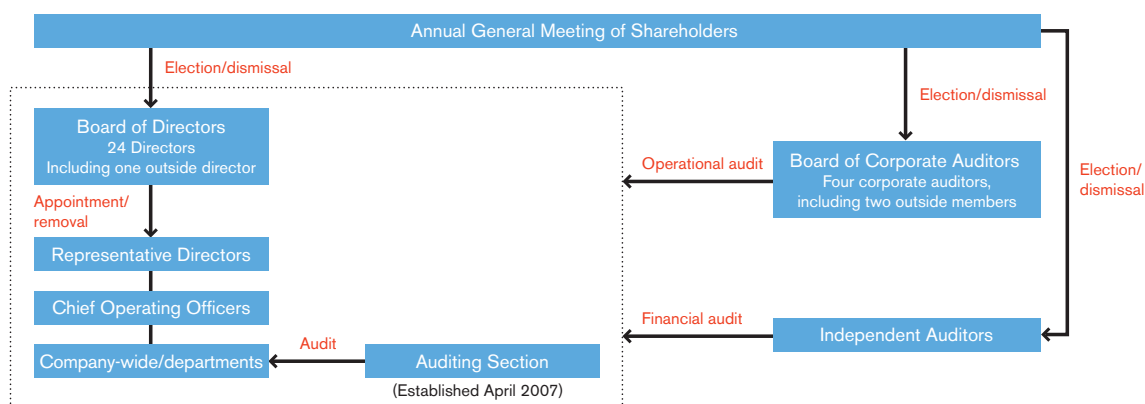
At Koito, along with our primary effort to keep waste emissions as close to zero as possible, we are striving to eliminate the use of environmentally harmful substances in manufacturing processes. We are also pursuing "3R compatibility" in the structural design of our lamps and in product and component 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 has started to strengthen 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 a 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 four corporate auditors, including two 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 internal department responsible for auditing, internal auditing is conducted primarily by the General Affairs Department (Auditing Section) and Accounting Department. The departments collaborate with the auditors to conduct audits of the head office, manufacturing plants, regional offices, and subsidiaries, in accordance with the auditors' annual auditing plan.

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, 2007 was as follows:

Remuneration for Directors and Corporate Auditors:	
For Directors	¥1,020 million
For Corporate Auditors	79 million
Total	¥1,099 million

Remuneration for Independent Auditors:	
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 28, 2007)

FINANCIAL SECTION

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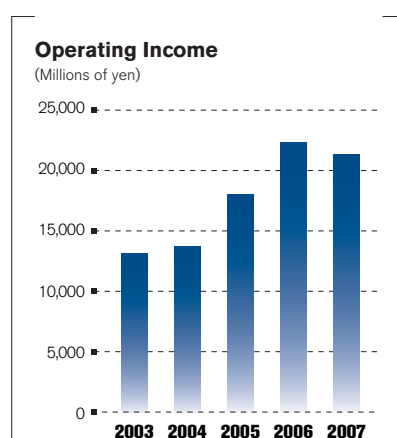
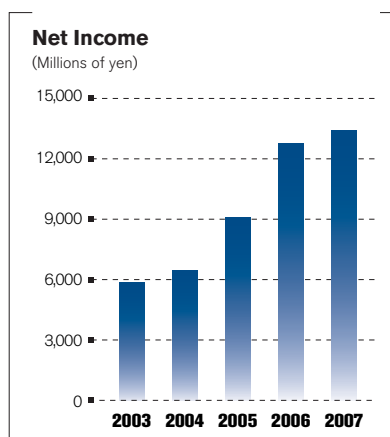
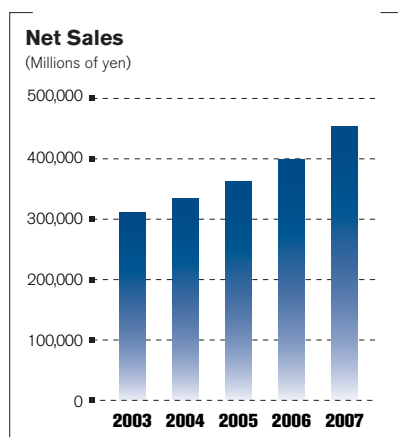
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TEN-YEAR SUMMARY

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

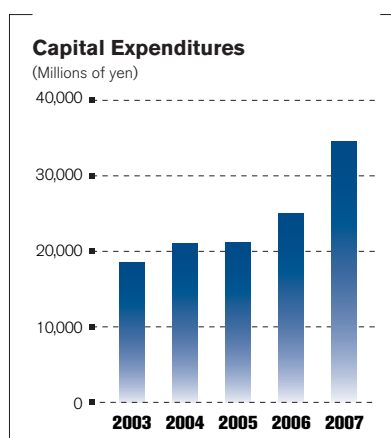
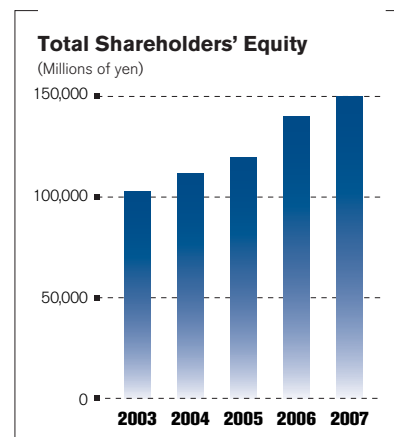
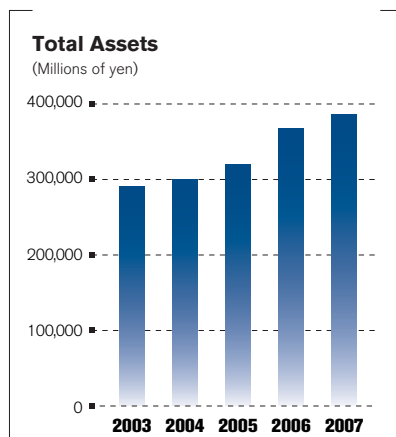
Consolidated	Millions of yen (except per share amounts)			
	1998	1999	2000	2001
For the year:				
Net sales	¥226,134	¥275,934	¥279,034	¥297,280
Operating income	8,540	10,201	9,288	10,991
Income before income taxes and minority interests	9,771	8,451	7,341	6,190
Income taxes	5,836	3,486	2,997	2,476
Net income	4,285	3,846	3,412	3,072
Amounts per share (Yen and U.S. dollars):				
Net income	¥ 26.65	¥ 23.92	¥ 21.23	¥ 19.11
Cash dividends	8.00	8.00	10.00	8.00
At year-end:				
Working capital	¥ 55,348	¥ 40,393	¥ 51,060	¥ 16,724
Property, plant and equipment, less accumulated depreciation	46,174	65,857	61,448	64,856
Total assets	217,741	267,783	275,063	306,084
Total shareholders' equity	81,313	90,291	92,848	102,532

Note: Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥118.05=US\$1, the rate prevailing on March 31, 2007.



Thousands of
U.S. dollars
(except per
share amounts)

2002	2003	2004	2005	2006	2007	2007
¥301,141	¥311,133	¥334,254	¥361,477	¥397,509	¥452,520	\$3,833,291
9,779	13,157	13,723	17,962	22,262	21,328	180,669
6,292	12,766	14,061	18,287	23,277	24,799	210,072
2,516	5,113	5,554	7,225	9,078	9,622	81,508
2,784	5,826	6,440	9,093	12,731	13,374	113,291
¥ 17.38	¥ 35.51	¥ 39.19	¥ 55.62	¥ 79.39	¥ 83.23	\$ 0.71
8.00	10.00	12.00	14.00	20.00	22.00	0.19
¥ 27,340	¥ 26,663	¥ 18,085	¥ 24,043	¥ 27,993	¥ 24,182	\$ 204,845
69,148	66,342	66,981	70,106	76,800	84,644	717,018
295,097	290,397	299,344	318,739	366,254	385,300	3,263,871
101,738	102,475	111,707	119,278	139,849	149,553	1,266,861



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The Koito Group comprises the parent company (KOITO MANUFACTURING CO., LTD.), 22 subsidiaries, 3 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

During the past fiscal year in the automobile industry, automobile unit production in Japan was higher year on year, reflecting an increase in exports primarily to the Americas and Europe. Overseas, increased production in China, Thailand and elsewhere in the Asian region offset the trend in flat production growth in North America and Europe. On the whole, worldwide automobile production grew at healthy levels.

In this climate, the Koito Group made proactive efforts to secure new orders by boosting product development capabilities in the automotive lighting equipment segment in a bid to expand sales over the medium and long terms.

Supported by a strong performance of its mainstay automotive lighting equipment segment both domestic and overseas, the Koito Group reported a 13.8% year-on-year increase in consolidated net sales to ¥452.5 billion. This was a new record high.

Earnings

Amid intensifying price competition in automotive lighting equipment in Japan and overseas, both operating income and recurring profit declined year on year, despite efforts by Group companies as well as Koito to streamline operations by aggressively promoting cost-cutting measures, due mainly to increased startup costs of new production bases such as KOITO KYUSHU and GUANGZHOU KOITO AUTOMOTIVE LAMP, and increased quality-related expenses. On the other hand, the Koito Group reported net income of ¥13.3 billion, a year-on-year increase of 5.1%, due to increased extraordinary gains mainly because of proceeds from sale of marketable and investment securities and decreased extraordinary losses. Net sales and net income therefore both increased for the fifth consecutive fiscal year to achieve record levels.

Results by Business Segment

Automotive Lighting Equipment

Sales in the automotive lighting equipment segment rose 13.6% to ¥383.6 billion, fueled by greater use of high-intensity discharge headlamps, Adaptive Front Lighting System (AFS) headlamps, LED rear combination lamps and headlamp leveling systems in Japan. Another contributing factor was increasing new orders for headlamps and signaling lamps overseas, mainly in North America, Europe, China and Thailand. Segment operating income amounted to ¥21.8 billion.

Non-automotive Electrical Equipment

This segment saw sales rise 8.3% to ¥38.0 billion. This mainly reflected steady sales in the railroad car equipment, road lighting, information equipment and traffic systems divisions. The segment recorded an operating income of ¥0.6 billion.

Other Products & Services

This segment recorded sales of ¥30.7 billion, up 24.4% from the previous fiscal year. This was the result of higher sales of aircraft seats, aircraft components and automobile headlamp cleaners. The segment recorded an operating loss of ¥0.1 billion, mainly due to increased expenses to launch a new model of aircraft seat and rising prices of raw materials.

Results by Geographical Segment

Japan

Net sales in Japan, mainly in the mainstay automotive lighting equipment segment, increased 11.8% to ¥282.6 billion, the result of greater use of high-intensity discharge headlamps, Adaptive Front Lighting System (AFS) headlamps, LED rear combination lamps and headlamp leveling systems. Operating income was ¥15.8 billion.

North America

Net sales of automotive lighting equipment in North America rose 8.0% year on year to ¥55.5 billion, reflecting strong automobile output coupled with efforts to increase orders. Operating income amounted to ¥2.5 billion.

Asia

Net sales in Asia rose 23.8% to ¥89.3 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 ¥3.6 billion.

Europe

Net sales in Europe increased 18.3% to ¥25.0 billion, owing to the benefits of activities to expand sales of automotive lighting equipment. Operating income amounted to ¥0.3 billion, partly as a result of improved earnings at Koito Europe Limited in the UK.

Financial Position

As of March 31, 2007, total assets were ¥385.3 billion, up ¥19.0 billion from a year ago. The main factors were an increase in inventories under current assets in line with growth in net sales, and a ¥8.5 billion increase in property and equipment due to an increase in capital investments.

On the other side of the balance sheet, total liabilities were ¥204.8 billion, ¥8.8 billion more than a year ago. The main factors were an increase in accounts payable accompanying higher production, and higher short-term debt.

Total shareholders' equity amounted to ¥149.5 billion. This was mainly attributable to an increase in retained earnings due to net income of ¥13.3 billion.

Cash Flows

Operating activities provided net cash of ¥38.5 billion, a ¥1.3 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 ¥32.6 billion, ¥1.7 billion more than the previous fiscal year. The increase in cash outflows was mostly attributable to an increase in payments for acquisition of property and equipment and the purchase of marketable and investment securities.

Financing activities used net cash of ¥1.8 billion, ¥0.8 billion less than in the previous fiscal year. This mainly reflected an increase in loans which outweighed an increase in dividends paid.

As a result, cash and cash equivalents as of March 31, 2007 were ¥19.9 billion, ¥4.2 billion higher than on March 31, 2006.

Capital Expenditures

Capital expenditures totaled ¥34.4 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 asset and transfers, exclusive of consumption tax, is as follows:

In the automotive lighting equipment segment, ¥33.2 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 rationalize production and cut costs. Capital expenditures in the non-automotive electrical equipment segment were ¥0.6 billion, mainly for upgrading manufacturing facilities for traffic management systems. The other products segment made capital expenditures of ¥0.5 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 Japanese economy is expected to continue its modest growth, supported by increased capital expenditures due to improved corporate earnings, and growth in consumer spending. Overseas, continued high growth is forecast in Asian regions. Nevertheless, the combination of economic slowdowns in the U.S., Europe and elsewhere together with many causes for concern including trends in crude oil and raw material prices, and financial market fluctuations stemming from sub-prime loans, is creating an unpredictable business environment for Koito.

As a global supplier with a product development and manufacturing network covering the world's four key markets, the Koito Group will work to improve its mutual complementary supply network and structure, in addition to expanding orders and production capacity. The Company will also further extend cost-cutting and other measures, with the goal of further 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:

- ① 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.
- ② 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.
- ③ The Koito Group plans to further reinforce its profit structure and operations by securing and effectively allocating resources.
- ④ The Koito Group aims to pursue the highest quality and safety standards and protection of the environment.

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 29, 2007.

(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 changing 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		Thousands of U.S. dollars
	2006	2007	2007
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 15,773	¥ 19,996	\$ 169,386
Trade notes and accounts receivable	97,432	98,092	830,936
Less: Allowance for doubtful accounts	(1,082)	(1,127)	(9,547)
	96,350	96,965	821,389
Marketable securities	6,384	8,761	74,214
Inventories	30,034	38,547	326,531
Deferred income tax assets—current (Note 6)	6,053	6,036	51,131
Prepaid expenses and others	11,142	9,580	81,152
Total current assets	165,736	179,885	1,523,803
Investments:			
Investment securities	101,795	97,716	827,751
Loans	781	529	4,481
Other investments	3,695	4,366	36,984
Less: Allowance for doubtful accounts	(247)	(242)	(2,050)
Total investments	106,024	102,369	867,166
Property, plant and equipment, at cost:			
Buildings and structures	71,267	76,211	645,582
Machinery, equipment and tools	180,943	190,949	1,617,526
Less: Accumulated depreciation	(175,410)	(182,515)	(1,546,082)
	76,800	84,644	717,018
Land	12,862	12,415	105,167
Construction in progress	4,830	5,985	50,699
Property, plant and equipment, net	94,493	103,045	872,893
Total assets	¥ 366,254	¥ 385,300	\$ 3,263,871

At March 31,	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade notes and accounts payable	¥ 73,099	¥ 80,395	\$ 681,025
Short-term loans (Note 4)	24,470	36,313	307,607
Income taxes payable	4,932	5,126	43,422
Accrued expenses and other current liabilities	35,242	33,869	286,904
Total current liabilities	137,743	155,703	1,318,958
Non-current liabilities:			
Long-term debt (Note 4)	28,826	19,936	168,878
Accrued retirement benefits (Note 5)	25,431	26,107	221,152
Deferred income tax liabilities-noncurrent (Note 6)	2,069	861	7,294
Other non-current liabilities	1,898	2,258	19,127
Total non-current liabilities	58,224	49,162	416,451
Contingent liabilities (Note 7)			
Minority interests			
	30,436	30,881	261,593
Shareholders' equity:			
Common stock	14,270	14,270	120,881
320,000,000 shares authorized and 160,789,436 shares issued at 31 March, 2006 and 2007			
Additional paid-in capital	17,107	17,107	144,913
Retained earnings	89,548	99,299	841,161
Valuation adjustment on investment securities	18,679	17,731	150,199
Translation adjustments	382	1,196	10,131
Treasury common stock, at cost:			
251,000 shares in 2006 and 72,000 shares in 2007	(140)	(54)	(457)
Total	139,849	149,553	1,266,861
Total liabilities and shareholders' equity	¥366,254	¥385,300	\$3,263,871

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Common stock:			
Beginning balance	¥ 14,270	¥ 14,270	\$ 120,881
Ending balance	¥ 14,270	¥ 14,270	\$ 120,881
Additional paid-in capital:			
Beginning balance	¥ 17,107	¥ 17,107	\$ 144,913
Ending balance	¥ 17,107	¥ 17,107	\$ 144,913
Retained earnings:			
Beginning balance	¥ 79,912	¥ 89,548	\$ 758,560
Net income	12,731	13,374	113,291
Deductions:			
Cash dividends applicable to the year	(2,564)	(3,534)	(29,936)
Bonuses to directors and corporate auditors	(205)	-	-
Loss on disposal of treasury stock	(4)	-	-
Decrease in unfunded pension liabilities associated with pension accounting of overseas subsidiaries	(159)	-	-
Other	(162)	(88)	(745)
Ending balance	¥ 89,548	¥ 99,299	\$ 841,161
Valuation adjustment on investment securities	¥ 18,679	¥ 17,731	\$ 150,199
Translation adjustments	382	1,196	10,131
Treasury stock	(140)	(54)	(457)
Total	¥139,849	¥149,553	\$1,266,861

CONSOLIDATED STATEMENTS OF CASH FLOWS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Cash flows from operating activities:			
Net income	¥ 12,731	¥ 13,374	\$ 113,291
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	19,920	22,347	189,301
Impairment loss	413	-	-
Minority interests in consolidated subsidiaries	1,468	1,802	15,265
Provision for allowance for doubtful accounts	(191)	82	695
Provision for accrued retirement benefits	1,447	1,892	16,027
(Profit) loss on revaluation of marketable securities	(127)	(882)	(7,471)
Loss on sale and disposal of property and equipment	285	428	3,626
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	(7,834)	(2,910)	(24,651)
Inventories	(5,123)	(8,498)	(71,986)
Prepaid expenses and others	(1,814)	2,124	17,992
Trade notes and accounts payable	11,310	9,825	83,227
Income taxes payable	(8,895)	(10,236)	(86,709)
Accrued expenses and other current liabilities	4,579	(145)	(1,228)
Others, net	9,031	9,350	79,204
Net cash provided by operating activities	37,200	38,553	326,582
Cash flows from investing activities:			
Acquisition of property and equipment	(28,895)	(34,988)	(296,383)
Proceeds from sale of property and equipment	1,483	404	3,422
Purchase of marketable and investment securities	(34,897)	(29,592)	(250,673)
Proceeds from sale of marketable and investment securities	30,725	32,523	275,502
(Decrease) increase in long-term loans	6	27	229
Increase (decrease) in other investments and other assets	673	(1,014)	(8,590)
Net cash used in investing activities	(30,905)	(32,640)	(276,493)
Cash flows from financing activities:			
(Decrease) increase in short-term bank loans	(4,912)	(961)	(8,141)
Increase (decrease) in long-term bank loans	5,978	3,821	32,368
Decrease (increase) in treasury stock	305	86	729
Cash dividends	(4,034)	(4,760)	(40,322)
Net cash used in financing activities	(2,663)	(1,814)	(15,366)
Foreign currency translation adjustment on cash and cash equivalents	216	159	1,347
Change in cash and cash equivalents	3,848	4,258	36,069
Cash and cash equivalents at beginning of the year	11,925	15,773	133,613
Decrease in cash and cash equivalents due to exclusion of a previously consolidated subsidiary	-	(35)	(296)
Cash and cash equivalents at end of the year	¥ 15,773	¥ 19,996	\$ 169,386

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, 2006 and 2007 include the accounts for the Company and the 22 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
Shizuokadense 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
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 TAYIH INDUSTRIAL CO., LTD.	67
THAI KOITO COMPANY LIMITED	62
Ta Yih Industrial Co., Ltd.	33
INDIA JAPAN LIGHTING PRIVATE LIMITED	50

^(*) Represents ownership at March 31, 2007 and includes shares owned through consolidated subsidiaries.

(Note) In the period under review, shares of Innovative Hightech Lighting Corporation owned by the Company were all sold and Innovative Hightech Lighting Corporation was excluded from consolidation.

(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 three 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) Accounting for impairment of fixed assets

The Company adopted the fixed asset impairment accounting standard from the previous year and is reviewing for impairment for fixed assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As a consequence, there was no impairment asset for the year ended March 31, 2007.

(8) 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.

(9) 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.

(10) 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.

(11) Research and development costs

Research and development costs are charged to income as incurred.

(12) 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.

(13) Cash equivalents

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

(14) 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.

(15) 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 ¥118.05=US\$1, the approximate rate of exchange at March 31, 2007, 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, 2006 and 2007, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Loans, principally from banks			
To the Company	-	-	-
To consolidated subsidiaries	¥24,470	¥36,313	\$307,607
Total	¥24,470	¥36,313	\$307,607

At March 31, 2006 and 2007, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Loans, principally from banks			
To the Company	-	-	-
To consolidated subsidiaries	¥28,826	¥19,936	\$168,878
Total	¥28,826	¥19,936	\$168,878

5. Employee retirement benefits

Retirement benefit obligations at March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Projected benefit obligations	¥(55,549)	¥(57,056)	\$(483,321)
Plan assets	25,534	28,389	240,483
Unfunded pension liabilities	(30,014)	(28,666)	(242,829)
Unrecognized net transition obligation	-	-	-
Unrecognized actuarial differences	4,582	2,559	21,677
Accrued retirement benefits on balance sheet	¥(25,431)	¥(26,107)	\$(221,152)

Net periodic cost for the fiscal years ended March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Service cost	¥2,188	¥2,233	\$18,916
Interest cost	1,262	1,127	9,547
Expected return on plan assets	(581)	(551)	(4,668)
Amortization of transition obligation	-	-	-
Actuarial loss	2,307	2,257	19,119
Total	¥5,176	¥5,066	\$42,914

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, 2006 and 2007 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Deferred income tax assets:			
Excess accrued bonus	¥ 1,851	¥ 1,854	\$ 15,705
Excess accrued retirement benefits	8,847	9,689	82,075
Disallowed retirement allowance to directors	567	633	5,362
Excess depreciation, other	2,495	2,271	19,238
Loss on revaluation of investment securities, other	609	551	4,668
Loss on revaluation of land	507	478	4,049
Reserve for liability claims	914	899	7,615
Reserve for product warranties	528	528	4,473
Others	144	150	1,271
Deferred income tax assets total	¥ 16,462	¥ 17,053	\$ 144,456
Deferred tax liabilities:			
Reserve for reduction of asset costs	¥ (535)	¥ (541)	\$ (4,583)
Valuation adjustment on investment securities	(11,942)	(11,336)	(96,027)
Deferred income tax liabilities total	¥(12,478)	¥(11,878)	\$ (100,618)
Net deferred income tax assets (liabilities)	¥ 3,984	¥ 5,175	\$ 43,837

(b) The net deferred income tax assets and liabilities at March 31, 2006 and 2007 were included in the balance sheets as follows:

At March 31	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Deferred income tax assets—current	¥ 6,053	¥6,036	\$51,131
Deferred income tax liabilities—non-current	(2,069)	(861)	(7,294)
Net deferred income tax assets (liabilities)	¥ 3,984	¥5,175	\$43,837

7. Contingent liabilities

At March 31, 2006 and 2007, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
As guarantor of employees' housing loans and other from financial institutions and others	¥27	¥14	\$119

8. Segment information

INDUSTRY SEGMENT INFORMATION

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

Automotive Lighting Equipment: Headlamps, miscellaneous car lamps, discharge headlamps, 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, special-feature seats, environmental control systems, finance and insurance services, transportation.

	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, 2006						
Sales:						
Sales to outside customers	¥337,604	¥35,160	¥24,745	¥397,509	¥ -	¥397,509
Inter-segment sales and transfers ...	80,229	1,228	3,093	84,551	(84,551)	-
Total	<u>¥417,833</u>	<u>¥36,389</u>	<u>¥27,838</u>	<u>¥482,061</u>	<u>¥(84,551)</u>	<u>¥397,509</u>
Operating expenses	394,569	37,445	26,583	458,599	(83,351)	375,247
Operating income (loss)	<u>¥ 23,264</u>	<u>¥ (1,056)</u>	<u>¥ 1,255</u>	<u>¥ 23,462</u>	<u>¥ (1,200)</u>	<u>¥ 22,262</u>
Identifiable assets at March 31, 2006 ...	<u>¥209,631</u>	<u>¥50,502</u>	<u>¥51,361</u>	<u>¥311,494</u>	<u>¥ 54,760</u>	<u>¥366,254</u>
Depreciation	<u>¥ 17,981</u>	<u>¥ 984</u>	<u>¥ 911</u>	<u>¥ 19,876</u>	<u>¥ 44</u>	<u>¥ 19,920</u>
Impairment loss	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 413</u>	<u>¥ 413</u>
Capital expenditures	<u>¥ 23,537</u>	<u>¥ 834</u>	<u>¥ 564</u>	<u>¥ 24,935</u>	<u>¥ -</u>	<u>¥ 24,935</u>

	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	<u>¥477,585</u>	<u>¥39,055</u>	<u>¥34,181</u>	<u>¥550,822</u>	<u>¥(98,302)</u>	<u>¥452,520</u>
Operating expenses	455,715	38,395	34,368	528,479	(97,287)	431,191
Operating income (loss)	<u>¥ 21,870</u>	<u>¥ 660</u>	<u>¥ (187)</u>	<u>¥ 22,343</u>	<u>¥ (1,014)</u>	<u>¥ 21,328</u>
Identifiable assets at March 31, 2007 ...	<u>¥228,785</u>	<u>¥49,406</u>	<u>¥56,639</u>	<u>¥334,830</u>	<u>¥ 50,470</u>	<u>¥385,300</u>
Depreciation	<u>¥ 20,596</u>	<u>¥ 944</u>	<u>¥ 766</u>	<u>¥ 22,306</u>	<u>¥ 41</u>	<u>¥ 22,347</u>
Capital expenditures	<u>¥ 33,283</u>	<u>¥ 688</u>	<u>¥ 518</u>	<u>¥ 34,489</u>	<u>¥ -</u>	<u>¥ 34,489</u>

	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, 2007						
Sales:						
Sales to outside customers	\$3,250,047	\$322,499	\$260,737	\$3,833,291	\$ -	\$3,833,291
Inter-segment sales and transfers	795,561	8,335	28,801	832,715	(832,715)	-
Total	<u>\$4,045,616</u>	<u>\$330,834</u>	<u>\$289,547</u>	<u>\$4,666,006</u>	<u>\$(832,715)</u>	<u>\$3,833,291</u>
Operating expenses	3,860,356	325,244	291,131	4,476,739	(824,117)	3,652,613
Operating income (loss)	<u>\$ 185,260</u>	<u>\$ 5,591</u>	<u>\$ (1,584)</u>	<u>\$ 189,267</u>	<u>\$ (8,590)</u>	<u>\$ 180,669</u>
Identifiable assets						
at March 31, 2007	<u>\$1,938,035</u>	<u>\$418,518</u>	<u>\$479,788</u>	<u>\$2,836,341</u>	<u>\$ 427,531</u>	<u>\$3,263,871</u>
Depreciation	<u>\$ 174,468</u>	<u>\$ 7,997</u>	<u>\$ 6,489</u>	<u>\$ 188,954</u>	<u>\$ 347</u>	<u>\$ 189,301</u>
Capital expenditures	<u>\$ 281,940</u>	<u>\$ 5,828</u>	<u>\$ 4,388</u>	<u>\$ 292,156</u>	<u>\$ -</u>	<u>\$ 292,156</u>

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, 2006 and 2007 is as follows:

	Millions of yen						
	Japan	North America	Asia	Europe	Total	Corporate and Elimination	Consolidated Total
For the year ended March 31, 2006							
Sales:							
Sales to outside customers	¥252,825	¥51,418	¥72,118	¥21,146	¥397,509	¥ -	¥397,509
Inter-area sales and transfers	60,940	-	2,842	20,769	84,551	(84,551)	-
Total	<u>¥313,765</u>	<u>¥51,418</u>	<u>¥74,961</u>	<u>¥41,916</u>	<u>¥482,061</u>	<u>¥(84,551)</u>	<u>¥397,509</u>
Operating expenses	296,503	49,255	70,954	41,885	458,599	(83,351)	375,247
Operating income (loss)	<u>¥ 17,261</u>	<u>¥ 2,162</u>	<u>¥ 4,006</u>	<u>¥ 30</u>	<u>¥ 23,462</u>	<u>¥ (1,200)</u>	<u>¥ 22,262</u>
Total assets	<u>¥206,969</u>	<u>¥24,012</u>	<u>¥58,678</u>	<u>¥21,835</u>	<u>¥311,494</u>	<u>¥ 54,760</u>	<u>¥366,254</u>

	Millions of yen						Consolidated Total
	Japan	North America	Asia	Europe	Total	Corporate and Elimination	
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	¥385,300

	Thousands of U.S. dollars						Consolidated Total
	Japan	North America	Asia	Europe	Total	Corporate and Elimination	
For the year ended March 31, 2007							
Sales:							
Sales to outside customers	\$2,394,477	\$470,352	\$756,603	\$211,851	\$3,833,291	\$ -	\$3,833,291
Inter-area sales and transfers ...	599,890	-	26,319	206,497	832,715	(832,715)	-
Total	\$2,994,367	\$470,352	\$782,931	\$418,348	\$4,666,006	\$(832,715)	\$3,833,291
Operating expenses	2,860,093	448,835	752,122	415,680	4,476,739	(824,117)	3,652,613
Operating income (loss)	\$ 134,274	\$ 21,513	\$ 30,809	\$ 2,660	\$ 189,267	\$ (8,590)	\$ 180,669
Total assets	\$1,912,969	\$210,021	\$491,825	\$221,525	\$2,836,341	\$ 427,531	\$3,263,871

9. Subsequent events

At the general shareholders' meeting held by the Company on June 28, 2007, appropriations of retained earnings were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥11 per share (\$93.18 per 1,000 shares)	¥1,767	\$14,968

REPORT OF INDEPENDENT AUDITORS

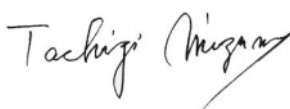
The Board of Directors
KOITO MANUFACTURING CO., LTD.

We have examined the consolidated balance sheets of KOITO MANUFACTURING CO., LTD. and its subsidiaries at March 31, 2006 and 2007, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended March 31, 2006 and 2007, 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.

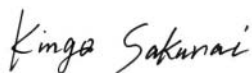
We conducted our audits in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, 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, 2006 and 2007, and the consolidated results of their operations and their cash flows for the years ended March 31, 2006 and 2007, 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, 2007 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

Certified Public Accountants
June 28, 2007

CORPORATE INFORMATION

As of March 31, 2007

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: 14,242 (Consolidated)

4,145 (Non-consolidated)

Common stock:

Authorized: 320,000,000 shares

Issued: 160,789,436 shares

Number of shareholders: 6,754

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.

For further information, please contact:

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4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan
Phone: 81-3-3443-7111
Facsimile: 81-3-3447-1520
Or via our website at: <http://www.koito.co.jp>

CORPORATE DIRECTORY

HEAD OFFICE

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

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Phone: 81-3-3447-5171
Facsimile: 81-3-3447-5173

Overseas Planning Department

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Facsimile: 81-54-345-4959

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Phone: 81-3-3447-5172
Facsimile: 81-3-3447-5173

Euro-American Operations

Phone: 81-3-3447-5166
Facsimile: 81-3-3447-5173

PLANTS

Shizuoka Plant (Shizuoka Pref.)

Phone: 81-54-345-2251
Facsimile: 81-54-346-9174

Haibara Plant (Shizuoka Pref.)

Kikkawa Plant (Shizuoka Pref.)

Sagara Plant (Shizuoka Pref.)

Fujikawa Tooling Plant (Shizuoka Pref.)

LABORATORY

Laboratory (Shizuoka Pref.)

DOMESTIC BUSINESS NETWORK

Tokyo Branch (Tokyo)

Phone: 81-3-3447-5161
Facsimile: 81-3-3447-1660

Toyota Branch (Aichi Pref.)

Phone: 81-565-28-1129
Facsimile: 81-565-29-1217

Osaka Branch (Osaka)

Phone: 81-6-6391-6731
Facsimile: 81-6-6395-1154

Hiroshima Branch (Hiroshima Pref.)

Phone: 81-82-893-1281
Facsimile: 81-82-893-1341

Sendai Sales Office (Miyagi Pref.)

Utsunomiya Sales Office (Tochigi Pref.)

Ohta Sales Office (Gunma Pref.)

Atsugi Sales Office (Kanagawa Pref.)

Shizuoka Sales Office (Shizuoka Pref.)

Fukuoka Sales Office (Fukuoka Pref.)

OVERSEAS REPRESENTATIVE OFFICES

Detroit Office (U.S.A.)

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

Seattle Office (U.S.A.)

c/o Sojitz Corporation of America
Bank of America Tower, Suite 1160,
701 5th Avenue, Seattle,
Washington 98104, U.S.A.
Phone: 1-206-386-5624
Facsimile: 1-206-386-5640

China Office (China)

c/o Shanghai Koito Automotive Lamp Co., Ltd.
767 Ye-cheng RD. Jia Ding South Door,
Shanghai, 201800
People's Republic of China
Phone: 86-21-6952-2673
Facsimile: 86-21-6952-6246

GLOBAL NETWORK

OVERSEAS SUBSIDIARIES AND AFFILIATES

North American Lighting, Inc.

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Phone: 1-217-465-6600
Facsimile: 1-217-465-6610

Koito Europe NV

Vaartdijk 59, 3018 Leuven (Wijgmaal), Belgium
Phone: 32-16-7213-00
Facsimile: 32-16-7213-01

Koito Europe Limited

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Hampton Lovett Industrial Estate,
Droitwich, Worcestershire WR9 0QH, U.K.
Phone: 44-1905-790-800
Facsimile: 44-1905-794-466

Koito Czech s.r.o.

Na Astre 3001, 438 01 Zatec, Czech Republic
Phone: 420-415-930-111
Facsimile: 420-415-930-109

Shanghai Koito Automotive Lamp Co., Ltd.

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

GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.

No. B01, Transnational Industry Park,
Yuexi Village, Shilou Town, Panyu District,
Guangzhou City, Guangdong,
People's Republic of China
Phone: 86-20-3930-7000
Facsimile: 86-20-3930-7020

FUZHOU TAYIH INDUSTRIAL CO., LTD.

South East Motor Zone, Qingkou, Minhou, Fujian,
People's Republic of China
Phone: 86-591-2276-5266
Facsimile: 86-591-2276-7466

THAI KOITO COMPANY LIMITED

370 Moo 17 Tambol Bangsaothong
King Amphur Bangsaothong,
Samutprakarn 10540, Thailand
Phone: 66-2-706-7900
Facsimile: 66-2-315-3281

Ta Yih Industrial Co., Ltd.

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

INDIA JAPAN LIGHTING PRIVATE LIMITED

No. 1, Puduchathram, (Via) Tirumazhisai, Tiruvellore
High Road,
Tamilnadu 602-107, India
Phone: 91-44-2681-1300
Facsimile: 91-44-2681-1750

OVERSEAS TECHNICAL ASSOCIATES

North American Lighting, Inc. (U.S.A.)

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

Industrias Arteb S.A. (Brazil)

Koito Europe NV (Belgium)

Koito Europe Limited (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)

Shanghai Koito Automotive Lamp Co., Ltd. (China)

GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (China)

FUZHOU TAYIH INDUSTRIAL CO., LTD. (China)

THAI KOITO COMPANY LIMITED (Thailand)

Ta Yih Industrial Co., Ltd. (Taiwan)

INDIA JAPAN LIGHTING PRIVATE LIMITED (India)

Bangkok Diecasting and Injection Co., Ltd. (Thailand)

Hella Australia Pty Ltd (Australia)

Hella-Phil., Inc. (The Philippines)

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

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

Chongqing Koito Automotive Lamp Co., Ltd. (China)

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: Manufacturing and marketing of
railroad car equipment, special seats, lighting
equipment, electrical machinery, traffic light
maintenance equipment, water and sewage
products, and environmental equipment

Koito Transport Co., Ltd.

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

Koito Enterprise Corporation

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

Aoitec Co., Ltd.

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

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.

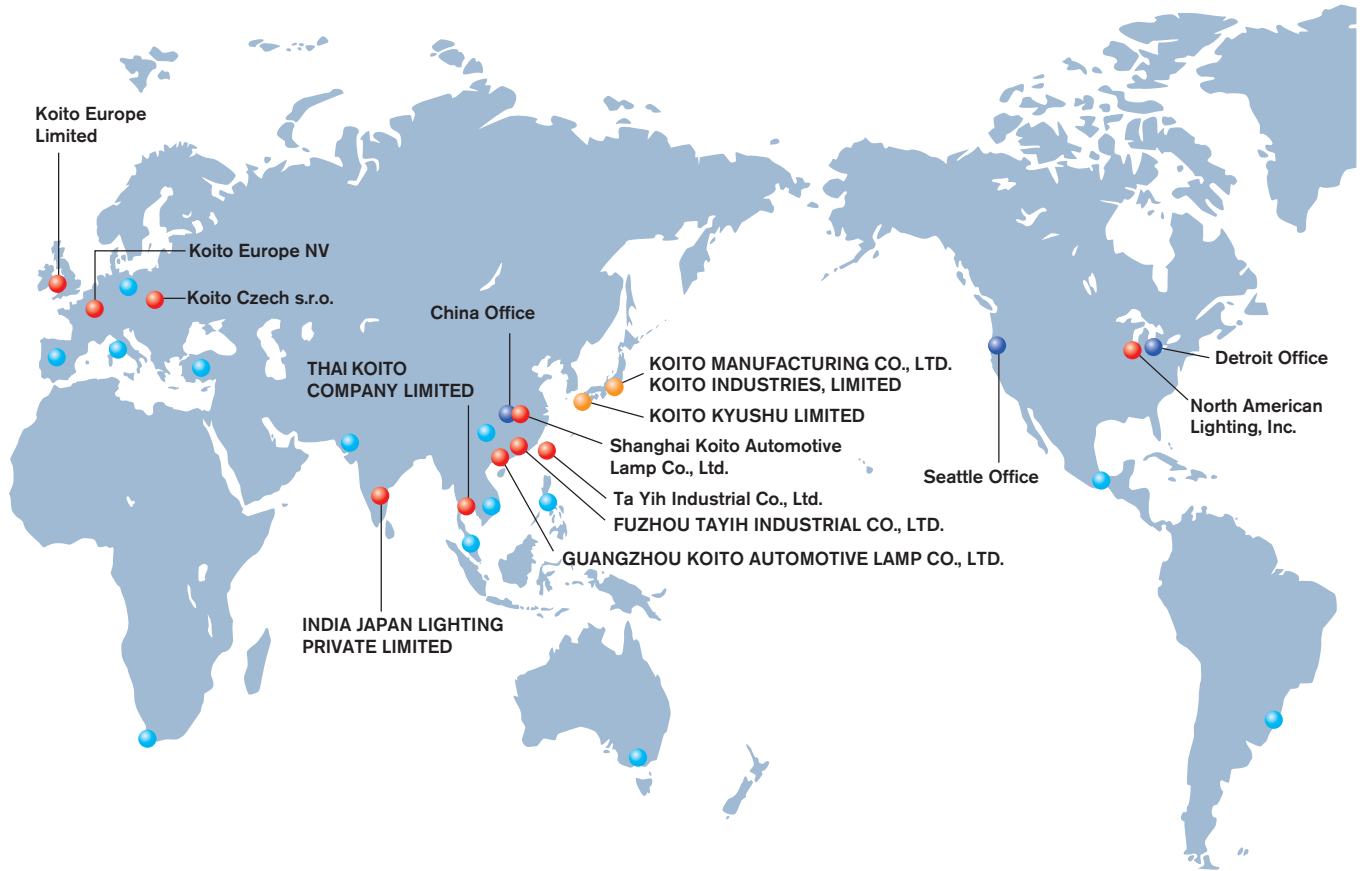
(Shizuoka Pref.)
Business lines: Service businesses

Minatsu, Ltd.

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

DOROKEISO CO., LTD.

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



- OVERSEAS SUBSIDIARIES AND AFFILIATES
- OVERSEAS TECHNICAL ASSOCIATES
- OVERSEAS REPRESENTATIVE OFFICES



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