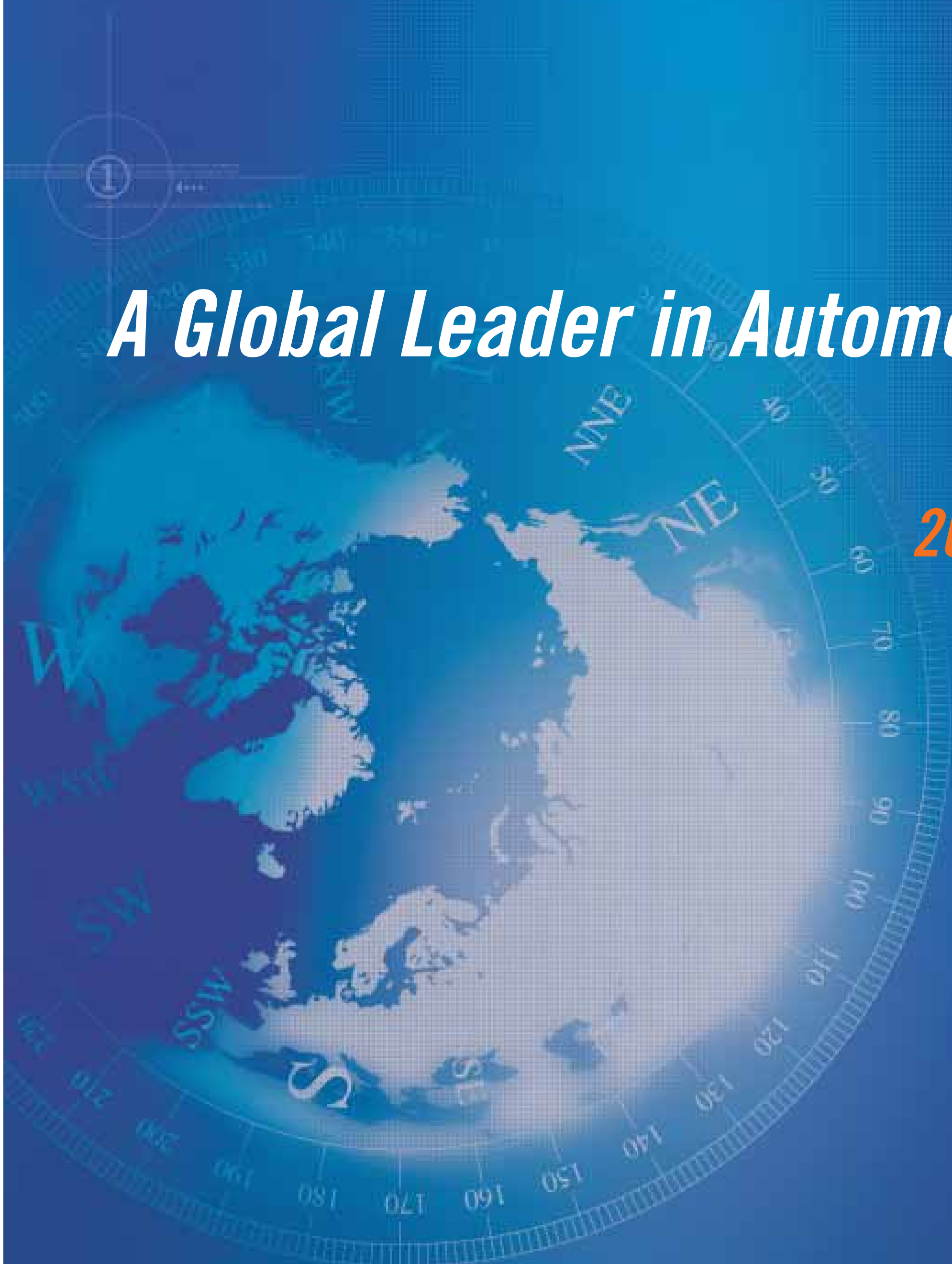
KOITO

A Global Leader in Automotive Lighting



2004 Annual Report

Year Ended March 31, 2004

KOITO MANUFACTURING CO., LTD.

KOITO MANUFACTURING CO., LTD. (Koito) will celebrate its 90th anniversary in 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, from automobiles to aviation, railways and shipping, and in traffic systems. In all these areas, the Koito Group's technologies are making a significant contribution to safety.

These products and technologies underpin our commitment to the slogan, "Entrusting Safety to Light."

2004 Annual Report Contents

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

Koito has published annual reports in Japanese from fiscal 2000 onward to ensure fair disclosure, in addition to an English annual report. 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

The automobile industry has entered a phase of expansion and geographic diversification as companies seek to take greater advantage of globally optimal production, procurement and product supply frameworks. At the same time, competition is growing increasingly fierce worldwide. In this climate, Koito is steadily growing its mainstay automotive lighting equipment business and other operations. It has assembled an infrastructure spanning four regions (North America, Europe, Asia and Japan), including 12 production bases in eight countries overseas. This infrastructure has established Koito as a global supplier capable of shipping products to customers in countries all over the world.

Aiming to satisfy all its customers, Koito is enhancing its growth potential, competitiveness, and profitability under a DQCDS (Development, Quality, Cost, Delivery and Speed) initiative. This entails a company-wide effort 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 is committed to supplying products that are outstanding in terms of safety and quality, earning the trust of customers and reflecting the demands of people and the global environment. This stance has led to the commercialization of many products, including the world's first mercury-free, high-intensity discharge headlamps, the Adaptive Front Lighting System (AFS) designed to further enhance safety, and light-emitting diode (LED) headlamps. Another key theme has been to ramp up production capacity. In December 2003, we completed the construction of our third plant at THAI KOITO COMPANY LIMITED and finished expanding production facilities at a plant run by Inhee Lighting Co., Ltd. in South Korea. Going forward, we will continue to prioritize the development of new products and the expansion of production capacity.

Under the corporate message "Entrusting Safety to Light," Koito is committed to developing products in its core automotive lighting equipment business and in all other transport equipment and systems fields, such as aerospace and shipping. In these and other ways, we are determined to play a part in 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 the quality of our products. 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 advice as we work toward these goals.

Takashi Ohtake
President & CEO
September 2004

Takashi Ohtake
President & CEO

Fiscal 2004 Results

During fiscal 2004, the year ended March 31, 2004, the U.S. economy achieved steady overall growth, supported by higher consumer spending fueled by large additional tax cuts and other factors, as well as increases in housing, capital investment and other areas. Asia also saw strong economic growth, especially in China and Thailand, underpinned by firm exports and consumer spending.

The Japanese economy saw some signs of economic recovery, including an improvement in corporate performances on the back of export and capital expenditure growth, spurred by favorable economic conditions in the U.S. and China.

In the automobile industry, global automobile production in 2003 increased to more than 60 million units, lifted in part by higher production in Asia and Eastern Europe.

Despite a decline in exports to the U.S. associated with a shift to local production, automobile production in Japan rose to 10.35 million units due to robust domestic automobile sales. These sales were underpinned by the launch of new passenger car models and replacement demand for trucks in response to new exhaust emissions regulations.

In this climate, the Koito Group worked to step up production capacity in its core automotive lighting equipment business. With the view to capturing more orders over the medium and long terms, Koito is also assembling a global product development framework spanning four development and production bases in Japan, the U.S., Europe and Asia.

During fiscal 2004, Koito kept pace with the strong level of automobile production in Japan, and responded to advances in larger, multi-functional headlamps and the wider adoption of high-intensity discharge headlamps and headlamp leveling systems. Overseas, there was a sharp increase in orders for both signaling lamps and headlamps, especially in Europe, China, and South Korea. These and other factors helped to lift net sales 7.4% to a record ¥334.2 billion.

On the earnings front, automakers have been stepping up cost cutting efforts and optimal worldwide procurement, resulting in intensified price competition in Japan and overseas. In response, Koito worked closely with its group companies to implement far-reaching measures to lower costs. As a result, Koito posted record operating income and net income on the back of net sales that reached an all-time high. Operating income was up 4.3% to ¥13.7 billion, while net income rose 10.5% to ¥6.4 billion.

In light of this substantial improvement in operating results, Koito raised the year-end dividend per share by ¥2 to ¥7 in recognition of the continued support of shareholders. Accordingly, the dividend per share for fiscal 2004 was ¥12 per share, including the interim dividend, marking two consecutive years of dividend growth.

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)
	2002	2003	**2004**	**2004**
Annual:				
Net sales	¥301,141	¥311,133	**¥334,254**	**$3,162,589**
Operating income	9,779	13,157	**13,723**	**129,842**
Net income	2,784	5,826	**6,440**	**60,933**
Per share (Yen and U.S. dollars)**:**				
Net income	¥ 17.38	¥ 35.51	**¥ 39.19**	**$ 0.37**
Year-end:				
Total assets	¥295,097	¥290,397	**¥299,344**	**$2,832,283**
Total shareholders' equity	101,738	102,475	**111,707**	**1,056,931**

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, 2004 of ¥105.69=US$1.

Outlook for Fiscal 2005

In fiscal 2005, the year ending March 31, 2005, the global economy is expected to show steady growth, supported by a full-fledged recovery in the U.S. and healthy demand from China and elsewhere in Asia. Japan's economy is expected to remain on a modest recovery track, continuing to be underpinned by exports and capital expenditures. However, there are still reasons to be cautious about the economic outlook due to a number of concerns, including higher raw materials costs due to soaring crude-oil prices and the possible reemergence of exchange rate volatility.

In the automobile industry, global automobile production is expected to remain on a modest growth track, aided by higher automobile production in Japan, which is being fueled by strong exports and expanding production levels in China and elsewhere in Asia.

In this climate, guided by the President's Policy of 2004, the Koito Group will work to win more orders and expand production capacity mainly in the automotive lighting equipment business, targeting the world's four key automobile markets. On top of this, Koito will implement far-reaching cost cutting measures, including the development of a mutual complementary supply network and structure.

As a result of the above, Koito forecasts net sales of ¥350.6 billion, up 4.9%, operating income of ¥16.6 billion, up 21.0%, and net income of ¥7.6 billion, up 18.0%.

Medium-term Outlook

The world's automobile industry is undergoing a structural transformation driven by advances in production, procurement, and supply frameworks in optimal locations worldwide. Japan is certainly no exception. Mature markets, including Japan, North America, and Europe, cannot be counted on to deliver significant further growth in demand. However, improving income levels in line with economic development and other factors in regions such as China, ASEAN nations, and Eastern Europe, offer the prospect of continued growth in both demand and production over the medium and long terms.

In this manner, the expansion of the automobile industry on a worldwide scale presents a significant opportunity for Koito in its role as a global supplier.

Koito is developing its business centered on 12 existing production bases run by eight companies in eight overseas countries. One crucial theme for making the Koito Group even more competitive is to further strengthen and enhance the structure of each group company.

In Japan, Koito is working to efficiently reallocate resources and optimize business structures, assuming a decrease in automobile production in Japan over the medium and long terms prompted by structural change. It is imperative that we accelerate the implementation of these initiatives.

Aiming to build an even stronger organization, Koito has formulated a medium-term management plan targeting net sales of ¥400.0 billion or more. We intend to work closely with our group companies to achieve these goals.

To achieve its medium-term net sales target, Koito is currently expanding its core automotive lighting equipment business. One major thrust is strategic order-winning initiatives grounded on accurate understanding of trends in regions with sizable untapped demand—areas where the world's leading automakers are boosting production. We are seeking to launch high-value-added products, such as discharge headlamps and the Adaptive Front Lighting System (AFS). Our response to the standardization of specifications and quality standards accompanying the launch of globally 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 Transport Systems (ITS), aeronautics and space, and biotechnology. Products include traffic control systems, LED displays, electronic aircraft components, hydraulic equipment and aircraft seats, as well as biological control equipment.

Our medium-term net sales target represents a key step toward our next stage of growth and development. If we bring together the knowledge and energy of Koito and its group companies, encourage bold thinking based on changes in perspective and mindset, and take rapid and decisive action, I'm confident we can achieve this target without fail.

Under the keyword of "Collaboration," Koito's 2004 management policies consist of the following five policies that I have proposed. Our hope is to instigate a change in mindset among employees to help us achieve our medium-term goals.

President's Policies for 2004
"Collaboration"

1. Provide customer-oriented products and services
2. Promote innovation through a change in perspective and comparative analysis
3. Step up collaboration and speed up operations
4. Identify problems, rapidly resolve them, and prevent recurrences
5. Cost budgeting from scratch

In 2003, worldwide automobile production rose to approximately 60 million units, paced by strong growth in production in Asia and Eastern Europe. During fiscal 2004, the Koito Group made steady progress with its global strategy targeted at responding to automakers who are seeking to develop optimal production, procurement and supply frameworks around the world. These efforts underpinned all-time high net sales and net income in fiscal 2004. Koito is now aiming for even higher earnings in fiscal 2005.

Japan

The Japanese economy in fiscal 2004 started to show signs of recovery in some quarters, evidenced by growth in exports and capital expenditures on the back of strong economic growth in the U.S. and China, as well as an upturn in share prices due to improved corporate results. However, doubts lingered about the economy due to the sudden appreciation of the yen and difficult employment picture.

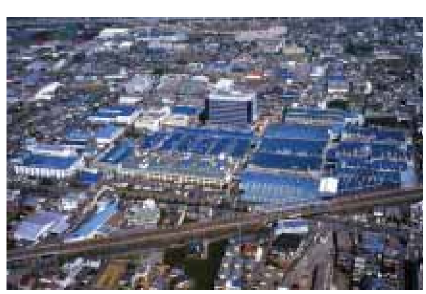
In Japan's auto industry, there was healthy growth in domestic sales due to the launch of new passenger car models and replacement demand for trucks spurred by exhaust emission regulations. On the other hand, exports to North America declined because of greater local production. Set against this backdrop, domestic automobile production edged up year on year to 10.35 million units.

KOITO MANUFACTURING CO., LTD.

In this climate, Koito worked to expand sales of new products in its mainstay automotive lighting equipment segment. In fiscal 2004, net sales at Koito in Japan rose 8.4% to ¥170.1 billion, a record for the company. Results for each segment are as follows.

[Automotive Lighting Equipment Segment]

This segment recorded net sales of ¥162.3 billion, a year-on-year increase of 8.7%, reflecting advances in larger, multi-functional headlamps and the growing adoption of high-intensity gas discharge headlamps (GDHLs) and headlamp leveling systems in new



KOITO MANUFACTURING Shizuoka Plant

KOITO MANUFACTURING Kikkawa Plant

cars. Intelligent Adaptive Front Lighting System (AFS) products, which were launched in the previous fiscal year, also contributed to the segment's performance.

[Aircraft Equipment Segment]
Segment sales decreased 7.8% year on year to ¥2.7 billion, reflecting lower domestic sales of filters and other hydraulic equipment to government agencies and of exports due to lower aircraft production.

[Other Products Segment]
The other products segment recorded sales of ¥5.0 billion, up 8.5% year on year. This was attributable to higher sales of headlamp cleaners and sustained sales of electronic components.

On the earnings front, operating income rose 29.8% to ¥6.7 billion and net income rose 2.4% to ¥6.0 billion, both reaching all-time highs. These results reflected strenuous efforts to cut fixed expenses by lowering depreciation expenses through reviews and curbs on capital expenditures. Another way was to rationalize and trim costs by improving productivity. These actions were taken amid increasingly fierce price-based competition for automotive lighting equipment.

During fiscal 2004, Koito made total capital expenditures of ¥7.7 billion. Capital expenditures were made to develop new products in the automotive lighting equipment segment and to respond to model changes. Expenditures also included equipment 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, healthy 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 and, at the same time, push through cost-reduction measures to shore up its price competitiveness as well as raise operating efficiency.

Head Office,
KOITO MANUFACTURING

KOITO MANUFACTURING Haibara Plant

KOITO MANUFACTURING Sagara Plant

KOITO MANUFACTURING
Fujikawa Tooling Plant

KOITO INDUSTRIES

KOITO INDUSTRIES, LIMITED
Head Office

In fiscal 2004, consolidated net sales at KOITO INDUSTRIES, LIMITED decreased 3.6% to ¥58.6 billion. By segment, in the transportation equipment segment, higher sales in both the railroad car equipment and aircraft seat divisions drove up sales year on year.

The non-automotive electrical equipment segment recorded a year-on-year decline in net sales, the result of falling sales in the non-automotive lighting equipment, information system and traffic system divisions.

The home appliances and environment segment recorded lower sales than in the previous fiscal year, reflecting decreases in both the home appliances and environmental systems divisions.

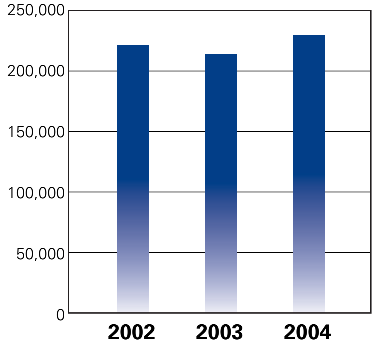
Operating income decreased 34.3% to ¥1.5 billion despite efforts to lower expenses and cut costs through a rigorous focus on ensuring that targets in each business were met. Operating income was brought down by lower profitability due to such factors as fierce competition for orders in the traffic system division. Net income rose 67.5% to ¥1.0 billion due to a gain on the return of the substitutional component of the Employees Welfare Annuity Fund to the Japanese government and other factors.

Looking ahead, in the public works sector, the company's main market in Japan, government policy has brought about structural reforms in recent years. This has led to market contraction and prompted reexamination of businesses and ordering methods by government agencies. Divisions at KOITO INDUSTRIES that compete for public works contracts are working to expand their market shares by pushing ahead with reforms designed to make operations more competitive. The focus continues to be on developing and supplying new products grounded on exclusive technologies. In overseas markets, the establishment of subsidiaries in the U.S. to strengthen bases should facilitate more aggressive sales activities in the railroad car equipment and aircraft seat divisions and lead to higher sales.

In new developments, KOITO INDUSTRIES is determined to achieve greater success in marine signaling system and grain storage facilities, which it has supplied to customers in South Korea.

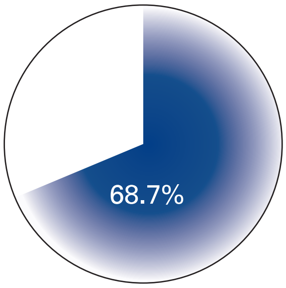
Net Sales [Japan]

(Millions of yen)

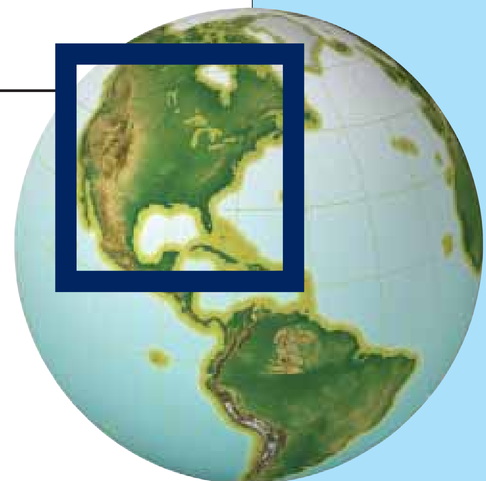


Share of Sales [Japan]

(%)



North America



Automobile production in North America in 2003 declined 4.0% year on year to 14.36 million units due to lower production at the Big 3 automakers, despite higher production by Japanese automakers. In North America, consolidated subsidiary North American Lighting, Inc. (NAL), established in 1983, supplies the Big 3 automakers and all local plants of Japanese auto manufacturers. Now one of the largest manufacturers of lighting equipment in North America, NAL has three plants in the U.S. state of Illinois: a plant in Flora making headlamps; a plant in Salem, which manufactures signaling lamps; and a plant in Paris, which makes headlamps and fog lamps. The company also has a Technical Center in Farmington Hills, Michigan. The Paris Plant, which came on stream in July 2002, started manufacturing headlamps, including AFS headlamps, for Toyota's *Lexus RX330* (*Harrier* in Japan) in the summer of 2003.

Net sales at NAL were ¥43.0 billion in fiscal 2004 due to sluggish growth in sales to the Big 3. Sales to Japanese automakers were largely the same as the previous fiscal year.

Moving forward, NAL will strive to improve its performance, increasing sales through measures focused on expanding orders, and improving product quality and productivity at all its plants.

NAL Flora Plant

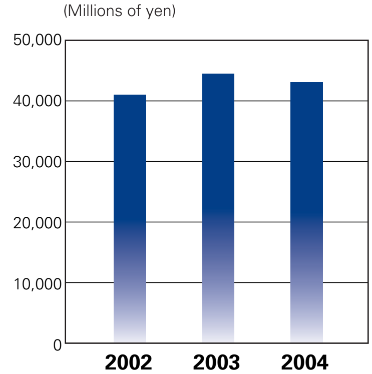
NAL Salem Plant

NAL Paris Plant

NAL Technical Center

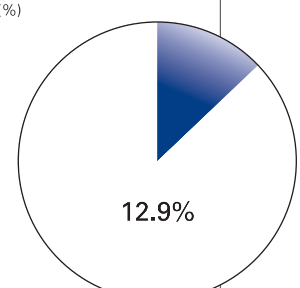
Net Sales [North America]

(Millions of yen)



Share of Sales [North America]

(%)



Europe

Automobile production in Europe in 2003 edged up year on year to 19.66 million units. In Eastern Europe, production was strong, while production in Western Europe was on a par with the previous year.

Koito has two production bases in Europe—Koito Europe Limited (KEL) in Droitwich, England, and Koito Czech s.r.o. (KCZ) in Zatec, the Czech Republic. These two bases work together to develop business in the European market.

KEL's main customers are Toyota Motor Manufacturing (UK) Ltd., Nissan Motor (GB) Ltd., Honda of the UK Manufacturing Limited, Land Rover and Bentley Motors Limited. Sales are growing steadily, thanks in part to the supply of discharge headlamps to Toyota and Bentley.

KCZ started producing headlamps for Renault's *Twingo* in September 2002, moving into full-scale operations in 2003. KCZ currently supplies headlamps to Renault and Land Rover, discharge headlamps and other products supporting business expansion.

In fiscal 2004, net sales were ¥11.4 billion, the result of an increase in new orders for headlamps. Due to higher fixed expenses accompanying the move to full-scale operations, KCZ posted an operating loss. In fiscal 2005, Koito anticipates further significant sales growth at KCZ and also an increase in sales to Japanese automakers at KEL. Together with actions to improve production processes, European operations are anticipated to contribute to earnings in fiscal 2006.

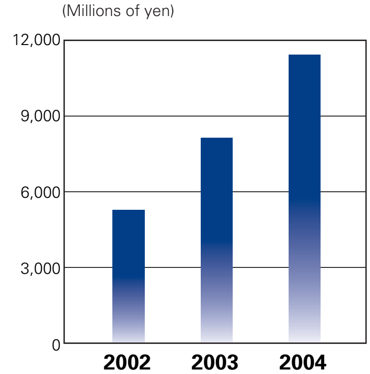
KEL

KCZ

Koito Europe
Technical Center (KETC)

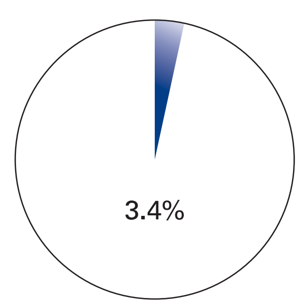
Net Sales [Europe]

(Millions of yen)



Share of Sales [Europe]

(%)



Asia

China

China's auto industry is growing at a phenomenal pace, with automobile production climbing 37.0% year on year to 4.44 million units in 2003.

Koito is developing business in China through Shanghai Koito Automotive Lamp Co., Ltd. Established in 1989, Shanghai Koito Automotive Lamp receives orders for lamps for use in all models of vehicle produced by Shanghai Volkswagen Automotive Company Ltd. (Shanghai VW) and Shanghai General Motors Co., Ltd. (Shanghai GM). The joint venture also supplies lamps to Tianjin Toyota Motor Co., Ltd., Dongfeng Motor Corp. and Suzuki. In April 2002, Shanghai Koito Automotive Lamp established a Technical Center in China, one of the first autoparts manufacturers to do so. This move has given the joint venture unrivaled local product development and molding die manufacturing capabilities as well as quality and has won it high marks from automakers.

In fiscal 2004, net sales at Shanghai Koito Automotive Lamp were ¥15.7 billion, supported by growing automobile production.

The Chinese auto industry is poised to develop further, spurred by healthy economic growth. By 2010, China is tipped to overtake Japan in terms of automobile production, churning out at least 10 million units a year. Koito's approach will be to develop operations in Shanghai and areas outside Shanghai where cars are produced, closely monitoring the trend in automobile production in China.

Head Office, Shanghai Koito Automotive Lamp

Shanghai Koito Automotive Lamp's Technical Center

Thailand

THAI KOITO

Thailand's economic growth in recent years has been remarkable, with both new vehicle sales and exports expanding. Supported by these trends, automobile production remained strong in 2003 in Thailand, growing 28% year on year to 0.75 million units.

The Koito Group's operations in Thailand are conducted through THAI KOITO COMPANY LIMITED. Established in 1986, THAI KOITO supplies lamps to all local Japanese automakers.

Automakers from around the world are focusing on Thailand as their core production base in the Southeast Asian market. THAI KOITO has started supplying main lamps for the *IMV*, Toyota's much-talked-about globally strategic vehicle.

In fiscal 2004, THAI KOITO posted net sales of ¥7.0 billion. Moving forward, THAI KOITO will channel its energies to winning lamp orders for the globally strategic vehicles of other automakers, and is thus forecasting even higher sales in fiscal 2005. THAI KOITO completed construction of a third plant in December 2003, bolstering its production capability. The completion of this plant will significantly raise the company's production capacity of headlamps and signaling lamps, pointing to prospects for high growth at THAI KOITO.

South Korea

Inhee Lighting

Automobile production in South Korea rose year on year to 3.15 million units in 2003, underpinned by steady growth.

The Koito Group's operations in South Korea are conducted through Inhee Lighting Co., Ltd. (IHL), a joint venture established in 1997 with Apollo Industrial Co., Ltd. IHL supplies automotive lamps, mainly to Hyundai Motor Company. The headlamp business, which started when IHL was established, has been winning increased orders due to the provision of technical assistance by Koito and other actions. To meet this increase in orders, IHL expanded production facilities at its plant, completing construction in December 2003. This has increased IHL's automotive lamp production capacity by 50%.

In fiscal 2004, an increase in automobile production and higher orders led to net sales of ¥18.2 billion. Sales are forecast to increase further in coming years, and IHL is also expected to significantly expand its share of headlamps to Hyundai.

South Korea is now one of the world's leading manufacturers of automobiles, making it an important country for the Koito Group from the perspective of increasing its market share. Efforts will thus be directed at futher expanding orders going forward.

Taiwan

Automobile production grew strongly in Taiwan in 2003, climbing 16% to 0.38 million units.

In Taiwan, Ta Yih Industrial Co., Ltd., in which Koito took an equity interest in 1988, commands an overwhelming market share of around 90% in both headlamps and signaling lamps.

For fiscal 2004, Ta Yih Industrial recorded net sales of ¥9.8 billion on increased automobile production, and advances in making headlamps with larger dimensions and high-performance functions.

Although automobile production in Taiwan is not expected to grow strongly, to achieve continuous 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 2003 jumped 23% year on year to 1.10 million units, surpassing 1 million units for the first time, as the industry continued its steady expansion. The higher production was due to a large increase in domestic sales, which were supported by India's economic growth and low interest rates.

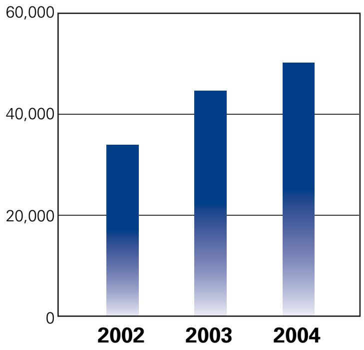
INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL), a joint venture established in 1997 with Lucas-TVS Limited, is seeing its operating results increase steadily. For fiscal 2004, IJL recorded net sales of ¥1.3 billion on higher sales of automotive lamps to all automakers, including Toyota, Suzuki and Telco.

In recent years, the development of original new vehicles has risen in tempo in India because of changing consumer preferences. By strengthening its product development capabilities and lowering costs further, IJL continues to work to increase orders in this vibrant market.

INDIA JAPAN LIGHTING PRIVATE LIMITED

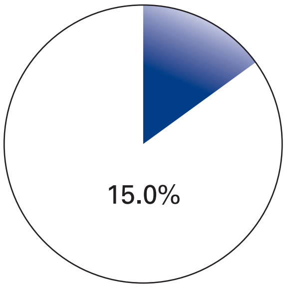
Net Sales [Asia]

(Millions of yen)



Share of Sales [Asia]

(%)



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, with a strong emphasis on safety and 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 carried out by Koito's global R&D network of four bases, led by KOITO MANUFACTURING's Engineering Headquarters and Research Laboratory in Japan. The other bases include NAL's Technical Center in the U.S., the Koito Europe Technical Center 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. Once a year, 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 segments are conducted mainly by KOITO MANUFACTURING's Engineering Headquarters and KOITO INDUSTRIES. In the year under review, 1,907 personnel were engaged in the Koito Group's R&D activities.

In fiscal 2004, R&D costs totaled ¥19.2 billion. By segment, the automotive lighting equipment segment used ¥16.5 billion, the non-automotive electrical segment ¥1.2 billion and the other products segment ¥1.4 billion.

The main research themes in each segment in fiscal 2004 are outlined below.

Automotive Lighting Equipment

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

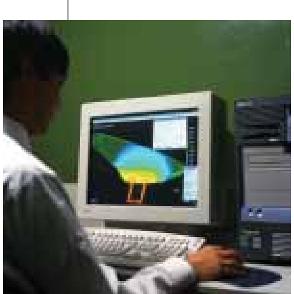
Non-automotive Electrical Equipment

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

Other Products

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

Technical Center,
KOITO MANUFACTURING



Promotion Framework and Environmental Management System

The Koito Group established an Environmental Committee in 1998 with the view to promoting environmental protection activities. Four committees have also been established under this committee: the Environmental Protection Committee, Environmental Audit Committee, Energy Conservation Committee and Recycling Promotion Committee. This framework has been structured to address company-wide environmental themes. Going a step further, a subcommittee has been established in the Recycling Promotion Committee to spearhead more specific activities for achieving certain objectives, such as recycling waste materials and lowering emission volumes.

Koito has established a unified environmental management system across the company based on the international ISO 14001 standard for environmental management. This system covers all processes from development through manufacturing. By January 2003, all five domestic plants had obtained ISO 14001 certification. Going further, as part of the Koito Group, domestic and overseas affiliated companies are also working to reduce their impact on the environment through their business activities. Key priorities include obtaining ISO 14001 certification through the establishment and implementation of environmental management systems, energy conservation, reducing the amount of waste materials, and developing eco-conscious products. So far, eight Koito group companies, including six overseas subsidiaries, have obtained ISO 14001 certification. In the future, the Koito Group will continue to implement environmental safeguards appropriate to host countries and regions.

Public Communication and Contributing to Society

Koito believes that managing its operations while taking into consideration the interests of stakeholders of all kinds, including local communities, customers, suppliers and investors, is vital to building relationships of trust between companies and society. Koito is also committed to proactive disclosure of its environmental activities, plans, and their progress 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.

Other important areas where we are making proactive efforts include taking part in community clean-up activities and other programs to keep the local natural environment clean, as well as environmental protection initiatives. By encouraging each and every employee to fulfill their social obligations as good citizens, we hope to actively contribute to society with the view to building lasting relationships with all stakeholders.

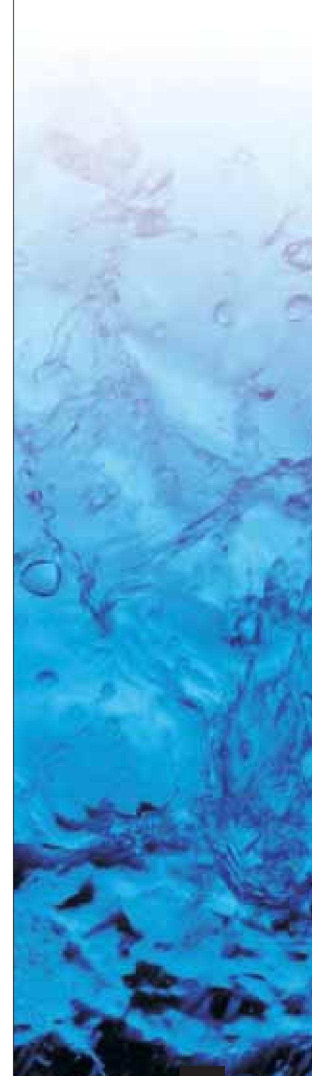
Promoting Manufacturing That Puts the Environment First

The Koito Group is implementing measures to conserve energy, as well as reduce waste materials and chemicals, with the aim of lowering the impact of its manufacturing operations on the environment. Understanding and minimizing the volume of use and emissions of energy, waste materials and chemicals is thus a key priority. The Koito Group is also making active efforts to reduce the overall environmental impact of its core automotive lamp products, not only at the manufacturing stage, but also during the entire product lifecycle from the product development stage to manufacturing, use, disposal and recycling.

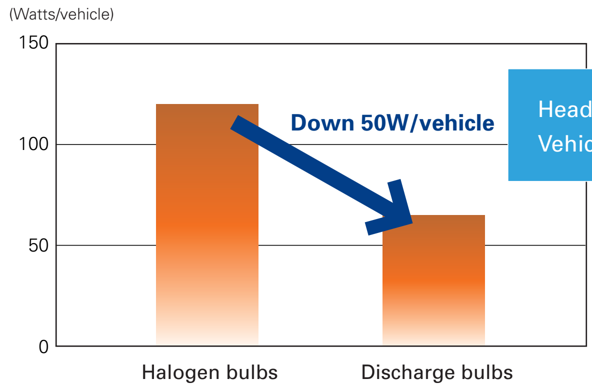
Development of Mercury-free Discharge Headlamps

Discharge headlamps offer three times the brightness and twice the lifetime of conventional halogen bulbs. On top of this, discharge headlamps consume only about two-thirds the power of halogen bulbs. This translates into a 1% improvement in fuel economy, a factor that is driving up demand for discharge headlamps. By fiscal 2003, the percentage of new vehicles fitted with discharge headlamps had risen to approximately 20%.

The core components of discharge headlamps are discharge bulbs (electric bulbs) and ballasts (light-activation control devices). Current discharge headlamps contain trace amounts of mercury, an environmentally hazardous substance. Because discharge headlamps, using existing technology, cannot produce light if mercury is completely eliminated, an alternative technology needed to be developed. This was no easy feat, as mirrored in recent regulatory developments in Europe, a region where tighter environmental



Headlamp Power Consumption (per vehicle)



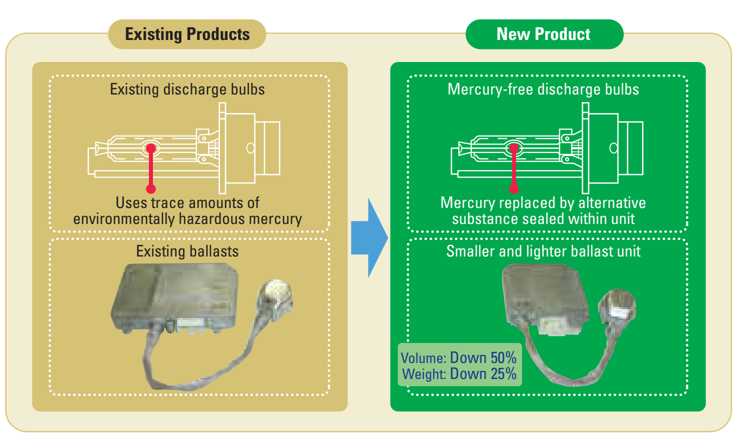
Headlamp power consumption: Down 41.7%
Vehicle fuel economy: Up 1.0%

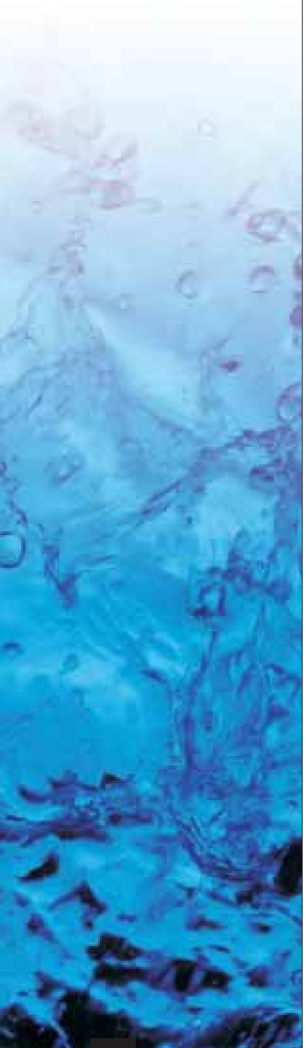
regulations are coming to the fore. In light of the technical difficulties inherent in replacing mercury with an alternative substance, mercury in discharge headlamps has been exempted from the ELV (End-of-life Vehicle) Directive issued by the EU. This directive prohibits the use of all hazardous substances, including mercury, in vehicles sold in the EU from July 2003.

Mindful of the fact that mercury must eventually be eliminated from discharge headlamps, the Koito Group pressed ahead with R&D in collaboration with bulb, ballast and automakers. The Koito Group's command of both bulb and ballast manufacturing technologies made it uniquely qualified for this undertaking. Through this initiative, the Koito Group successfully developed a mercury-free discharge headlamp with a level of performance equivalent to existing discharge headlamps and a new type of ballast that meets the requirements of mercury-free headlamps.

With the ballast units, Koito cut no corners in miniaturizing components in order to avoid adopting larger dimensions to accommodate the higher current and power input requirements of mercury-free bulbs. Compared with existing units, ballast volume was halved and weight reduced by 25%. In this manner, this new product was designed to save resources and energy.

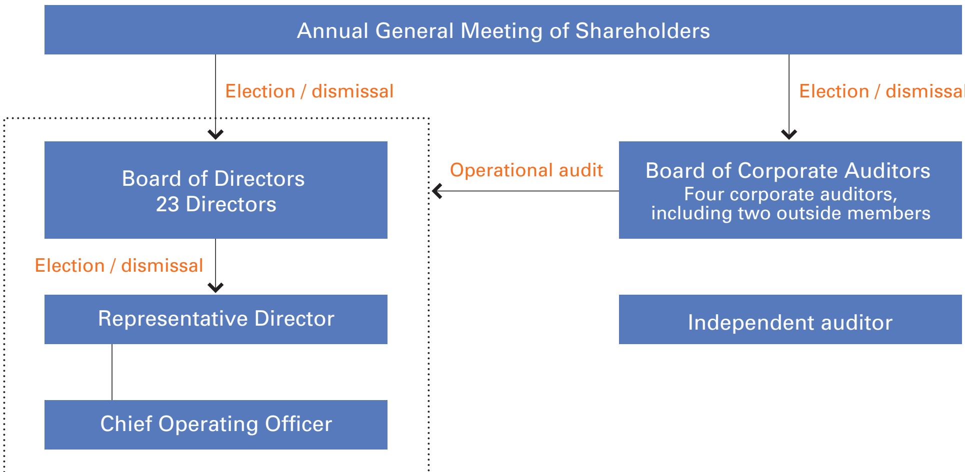
The Koito Group has become the first in the world to develop and achieve volume production of mercury-free discharge headlamps. As an environmentally conscious product that also improves safety, mercury-free discharge headlamps promise to drive the adoption of discharge headlamps at an unprecedented pace.





CORPORATE GOVERNANCE

The Koito Group is strongly aware of the importance of observing ethical standards and upholding the integrity of management. Strengthening corporate governance and legal compliance is therefore viewed as a key priority. Koito has implemented measures to ensure greater transparency and impartiality in management decision-making procedures and operational execution. These measures include the appointment of outside directors, corporate auditors and the formation of various committees, in addition to actions taken to strengthen the Board of Auditors.



(1) Corporate Governance Structure and Internal Control System

Koito's Board of Directors and Board of Corporate Auditors supervise and audit business execution, respectively. The Board of Directors, which comprises 23 directors, including one outside director, is positioned as the supervisory body for business execution and thus meets once every month. This Board's responsibilities include overseeing the implementation of management policies, holding deliberations to ensure that businesses operate in conformity with directives and other laws, and approving other important management issues.

The Board of Corporate Auditors comprises four corporate auditors, including two outside auditors. Each member of this Board audits the performance of directors through such means as participation in important meetings of the Board of Directors and monitoring the Company's operations and financial condition. These actions are taken in line with auditing policies, the assignment of duties, and other factors determined by the corporate auditors.

To ensure the accuracy 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 independent auditors.

(2) Remuneration for Directors and Corporate Auditors

Remuneration for directors, corporate auditors and the independent auditor during the fiscal year ended March 31, 2004 was as follows:

Remuneration for Directors and Corporate Auditors:

For Directors	¥388 million
For Corporate Auditors	50 million
Total	¥439 million

Remuneration for Independent Auditors:

Fee for Certificate of Audit	¥22 million

(Joint audit based on the Japanese Commercial Code and Securities Exchange Law)

BOARD OF DIRECTORS

JUNSUKE KATO
Chairman

TAKASHI OHTAKE
President

AKIRA KOITO
Executive Vice President

TOYOFUMI NAKAGAWA
Executive Vice President

Chairman

Junsuke Kato

President & CEO

Takashi Ohtake

Executive Vice Presidents

Akira Koito
Toyofumi Nakagawa

Executive Senior Managing Directors

Masahiro Ohtake
Noriaki Yonezawa
Shuichi Goto

Executive Managing Directors

Takao Sato
Yutaka Furuyama
Keiji Kato
Hiroshi Koishihara
Mizuo Yamamuro
Isao Sano

Directors

Haruo Ueno
Mitsuo Kikuchi
Shigeki Okuma
Yoshihisa Ogawa
Mikio Tsuruta
Toshiharu Suzuki
Koichi Sakakibara
Shojiro Inagaki
Youhei Kawaguchi
Hiroshi Mihara

Standing Corporate Auditors

Akira Kamada
Akira Nagasawa

Corporate Auditors

Koichi Kusano
Nobuyoshi Kawashima

(As of June 27, 2004)

Contents

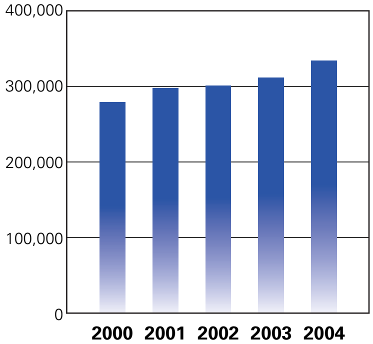
TEN-YEAR SUMMARY

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

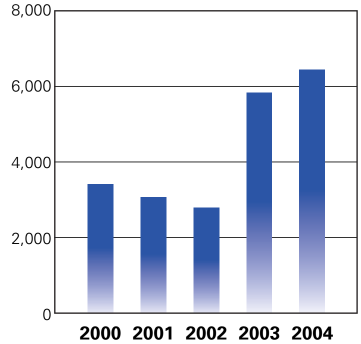
Consolidated	1995	1996	1997	1998
	Millions of yen (except per share amounts)			
For the year:				
Net sales	¥225,120	¥212,357	¥220,045	¥226,134
Operating income	11,069	9,608	10,607	8,540
Income before income taxes and minority interests	11,376	10,669	10,899	9,771
Income taxes	6,994	6,427	6,310	5,836
Net income	4,407	3,917	4,702	4,285
Amounts per share (in yen and U.S. dollars)**:**				
Net income	¥ 27.47	¥ 24.39	¥ 29.24	¥ 26.65
Cash dividends	9.00	8.00	9.00	8.00
At year-end:				
Working capital	¥ 62,111	¥ 64,752	¥ 59,053	¥ 55,348
Property, plant and equipment, less accumulated depreciation	46,574	49,297	54,742	46,174
Total assets	204,181	207,104	218,079	217,741
Total shareholders' equity	72,897	75,589	78,881	81,313

Note: Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥105.69=$1, the rate prevailing on March 31, 2004.

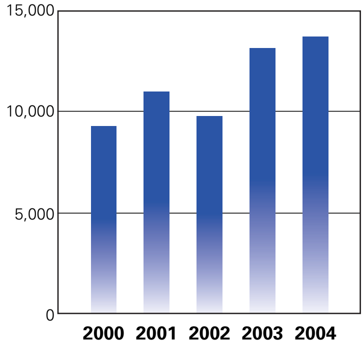
Net Sales
(Millions of yen)



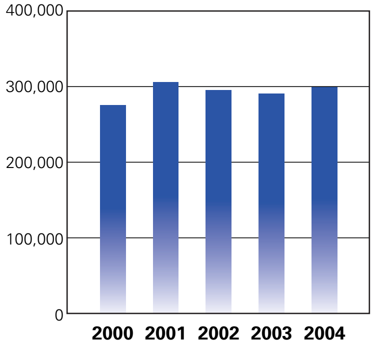
Net Income
(Millions of yen)



Operating Income
(Millions of yen)

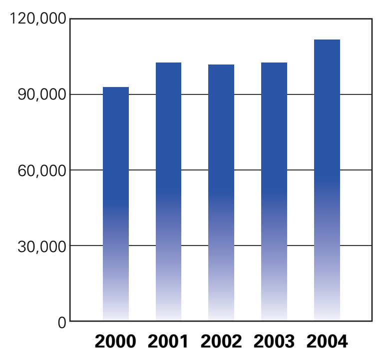


Total Assets
(Millions of yen)

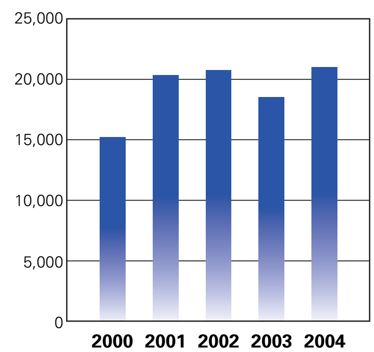


							Thousands of U.S. dollars (except per share amounts)
	1999	2000	2001	2002	2003	**2004**	**2004**
	¥275,934	¥279,034	¥297,280	¥301,141	¥311,133	**¥334,254**	**$3,162,589**
	10,201	9,288	10,991	9,779	13,157	**13,723**	**129,842**
	8,451	7,341	6,190	6,292	12,766	**14,061**	**133,040**
	3,486	2,997	2,476	2,516	5,113	**5,554**	**52,550**
	3,846	3,412	3,072	2,784	5,826	**6,440**	**60,933**
	¥ 23.92	¥ 21.23	¥ 19.11	¥ 17.38	¥ 35.51	**¥ 39.19**	**$ 0.37**
	8.00	10.00	8.00	8.00	10.00	**12.00**	**0.11**
	¥ 40,393	¥ 51,060	¥ 16,724	¥ 27,340	¥ 26,663	**¥ 18,085**	**$ 171,114**
	65,857	61,448	64,856	69,148	66,342	**66,981**	**633,750**
	267,783	275,063	306,084	295,097	290,397	**299,344**	**2,832,283**
	90,291	92,848	102,532	101,738	102,475	**111,707**	**1,056,931**

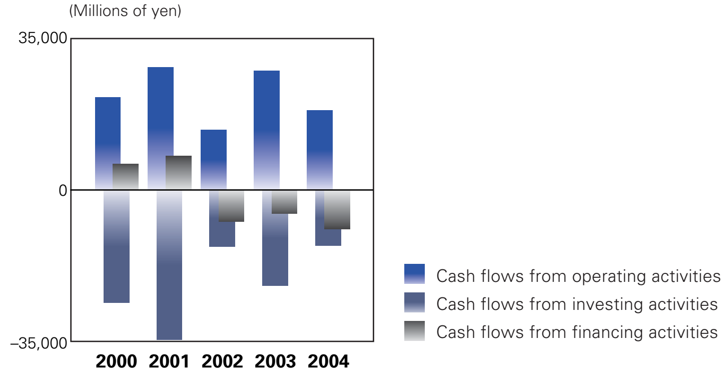
Total Shareholders' Equity
(Millions of yen)



Capital Expenditures
(Millions of yen)



Cash Flows
(Millions of yen)



Overview

The Koito Group comprises the parent company KOITO MANUFACTURING CO., LTD., 20 consolidated subsidiaries and 4 affiliates. Consolidated subsidiaries KOITO INDUSTRIES, LIMITED ("KOITO INDUSTRIES"), Koito Transport Co., Ltd., Minatsu, Ltd. and INDIA JAPAN LIGHTING PRIVATE LIMITED end their fiscal years on March 31. The other 16 consolidated subsidiaries prepare their financial statements by provisionally closing accounts on March 31. The Group's three major business segments are automotive lighting equipment, non-automotive electrical equipment and other products.

Net Sales

In Japan's automobile industry, there was healthy growth in domestic sales due to the launch of new passenger car models and replacement demand for trucks spurred by exhaust emission regulations. However, exports to North America declined because of greater local production. Set against this backdrop, domestic automobile production edged up year on year to 10.35 million units. Overseas, while sales remained mostly the same in North America and Europe, new car sales grew steadily in Asia.

In this climate, the Koito Group posted all-time high net sales of ¥334,254 million, paced by strong growth in the automotive lighting equipment segment.

Results by Business Segment

Automotive Lighting Equipment

In the core automotive lighting equipment segment, net sales rose ¥23,986 million, or 10.0%, to ¥264,613 million. In Japan, factors driving growth included advances in larger, multi-functional headlamps and growing adoption of high-intensity gas discharge headlamps (GDHLs). Overseas subsidiaries recorded higher orders for headlamps and signaling lamps in Europe, China and South Korea. Operating income increased ¥1,356 million, or 11.4%, to ¥13,289 million, the result of higher sales, enhanced productivity and the benefits of rationalization measures, such as fewer product defects in various manufacturing stages, as well as other factors.

Non-automotive Electrical Equipment

The non-automotive electrical equipment segment saw net sales decline ¥2,920 million, or 5.9%, to ¥46,912 million, despite brisk sales of railroad car equipment. This decrease mainly reflected lower sales of traffic systems and lighting and information equipment. Operating income dropped ¥1,329 million, or 47.8%, to ¥1,454 million.

Other Products

The other products segment recorded net sales of ¥22,728 million, up ¥2,055 million, or 9.9%, from the previous fiscal year. Sales of headlamp cleaners grew due to growth in vehicle exports to North America and Europe. The increase in segment sales also reflected higher sales of aircraft seats as the company worked to win new orders, countering the effects of a decrease in commercial aircraft production. Operating income climbed ¥707 million, or 667.0%, to ¥813 million.

Results by Geographical Segment

Japan

In Japan, net sales increased ¥15,609 million, or 7.3%, to ¥229,500 million, the result of healthy growth in the mainstay automotive lighting equipment segment, which was driven by factors such as advances in larger, multi-functional headlamps as well as the growing adoption of gas discharge headlamps (GDHL). Operating income rose ¥1,290 million, or 11.3%, to ¥12,694 million.

North America

Despite growth at Japanese automakers based in North America, production fell overall due to declines in output by the Big Three. As a result, net sales in North America decreased ¥1,341 million, or 3.0%, to ¥43,087 million, and operating income decreased ¥504 million, or 34.4%, to ¥961 million.

Asia

Net sales in Asia increased ¥5,560 million, or 12.4%, to ¥50,234 million, the result of efforts to expand orders of automotive lighting equipment, particularly at Shanghai Koito Automotive Lamp Co., Ltd. in China and Inhee Lighting Co., Ltd. in South Korea. Operating income decreased ¥237 million, or 6.5%, to ¥3,414 million.

Europe

Net sales in Europe climbed ¥3,294 million, or 40.5%, to ¥11,432 million due to the benefits of activities to expand sales of automotive lighting equipment. While the Europe segment posted an operating loss of ¥1,513 million, this was ¥184 million less than the previous fiscal year and reflected improved earnings at Koito Europe Limited (KEL) in England.

Earnings

Operating income rose ¥566 million, or 4.3%, to ¥13,723 million. This was the result of efforts to rationalize operations by pushing through strategies together with Group companies to lower costs, amid increasingly fierce price-based competition in Japan and overseas for automotive lighting equipment orders.

Business Results by Geographic Segment

	(Millions of yen)				
For the years ended March 31,	2000	2001	2002	2003	**2004**
Japan					
Net Sales	¥213,880	¥220,425	¥220,967	¥213,891	**¥229,500**
Operating Income	8,859	11,301	9,959	11,404	**12,694**
North America					
Net Sales	35,384	39,830	40,979	44,428	**43,087**
Operating Income	697	102	448	1,465	**961**
Asia					
Net Sales	25,302	32,370	33,927	44,674	**50,234**
Operating Income	2,062	2,105	2,223	3,651	**3,414**
Europe					
Net Sales	4,466	4,652	5,267	8,138	**11,432**
Operating Loss	(294)	(1,062)	(1,322)	(1,697)	**(1,513)**

Note: Net sales in each geographic segment represent sales to outside customers, as shown in the segment information section of the notes to consolidated financial statements.

Income before income taxes and minority interests was ¥14,061 million, ¥1,295 million, or 10.1%, higher year on year. Net income was up ¥614 million, or 10.5%, to ¥6,440 million.

Net sales, operating income, income before income taxes and minority interests and net income were all record highs for the Koito Group in the fiscal year ended March 31, 2004.

Financial Position

As of March 31, 2004, total assets were ¥299,344 million, up ¥8,947 million from a year earlier. Total current assets increased ¥4,781 million to ¥142,958 million. Trade notes and accounts receivable, and prepaid expenses and others increased ¥7,452 million and ¥2,285 million, respectively. In investments, investment securities increased ¥9,276 million from a year ago.

On the liabilities side of the balance sheet, total current liabilities were ¥124,873 million, an increase of ¥13,359 million from a year ago. The main factors behind this change were increases in short-term loans and bonds due within one year of ¥5,309 million and ¥3,000 million, respectively. Another factor was an increase in trade notes and accounts payable in line with higher production.

Looking at non-current liabilities, long-term debt decreased ¥13,124 million. Interest-bearing debt, which also comprises bonds (including those due within one year) and short-term loans, decreased ¥7,815 million to ¥48,224 million.

Total shareholders' equity rose ¥9,232 million to ¥111,707 million, reflecting mainly a ¥4,524 million increase in retained earnings due to net income and a ¥5,766 million increase in valuation adjustment on investment securities related to higher share prices at the end of March 2004. The equity ratio rose 2.0 percentage points to 37.3%. ROE improved 0.3 of a percentage point to 6.0%.

Cash Flows

Consolidated cash and cash equivalents at the end of the fiscal year were down ¥3,714 million year on year to ¥11,780 million. Major providers of cash were net income of ¥6,440 million and depreciation of ¥16,580 million. Major cash outflows were ¥19,752 million for the acquisition of property and equipment and ¥2,508 million for the payment of dividends.

Operating activities provided net cash of ¥18,419 million. The main contributors of cash inflows, comprising net income of ¥6,440 million and depreciation of ¥16,580 million, outweighed income taxes paid and other factors.

Investing activities used ¥12,852 million. The main factors were cash outflows of ¥19,752 million for the acquisition of property and equipment and proceeds from sale of marketable and investment securities.

Financing activities used net cash of ¥9,038 million. Cash inflows of ¥3,683 million from an increase in long-term bank loans were outweighed by a decrease of ¥10,250 million in short-term bank loans and an earnings appropriation of ¥2,508 million for cash dividends.

Capital Expenditures

Capital expenditures totaled ¥21,010 million, up ¥2,504 million, or 13.5%, compared with the previous fiscal year. The majority of capital expenditures were used to streamline and update production facilities, boost product quality and set up cost-efficient facilities in the automotive lighting equipment segment. By segment, capital expenditures were ¥20,189 million in the automotive lighting equipment segment, mainly for constructing THAI KOITO COMPANY LIMITED's third plant, streamlining and updating production facilities and setting up cost-efficient facilities. Capital expenditures in the non-automotive electrical equipment segment were ¥522 million, mainly for upgrading production facilities for traffic management systems. The other products segment made capital expenditures of ¥298 million, mainly for production facilities for new products such as electronics.

Risk Factors

The following types of factors could affect the Koito Group's operating results and financial position. Forward-looking statements in this annual report are based on management's judgment as of June 30, 2004.

(1) Economic Conditions

Demand for automotive lighting equipment, which represent a material share of the Koito Group's operating revenues around the world, is subject to economic conditions in the 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, North America, elsewhere in Asia and Europe, may adversely affect its operating results and financial position.

(2) Exchange Rate Movements

The Koito Group produces and sells products around the world. Sales, expenses, assets 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 may adversely affect the Koito Group's operating results and financial position.

(3) 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.

- Unanticipated changes in laws and regulations
- Changes in political and economic conditions
- Social unrest caused by terrorism, war or other factors

In addition to the above, contagious diseases and other factors could create production delays and other problems because of measures prohibiting the placement of employees overseas. These risks may adversely affect the Koito Group's operating results and financial position.

(4) Force Majeure

The Koito Group's production bases in Japan are concentrated in Shizuoka. A large-scale earthquake in this area or disaster that significantly affects other production facilities could dramatically lower the Koito Group's capacity to produce automotive lighting equipment and other products.

CONSOLIDATED BALANCE SHEETS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

At March 31,	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars 2004
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 15,494	**¥ 11,780**	**$ 111,458**
Trade notes and accounts receivable	77,396	**84,848**	**802,801**
Less: Allowance for doubtful accounts	(931)	**(979)**	**(9,263)**
	76,465	**83,869**	**793,538**
Marketable securities	14,860	**12,141**	**114,874**
Inventories	19,906	**20,481**	**193,784**
Deferred income taxes (Note 7)	5,069	**6,021**	**56,968**
Prepaid expenses and others	6,381	**8,666**	**81,995**
Total current assets	138,177	**142,958**	**1,352,616**
Investments:			
Investment securities	59,716	**68,992**	**652,777**
Loans	1,455	**992**	**9,386**
Deferred income taxes (Note 7)	5,116	**2,713**	**25,669**
Other investments	5,625	**4,010**	**37,941**
Less: Allowance for doubtful accounts	(299)	**(327)**	**(3,094)**
Total investments	71,613	**76,382**	**722,698**
Property, plant and equipment, at cost:			
Buildings and structures	66,642	**67,181**	**635,642**
Machinery, equipment and tools	140,873	**152,692**	**1,444,716**
Less: Accumulated depreciation	(141,174)	**(152,890)**	**(1,446,589)**
	66,342	**66,981**	**633,750**
Land	11,448	**11,625**	**109,991**
Construction in progress	2,814	**1,393**	**13,180**
Property, plant and equipment, net	80,605	**80,003**	**756,959**
Total assets	¥290,397	**¥299,344**	**$2,832,283**

At March 31,	Millions of yen 2003	2004	Thousands of U.S. dollars 2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade notes and accounts payable	¥ 55,544	¥ 58,504	$ 553,543
Short-term loans (Note 4)	27,660	32,969	311,941
Bonds due within one year (Note 5)	–	3,000	28,385
Income taxes payable (Note 7)	2,802	3,358	31,772
Accrued expenses and other current liabilities	25,508	27,040	255,843
Total current liabilities	111,514	124,873	1,181,503
Non-current liabilities:			
Long-term debt (Note 4)	25,379	12,255	115,952
Bonds (Note 5)	3,000	–	–
Accrued retirement benefits (Note 6)	19,033	20,788	196,688
Other non-current liabilities	2,507	2,245	21,241
Total non-current liabilities	49,920	35,290	333,901
Contingent liabilities (Note 9)			
Minority interests	26,487	27,472	259,930
Shareholders' equity:			
Common stock	14,270	14,270	135,018
320,000,000 shares authorized and 160,789,436 shares issued at 31 March, 2003 and 2004			
Additional paid-in capital	17,107	17,107	161,860
Retained earnings	68,782	73,306	693,594
Valuation adjustment on investment securities	4,892	10,658	100,842
Translation adjustments	(1,809)	(2,904)	(27,477)
Treasury common stock, at cost: 1,225,053 shares in 2003 and 1,190,000 shares in 2004	(768)	(731)	(6,916)
Total	102,475	111,707	1,056,931
Total liabilities and shareholders' equity	¥290,397	¥299,344	$2,832,283

CONSOLIDATED STATEMENTS OF INCOME

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars 2004
Net sales	¥311,133	**¥334,254**	**$3,162,589**
Cost of sales	265,023	**287,013**	**2,715,612**
Gross profit	46,110	**47,241**	**446,977**
Selling, general and administrative expenses	32,953	**33,517**	**317,126**
Operating income	13,157	**13,723**	**129,842**
Other income (expenses):			
Interest income	563	**762**	**7,210**
Interest expenses	(827)	**(626)**	**(5,923)**
Loss on sale and disposal of property and equipment	(380)	**(381)**	**(3,605)**
Others, net	253	**583**	**5,516**
Income before income taxes and minority interests	12,766	**14,061**	**133,040**
Income taxes	5,113	**5,554**	**52,550**
Income before minority interests	7,653	**8,507**	**80,490**
Minority interests in consolidated subsidiaries	(1,826)	**(2,066)**	**(19,548)**
Net income	¥ 5,826	**¥ 6,440**	**$ 60,933**

	Yen 2003	Yen 2004	U.S. dollars 2004
Per share:			
Net income	¥ 35.51	**¥ 39.19**	**$ 0.37**
Cash dividends	10	**12**	**0.11**
Average total number of shares of during the year			
(thousands of shares)	159,578	**159,566**	**159,566**

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars 2004
Common stock:			
Beginning balance	¥ 14,270	**¥ 14,270**	**$ 135,018**
Ending balance	¥ 14,270	**¥ 14,270**	**$ 135,018**
Additional paid-in capital:			
Beginning balance	¥ 17,107	**¥ 17,107**	**$ 161,860**
Ending balance	¥ 17,107	**¥ 17,107**	**$ 161,860**
Retained earnings:			
Beginning balance	¥ 64,373	**¥ 68,782**	**$ 650,790**
Net income	¥ 5,826	**¥ 6,440**	**$ 60,933**
Deductions:			
Cash dividends applicable to the year	(1,277)	**(1,755)**	**(16,605)**
Bonuses to directors and corporate auditors	(140)	**(160)**	**(1,514)**
Ending balance	¥ 68,782	**¥ 73,306**	**$ 693,594**
Valuation adjustment on investment securities	¥ 4,892	**¥ 10,658**	**$ 100,842**
Translation adjustments	¥ (1,809)	**¥ (2,904)**	**$ (27,477)**
Treasury stock	(768)	**(731)**	**(6,916)**
Total	¥102,475	**¥111,707**	**$1,056,931**

CONSOLIDATED STATEMENTS OF CASH FLOWS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars 2004
Cash flows from operating activities:			
Net income	¥ 5,826	**¥ 6,440**	**$ 60,933**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	17,004	**16,580**	**156,874**
Minority interests in consolidated subsidiaries	1,826	**2,066**	**19,548**
Provision for allowance for doubtful accounts	56	**156**	**1,476**
Provision for accrued retirement benefits	(2,759)	**1,710**	**16,179**
(Profit) loss on revaluation of marketable securities	1,588	**(563)**	**(5,327)**
Loss on sale and disposal of property and equipment	192	**296**	**2,801**
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	(291)	**(8,602)**	**(81,389)**
Marketable securities	626	**–**	**–**
Inventories	37	**(1,093)**	**(10,342)**
Prepaid expenses and others	1,172	**(2,430)**	**(22,992)**
Trade notes and accounts payable	(32)	**4,005**	**37,894**
Income taxes payable	1,366	**(7,347)**	**(69,515)**
Accrued expenses and other current liabilities	(1,521)	**2,195**	**20,768**
Others, net	2,666	**5,006**	**47,365**
Net cash provided by operating activities	27,756	**18,419**	**174,274**
Cash flows from investing activities:			
Acquisition of property and equipment	(18,682)	**(19,752)**	**(186,886)**
Proceeds from sale of property and equipment	397	**777**	**7,352**
Purchase of marketable and investment securities	(32,150)	**(26,581)**	**(251,500)**
Proceeds from sale of marketable and investment securities	28,051	**30,830**	**291,702**
(Decrease) increase in long-term loans	513	**183**	**1,731**
Increase (decrease) in other investments and other assets	(278)	**1,691**	**16,000**
Net cash used in investing activities	(22,149)	**(12,852)**	**(121,601)**
Cash flows from financing activities:			
(Decrease) increase in short-term bank loans	3,697	**(10,250)**	**(96,982)**
Increase (decrease) in long-term bank loans	(2,667)	**3,683**	**34,847**
Decrease in bonds	(2,518)	**–**	**–**
Decrease in employees' deposit	(1,772)	**–**	**–**
Decrease (increase) in treasury stock	(33)	**37**	**350**
Cash dividends	(2,096)	**(2,508)**	**(23,730)**
Net cash used in financing activities	(5,389)	**(9,038)**	**(85,514)**
Foreign currency translation adjustment on cash and cash equivalents	(173)	**(243)**	**(2,299)**
Change in cash and cash equivalents	45	**(3,714)**	**(35,141)**
Cash and cash equivalents at beginning of the year	15,449	**15,494**	**146,599**
Cash and cash equivalents at end of the year	¥15,494	**¥11,780**	**$111,458**

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, 2003 and 2004 include the accounts for the Company and the 20 subsidiaries (Note) listed below:

Names of consolidated subsidiaries	Equity ownership percentage(*) %
KOITO INDUSTRIES, LIMITED	50
Koito Transport Co., Ltd.	100
Koito Enterprise Corporation	100
Aoitec Co., Ltd.	70
Minatsu, Ltd.	100
Nissei Industries Co., Ltd.	62
Shizuokadenso Co., Ltd.	100
Shizuoka Kanagata Co., Ltd.	40
Haibara Machine and Tools Co., Ltd.	100
Shimizu Plating Co., Ltd.	100
Fujieda Auto Lighting Co., Ltd.	100
Shizuoka Wire Harness Co., Ltd.	100
North American Lighting, Inc.	100
Ta Yih Industrial Co., Ltd.	33
Shanghai Koito Automotive Lamp Co., Ltd.	45
THAI KOITO COMPANY LIMITED	62
Koito Europe Limited	100
INDIA JAPAN LIGHTING PRIVATE LIMITED	50
Inhee Lighting Co., Ltd.	50
Koito Czech s.r.o.	100

(*) Represents ownership at March 31, 2004 and includes shares owned through consolidated subsidiaries.

(Note) Kosmotec Co., Ltd. (100% owned by the Company) was liquidated on June 30, 2003 and excluded from the accompanying consolidated financial statements for the year ended March 31, 2004. The number of consolidated subsidiaries included in the accompanying consolidated financial statements for the year ended March 31, 2004 was reduced to 20.

(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 include the Company's equity in the current net income or loss of such companies, after the elimination of unrealized intercompany profits.

(3) Translation of foreign currency financial statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date, except for the components of shareholders' equity, which are translated at exchange rates in effect at acquisition dates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year.

Foreign currency translation adjustments are included in minority interest and shareholders' equity in the accompanying consolidated financial statements.

(4) Inventories

Inventories are stated principally at cost. The cost of finished products and work in process are determined primarily by the weighted average method.

Raw materials and supplies are determined by the moving-average method. Inventories in the consolidated foreign subsidiaries are stated at the lower of cost or market as determined by the moving-average method.

(5) Securities

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

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

(6) Property, plant and equipment and depreciation

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

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

(7) Accrued retirement benefits

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

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

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

Following the enactment of the Defined-Benefit Corporate Pension Law, consolidated subsidiary, KOITO INDUSTRIES, LIMITED obtained approval for exemption from future retirement obligations on April 15, 2003 from Japan's Ministry of Health, Labor and Welfare for the substitutional component managed by the Employees Welfare Annuity Fund and reduced the pension plan assets by an amount equivalent to the retirement benefit obligations associated with this component.

The effect of this change on earnings is described in the subsequent note 6 "Employee retirement benefits."

Consolidated subsidiary KOITO INDUSTRIES, LIMITED has three types of defined benefit retirement plan: a funded government welfare pension plan, a qualified retirement 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.

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

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

(8) Income taxes

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

(9) Appropriation of retained earnings

Under the Commercial Code 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 Code 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.

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

(10) Research and development costs

Research and development costs are charged to income as incurred.

(11) Net income and dividends per share

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

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

(12) Cash equivalents

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

(13) Consumption tax

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

(14) Derivative transactions

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

3. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥105.69=$1, the approximate rate of March 31, 2004, 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, 2003 and 2004, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Loans, principally from banks			
To the Company	–	**–**	**–**
To consolidated subsidiaries	¥27,660	**¥32,969**	**$311,941**
Total	¥27,660	**¥32,969**	**$311,941**

At March 31, 2003 and 2004, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Loans, principally from banks			
To the Company	–	**–**	**–**
To consolidated subsidiaries	¥25,379	**¥12,255**	**$115,952**
Total	¥25,379	**¥12,255**	**$115,952**

5. Bonds

At March 31, 2003 and 2004, bonds consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Bonds			
Issued by the Company	–	**–**	**–**
Issued by consolidated subsidiaries	¥3,000	**¥3,000**	**$28,385**
Total	¥3,000	**¥3,000**	**$28,385**
Less: Current maturities	¥ –	**¥3,000**	**$28,385**
Total	¥3,000	**¥ –**	**$ –**

6. Employee retirement benefits

Retirement benefit obligation at March 31,2003 and 2004 consisted of the following:

Consolidated subsidiary KOITO INDUSTRIES, LIMITED obtained approval for exemption from the future retirement benefit obligation with respect to the substitutional component managed by the Employees Welfare Annuity Fund from Japan's Ministry of Health, Labour and Welfare on April 15, 2003 and its pension plan assets were reduced by an amount equivalent to the retirement benefit obligations associated with this component.

As a result, the subsidiary returned pension plan assets equivalent to an estimated ¥7,616 million as of March 31, 2004.

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Retirement benefit obligations originally	¥(60,442)	**¥(49,490)**	**$(468,256)**
Plan assets	29,803	**20,346**	**192,506**
Funded status	(30,639)	**(29,144)**	**(275,750)**
Unrecognized net transition obligation	3,143	**951**	**8,998**
Unrecognized actuarial loss	8,463	**7,404**	**70,054**
Accrued retirement benefits on balance sheet	¥(19,033)	**¥(20,788)**	**$(196,688)**

Net periodic cost for the fiscal years ended March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Service cost	¥2,000	¥2,074	$19,623
Interest cost	2,540	1,477	13,975
Expected return on plan assets	(1,448)	(585)	(5,535)
Amortization of transition obligation	1,571	951	8,998
Actuarial loss	1,283	1,772	16,766
Net periodic cost	¥5,946	¥5,689	$53,827
Gain on the return of substitutional component of Employees Welfare Annuity fund	(5,336)	(428)	(4,050)
Total	¥ 610	¥5,261	$49,778

7. 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 42%.

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

The significant components of deferred tax assets and liabilities at March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31,	2003	2004	2004
Deferred tax assets:			
Excess accrued bonus	¥ 1,720	¥ 1,940	$ 18,356
Excess accrued retirement benefits	4,407	6,388	60,441
Retirement allowance to directors disallowed	603	650	6,150
Excess depreciation, other	2,555	2,968	28,082
Loss on revaluation of investment securities, other	1,120	1,105	10,455
Loss on revaluation of land	516	509	4,816
Reserve for liability claims	977	985	9,320
Reserve for product warranties	180	316	2,990
Others	1,920	1,376	13,019
Deferred tax assets total	14,001	16,239	153,647
Deferred tax liabilities:			
Reserve for reduction of asset costs	¥ (555)	¥ (547)	$ (5,176)
Valuation adjustment on investment securities	(3,261)	(6,958)	(65,834)
Deferred tax liabilities total	¥ (3,816)	¥ (7,505)	$ (71,010)
Net deferred tax assets (liabilities)	¥10,185	¥ 8,734	$ 82,638

8. Stock option plans

At an ordinary shareholders' meeting held on June 28th, 2001, the Company resolved to grant to all directors and key employees the right to purchase the treasury shares of the Company. The purchase price is an amount obtained by multiplying by 1.05 an average of the closing market price of the shares on the Tokyo Stock Exchange on all trading days for the month immediately preceding the month of the date of the grant, provided that the exercise price shall not be less than the closing market price on the grant date. The exercise price is, then, decided as ¥624 per share. The options are exercisable for three years from July 1st, 2003 to June 30th, 2006. The Company acquired 1,160,000 shares of its common stock for the plan up to March 31, 2003, from which 50,000 shares were exercised as of September 30, 2003 by the employees. The Company owns 1,110,000 shares for the plan as of March 31, 2004.

9. Contingent liabilities

At March 31, 2003 and 2004, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
As guarantor of employees' housing loans and other from financial institutions and others	¥47	**¥38**	**$360**

10. Segment information

INDUSTRY SEGMENT INFORMATION

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

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

	Millions of yen				
	Lighting Equipment	Other Electric Equipment	Others	Elimination of Inter-Segment Items	Consolidated Total
For the year ended March 31, 2003					
Sales:					
Sales to outside customers	¥240,627	¥49,832	¥20,673	¥ –	¥311,133
Inter-segment sales and transfers	44,150	2,170	2,996	(49,318)	–
Total	284,778	52,003	23,670	(49,318)	311,133
Operating expenses	272,845	49,219	23,563	(47,651)	297,976
Operating income	¥ 11,933	¥ 2,783	¥ 106	¥ (1,666)	¥ 13,157
Identifiable assets at March 31, 2003	¥150,219	¥59,131	¥52,414	¥28,633	¥290,397
Depreciation	¥ 15,116	¥ 1,005	¥ 831	¥ 51	¥ 17,004
Capital expenditures	¥ 17,481	¥ 616	¥ 408	¥ –	¥ 18,506

	Millions of yen				
	Lighting Equipment	Other Electric Equipment	Others	Elimination of Inter-Segment Items	Consolidated Total
For the year ended March 31, 2004					
Sales:					
Sales to outside customers	¥264,613	¥46,912	¥22,728	¥ –	¥334,254
Inter-segment sales and transfers	41,506	1,609	2,906	(46,023)	–
Total	306,120	48,522	25,635	(46,023)	334,254
Operating expenses	292,831	47,067	24,822	(44,189)	320,531
Operating income	¥ 13,289	¥ 1,454	¥ 813	¥ (1,833)	¥ 13,723
Identifiable assets at March 31, 2004	¥159,292	¥57,646	¥47,461	¥34,945	¥299,344
Depreciation	¥ 14,755	¥ 878	¥ 898	¥ 49	¥ 16,580
Capital expenditures	¥ 20,189	¥ 522	¥ 298	¥ –	¥ 21,010

	Thousands of U.S. dollars				
	Lighting Equipment	Other Electric Equipment	Others	Elimination of Inter-Segment Items	Consolidated Total
For the year ended March 31, 2004					
Sales:					
Sales to outside customers	$2,503,671	$443,864	$215,044	$ –	$3,162,589
Inter-segment sales and transfers	392,715	15,224	27,496	(435,453)	–
Total	2,896,395	459,097	242,549	(435,453)	3,162,589
Operating expenses	2,770,659	445,331	234,857	(418,100)	3,032,747
Operating income	$ 125,736	$ 13,757	$ 7,692	$ (17,343)	$ 129,842
Identifiable assets at March 31, 2004	$1,507,162	$545,425	$449,059	$330,637	$2,832,283
Depreciation	$ 139,606	$ 8,307	$ 8,497	$ 464	$ 156,874
Capital expenditures	$ 191,021	$ 4,939	$ 2,820	$ –	$ 198,789

GEOGRAPHIC SEGMENT INFORMATION

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

The geographic segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2004 is as follows:

	Millions of yen						
	Japan	North America	Asia	Europe	Total	Elimination and other	Consolidated
For the year ended March 31, 2003							
Sales:							
Sales to outside customers	¥213,891	¥44,428	¥44,674	¥ 8,138	¥311,133	¥ –	¥311,133
Inter-area sales and transfers	47,907	–	1,386	23	49,318	(49,318)	–
Total	261,799	44,428	46,061	8,162	360,451	(49,318)	311,133
Operating expenses	250,394	42,963	42,410	9,860	345,628	(47,651)	297,976
Operating income (loss)	¥ 11,404	¥ 1,465	¥ 3,651	¥ (1,697)	¥ 14,823	¥ (1,666)	¥ 13,157
Total assets	¥195,213	¥22,862	¥31,230	¥12,459	¥261,764	¥28,633	¥290,397

	Millions of yen						
	Japan	North America	Asia	Europe	Total	Elimination and other	Consolidated
For the year ended March 31, 2004							
Sales:							
Sales to outside customers	**¥229,500**	**¥43,087**	**¥50,234**	**¥11,432**	**¥334,254**	**¥ –**	**¥334,254**
Inter-area sales and transfers	**43,990**	**–**	**2,001**	**31**	**46,023**	**(46,023)**	**–**
Total	**273,491**	**43,087**	**52,235**	**11,463**	**380,278**	**(46,023)**	**334,254**
Operating expenses	**260,796**	**42,126**	**48,820**	**12,977**	**364,721**	**(44,189)**	**320,531**
Operating income (loss)	**¥ 12,694**	**¥ 961**	**¥ 3,414**	**¥ (1,513)**	**¥ 15,557**	**¥ (1,833)**	**¥ 13,723**
Total assets	**¥191,473**	**¥22,957**	**¥35,546**	**¥14,423**	**¥264,399**	**¥34,945**	**¥299,344**

	Thousands of U.S. dollars						
	Japan	North America	Asia	Europe	Total	Elimination and other	Consolidated
For the year ended March 31, 2004							
Sales:							
Sales to outside customers	**$2,171,445**	**$407,673**	**$475,296**	**$108,165**	**$3,162,589**	**$ –**	**$3,162,589**
Inter-area sales and transfers	**416,217**	**–**	**18,933**	**293**	**435,453**	**(435,453)**	**–**
Total	**2,587,671**	**407,673**	**494,228**	**108,459**	**3,598,051**	**(435,453)**	**3,162,589**
Operating expenses	**2,467,556**	**398,581**	**461,917**	**122,784**	**3,450,856**	**(418,100)**	**3,032,747**
Operating income (loss)	**$ 120,106**	**$ 9,093**	**$ 32,302**	**$ (14,315)**	**$ 147,195**	**$ (17,343)**	**$ 129,842**
Total assets	**$1,811,647**	**$217,211**	**$336,323**	**$136,465**	**$2,501,646**	**$330,637**	**$2,832,283**

11. Subsequent events

At the general shareholders' meeting held by the Company on June 29, 2004, appropriations of retained earnings were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥7 per share ($66.23 per 1,000 shares)	¥1,117	$10,569
Bonuses to directors and corporate auditors	166	1,571

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, 2003 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended March 31, 2003 and 2004, 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, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years ended March 31, 2003 and 2004, 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, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Tachiji Mizuno Kingo Sakurai Akio Nagasawa

TACHIJI MIZUNO KINGO SAKURAI AKIO NAGASAWA

Certified Public Accountants
June 27, 2004

CORPORATE INFORMATION

As of March 31, 2004

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 (Non-consolidated)
Employees:	4,407 (Non-consolidated) 12,968 (Consolidated)
Common stock:	
Authorized:	320,000,000 shares
Issued:	160,789,436 shares
Number of shareholders:	6,610
Transfer Agent:	The Mitsubishi Trust and Banking Corporation
Official address as transfer agent	Corporate Agency Department 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan
Contact address	Corporate Agency Department 1-7-7, Nishi-Ikebukuro, Toshima-ku, Tokyo 171-8508, Japan Phone: 81-3-5391-1900
Principal Shareholders:	TOYOTA MOTOR CORPORATION Japan Trustee Services Bank, Ltd. The Master Trust Bank of Japan, Ltd. Matsushita Electric Industrial Co., Ltd. NIPPON LIFE INSURANCE COMPANY Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi, Ltd.

For further information, please contact:

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

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

INTERNATIONAL OPERATIONS HEADQUARTERS
Administration Dept.—International Ops.
Phone: 81-3-3447-5171
Facsimile: 81-3-3447-5173
Overseas Planning Department
Phone: 81-543-45-4237
Facsimile: 81-543-45-4959
Pan-Pacific Operations
Phone: 81-3-3447-5172
Facsimile: 81-3-3447-5173
East-Asia Operations
Phone: 81-3-3447-5164
Facsimile: 81-3-3447-5173
Euro-American Operations
Phone: 81-3-3447-5166
Facsimile: 81-3-3447-5173
Export Operations
Phone: 81-3-3447-5167
Facsimile: 81-3-3447-5173

PLANTS
Shizuoka Plant (Shizuoka Pref.)
Phone: 81-543-45-2251
Facsimile: 81-543-46-9174
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

Utsunomiya Sales Office (Tochigi Pref.)
Ohta Sales Office (Gunma Pref.)
Atsugi Sales Office (Kanagawa Pref.)
Shizuoka Sales Office (Shizuoka Pref.)
Nagoya Sales Office (Aichi Pref.)
Fukuoka Sales Office (Fukuoka Pref.)

OVERSEAS REPRESENTATIVE OFFICES

Koito Europe Technical Center
Keiberg Business Park, Excelsiorlaan 31 bus 2
B-1930, Zaventem, Belgium
Phone: 32-2-721-4904
Facsimile: 32-2-721-2373

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

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

Guangzhou Office
Room 5503, CITIC Plaza,
233 Tian He North Road,
Guangzhou, Guangdong, China
Phone: 86-20-3877-0295
Facsimile: 86-20-3877-3979

OVERSEAS SUBSIDIARIES AND AFFILIATES

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

Koito Europe Limited
Kingswood Road,
Hampton Lovett Industrial Estate,
Droitwich, Worcestershire WR9 0QH, U.K.
Phone: 44-1905-790-800
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

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

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

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

INDIA JAPAN LIGHTING 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 Limited (U.K.)
Koito Czech s.r.o. (Czech Republic)
Senalizacion y Accesorios del Automovil Yorka, S.A. (Spain)
Farba Otomotiv Aydinlatma ve Plastik Fabrikalari A.S. (Turkey)
Automotive Lighting Italy Ltd. (Italy)
Automotive Lighting UK Ltd. (U.K.)
Ta Yih Industrial Co., Ltd. (Taiwan)
Shanghai Koito Automotive Lamp Co., Ltd. (China)
THAI KOITO COMPANY LIMITED (Thailand)
Inhee Lighting Co., Ltd. (Korea)
INDIA JAPAN LIGHTING 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)

DOMESTIC SUBSIDIARIES AND AFFILIATES

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

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

Haibara Machine and Tools Co., Ltd.
(Shizuoka Pref.)
Business lines: Manufacturing and marketing of resin metal molds

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

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

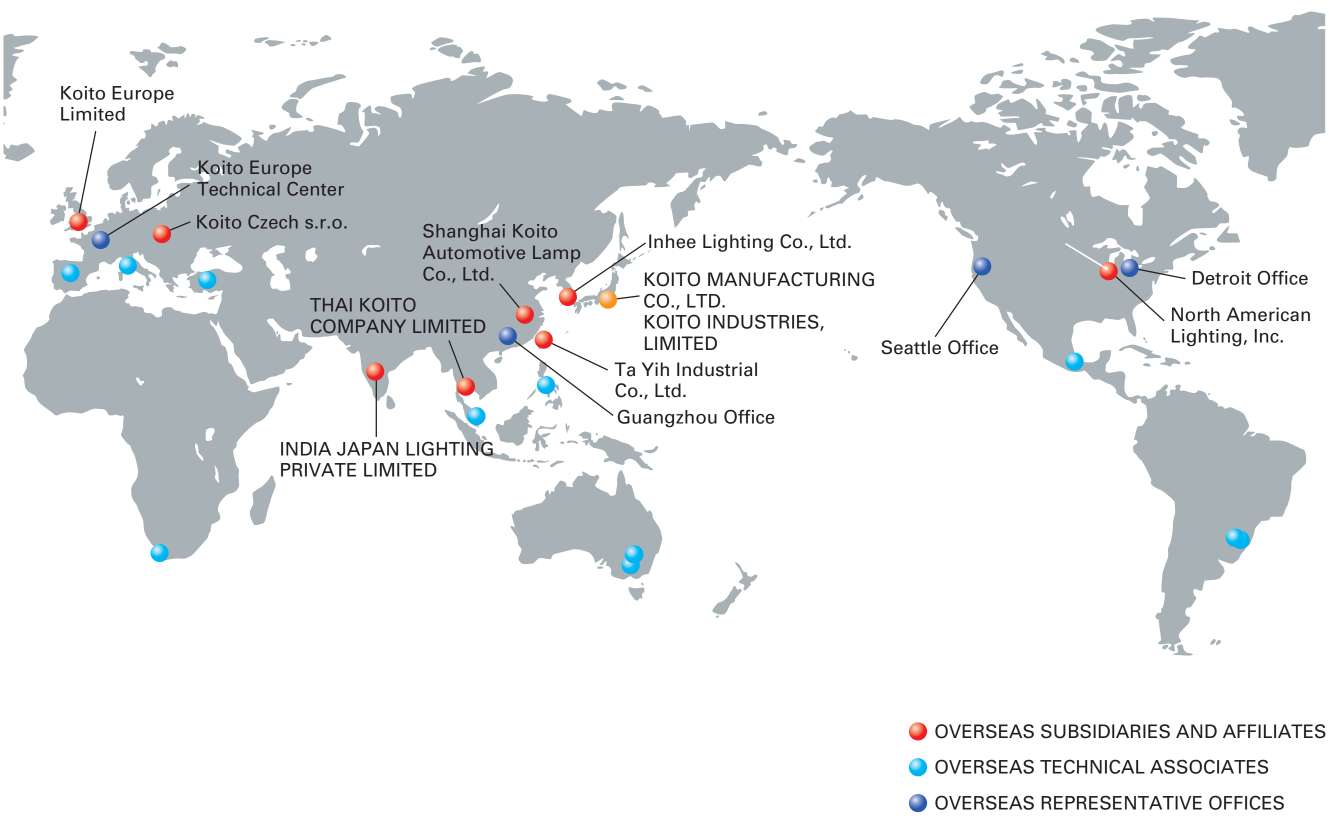
New Fuji Co., Ltd.
(Shizuoka Pref.)
Business lines: Service businesses

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

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

Pan Washlet Co., Ltd.
(Fukuoka Pref.)
Business lines: Manufacturing and marketing of water and sewage products

GLOBAL NETWORK



KOITO MANUFACTURING CO., LTD.

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Printed in Japan