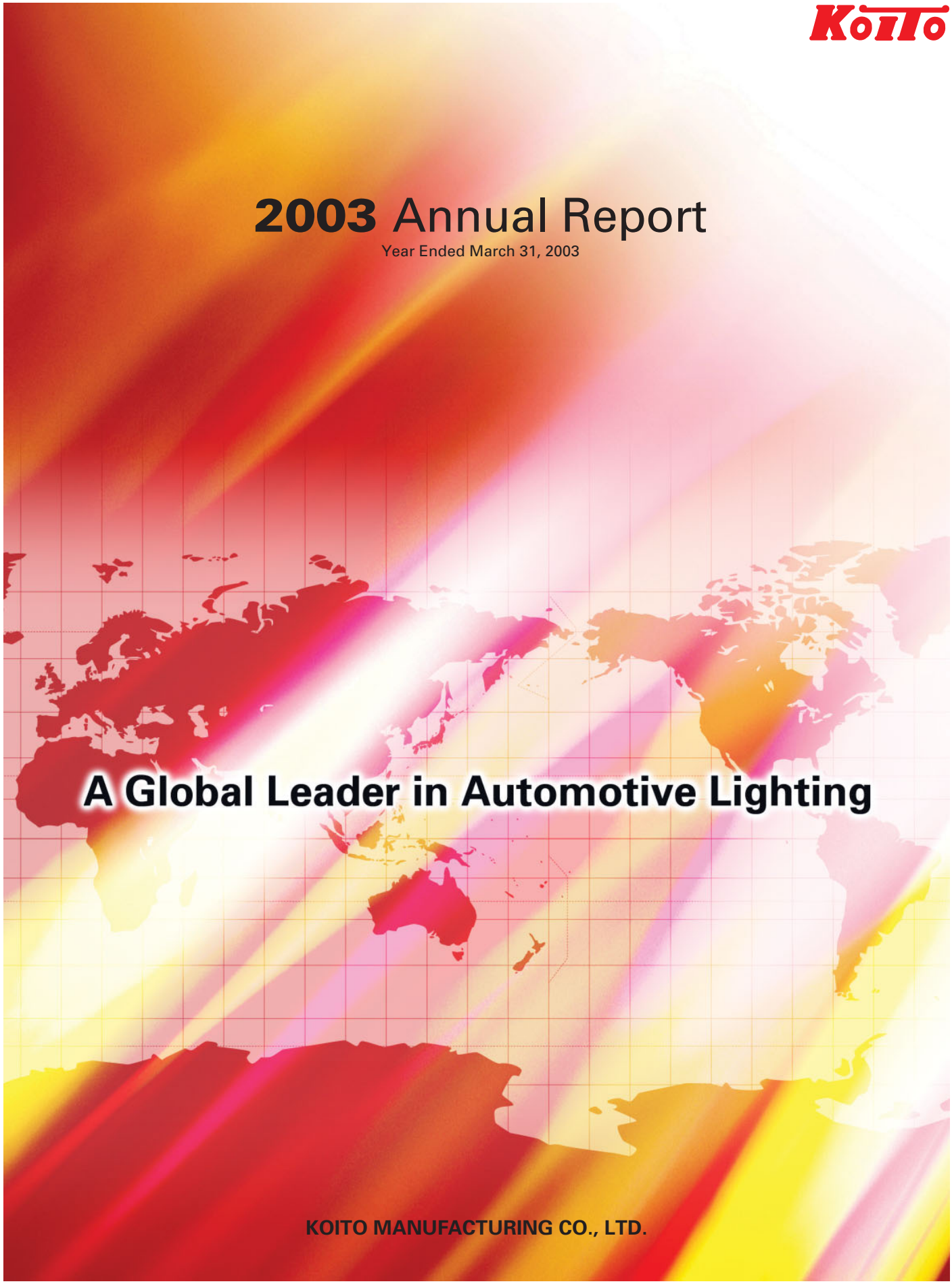
2003 Annual Report

Year Ended March 31, 2003



A Global Leader in Automotive Lighting

KOITO MANUFACTURING CO., LTD.

KOITO MANUFACTURING CO., LTD. (Koito) has led the way in the automotive lighting field over the past 88 years since its establishment in 1915.

Today, the Koito Group's lighting technologies find uses 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.

True to its slogan of "Entrusting Safety to Light," the Koito Group will continue to uphold its tradition of innovation and safety in the years ahead.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning KOITO MANUFACTURING CO., LTD. and consolidated subsidiaries' future plans, strategies and performance. These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on economic, financial and competitive data currently available. Furthermore, they are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide competition in the automotive industry, market developments, 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

As the global economy becomes increasingly borderless and reliant on information technology, companies must be prepared to tackle environmental issues and many other new challenges. At the same time, the pace of these changes is steadily accelerating.

In the automobile industry as well, competition is becoming more intense as companies seek to optimize production, procurement and product supply activities on a global scale.

As a manufacturer primarily of automotive lighting equipment, Koito has responded to the expansion and dispersion of the global automobile industry by establishing an overseas network of 12 production bases in eight countries. This gives us an infrastructure spanning four regions (North America, Europe, Asia and Japan) and a firm position as a global supplier. To make this business framework even more powerful, the entire Koito Group is concentrating on upgrading QCD (Quality, Cost, Delivery) activities. Going further, we are undertaking a DQCDS (Development, Quality, Cost, Delivery and Speed) initiative by targeting two more qualities: the development of products that are safe and environmentally responsible; and greater speed in responding to customer needs. Through this approach, we plan to become more competitive and profitable.

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 gas discharge headlamps, the Adaptive Front Lighting System (AFS) and light-emitting diode (LED) lamps. Going forward, we will continue to prioritize the development of new technologies and products.

As the leading member of the Koito Group, we operate in line with the slogan of "Entrusting Safety to Light." In our core automotive lighting equipment business, as well as equipment for aerospace, shipping and other markets, we are developing products that are needed for safety. We are determined to play a part in making society more safe and pleasant.

We must use bold ideas that go beyond our current mindset if we are to remain a leader in the automotive lighting equipment industry of the 21st century. We need to become a company that can be first in the world to create new technologies and offer them to our customers.

The people of Koito will adopt the stance of "constantly adopting the perspective of customers and users to supply products and services that meet their expectations." This will require the pursuit and development of the most advanced technology along with further improvement in the quality of our products. I ask for your continued support and guidance, as we work toward these goals.

Takashi Ohtake
President & CEO

September 2003

Interview With the President

Takashi Ohtake
President

In June 2003, Takashi Ohtake was appointed the new president of KOITO MANUFACTURING CO., LTD. In his previous position as Executive Vice President, Mr. Ohtake led Koito's drive to expand overseas business as Chief of International Operations Headquarters. In this interview, President Ohtake outlines the current status of the Koito Group and its future management policies, focusing on its response to the fast-changing automobile industry.

How did Koito perform in fiscal 2003?

In fiscal 2003, the Koito Group achieved substantial earnings growth on higher net sales. Net sales rose 3.3% year on year to ¥311.1 billion, while operating income jumped 34.5% to ¥13.1 billion. Net income, meanwhile, rose 109.3% year on year to ¥5.8 billion. The main driving force behind increased sales was favorable performances in the overseas markets of North America, Europe and Asia. Earnings growth was supported by sweeping rationalization and cost-cutting initiatives.

Net income more than doubled in fiscal 2003, and net income per share came in at ¥35.51, just over twice the level of the previous fiscal year. The shareholders' equity ratio edged up to 35.3% from the previous fiscal year-end.

How do you evaluate your operating results for fiscal 2003?

Fiscal 2003 was a year of significant progress for Koito. We made good headway with our overseas strategy for establishing a global network of four operating bases. Product development was also successful, with the launch of several leading-edge products during the fiscal year. Looking at operating results, we achieved both sales and earnings growth in fiscal 2003.

Significantly, Koito established a global network of four operating bases in fiscal 2003, with the completion of a Technical Center for Shanghai Koito Automotive Lamp Co., Ltd. in China. Our production network is also ready for the next stage of growth. North American Lighting, Inc. (NAL)'s third plant and a new plant at Koito Czech s.r.o. (KCZ) came on stream during the fiscal year, substantially boosting our production capacity in North America and Europe. It is essential that Koito have in place a network of diverse product development and manufacturing bases around the world to satisfy the needs of automakers seeking to establish integrated product development and manufacturing systems worldwide.

On the product development front, we successfully fitted a greater percentage of new vehicles with gas discharge headlamps and we were the first to commercialize the Adaptive Front Lighting System (AFS), which automatically swivels the headlamp low-beam unit in horizontal directions according to the steering angle and vehicle speed. These accomplishments have cemented our position as a leading company in the automotive lighting industry.

The Koito Group is expanding its operations worldwide. Can you tell us more about its current status, pressing issues and future strategies?

The Koito Group has worked to improve its responsiveness on the global stage through the completion of a product development and manufacturing network with four bases spanning Japan, North America, Europe and Asia. The Koito Group's presence in overseas markets dates back to the early 1980s. Beginning in the 1990s, automakers began

Consolidated Financial Highlights

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

	Millions of yen (except per share amounts)		
	2001	2002	2003
Net sales	¥297,280	¥301,141	**¥311,133**
Operating income	10,991	9,779	**13,157**
Net income	3,072	2,784	**5,826**
Total assets	306,084	295,097	**290,397**
Total shareholders' equity	102,532	101,738	**102,475**
Net income per share	¥ 19.11	¥ 17.38	**¥ 35.51**

implementing strategies for building optimal global production, sourcing and supply networks. This fit in very well with our own overseas strategy. We began increasing our production capacity by constructing new plants and taking other actions to reinforce our own global network.

Globalization and the shift to borderless operations are profoundly altering the automobile industry. This is not just a short-term trend, but represents a lasting structural change. Each automaker is working to develop and unveil globally strategic vehicles—a trend that is steadily gathering pace. Globally strategic vehicles enter production simultaneously at several locations and are sold in key global markets. It is imperative therefore that Koito establish a global network with product development and manufacturing bases in every key region, to satisfy the demands of automakers. It is also essential that Koito continually enhance its overseas bases.

From a global perspective, the outlook for the automobile industry calls for continued overall growth in worldwide automobile production, despite some regional disparities. Japan's mature automobile market and continuing strong demand in the U.S. are not expected to significantly drive demand over the long term. The most promising regions are Europe, which includes emerging Eastern European markets, and Asia, where personal income levels are on the rise. Automakers are now transforming their product development and manufacturing networks in line with developments in the global market. Koito will implement its own global strategy based on a precise understanding of these developments, to grow its business as a global supplier of automotive lighting equipment.

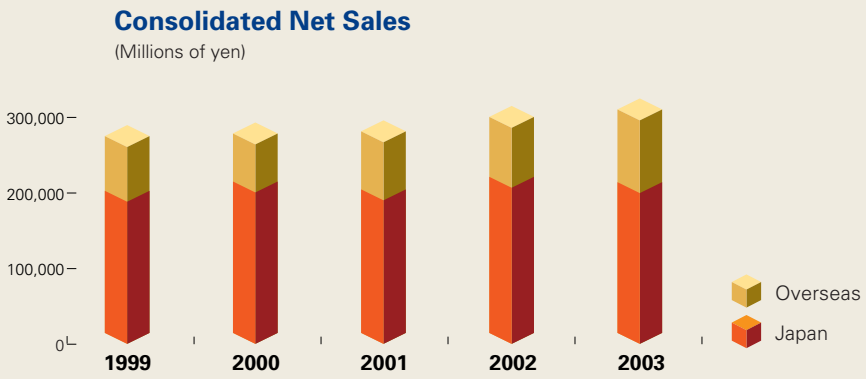
What is your strategy for promising high-performance products with advanced functions such as gas discharge headlamps and AFS?

Koito successfully unveiled the world's first commercial Adaptive Front Lighting System (AFS), which automatically swivels the headlamp low-beam unit in horizontal directions according to the steering angle and vehicle speed to provide wider and deeper illumination in the direction the vehicle is turning. In Japan, the percentage of new vehicles fitted with gas discharge headlamps in fiscal 2002 was 15%. By fiscal 2007, we expect this figure to increase to 50%. In overseas markets, the percentage of vehicles fitted with gas discharge headlamps is still relatively small, but is expected to increase in the future.

To prevail in the fiercely contested field of product development in the automobile components industry, Koito will rapidly develop high-value-added new products that will help to capture a higher market share. Key to this will be upgrading our product development and manufacturing networks and establishing ourselves as a company that proactively presents innovative product proposals to key customers. Plans are on the table to launch a next-generation AFS and LED headlamps within the next several years.

What strengths support your leading-edge technologies and high market share?

In my view, our greatest strength is our integrated manufacturing process—the ability to internally manufacture all aspects of lighting equipment, from light sources to the finished product. Light sources for automotive lighting equipment have evolved from incandescent filaments to halogen bulbs and now discharge mechanisms, with each technology offering progressively brighter illumination and higher performance. Our extensive experience in internally manufacturing light sources has given us a wealth of product development and manufacturing expertise. These key assets have underpinned our high-quality products. Also, we are the only lighting manufacturer in Japan that internally manufactures its own ballast resistors, a key electronic component of gas discharge headlamps. In recent years, technological innovation has been rapidly transforming automotive lighting equipment. In this climate, the source of our competitiveness lies in our ability to consistently deliver high-quality products, which is made possible by our integrated manufacturing process, and our



low cost structure. While we do externally procure some components, our internal technological expertise helps us to effectively negotiate prices and assure quality, giving us a significant advantage.

Koito's fast product development and manufacturing processes are another key strength. Today, speed is of essence to automakers. Koito is prepared to rapidly respond to automakers' needs with precise attention to detail. Development lead-times, which several years ago were 18 months, have been shortened to around 10 to 11 months. By 2005, we aim to shorten lead-times to 8 to 9 months. From product development to the production of dies and the start-up of production lines, the speed of our operations is one of our most significant advantages. It is also an effective means of expanding earnings.

What are the key points of your global strategy?

One pressing issue right now is to enhance the capabilities of each of our operating bases around the world. Koito has established a four-base global product development and manufacturing network in a fairly short time frame. Many staff members have been sent abroad from Japan to transfer technologies and guide local manufacturing activities. However, our personnel requirements worldwide cannot be met with staff members from Japan alone. To enhance each operating base, it is imperative that we rapidly develop local human resources. Because it is people who run product development and manufacturing bases, Koito is committed to fully training staff members, a step vital to ensuring that we remain a fundamentally strong organization. Training programs in Japan for overseas staff are being enhanced with the aim of nurturing talented partners in the fields of product development and manufacturing.

As a global supplier, what specific measures are you implementing to capture a higher share of the global market?

Koito currently holds a global market share of 19%. Our goal is to increase our market share to 25% in the future.

Key to accomplishing this goal is a customer-first perspective that will guide our efforts to rapidly ascertain the demands of our customers. Establishing a strategic framework for winning orders and developing new products is another key priority. This will involve developing attractive products, speeding product development, realizing optimal production and supply and implementing other measures. Our aspiration is to be a trusted supplier that delivers high customer satisfaction. This will require that we offer especially imaginative and attentive services that satisfy all of our customers' needs based on DQCDS (Development, Quality, Cost, Delivery and Speed).

It is essential that Koito continue to develop leading-edge technologies, especially for gas discharge headlamps, AFS and LED headlamps. Long-range R&D that envisages the automobile society and headlamps ten to twenty years in the future will be conducted mainly by Koito in Japan and other bases. Our four-base global product development network will propose technologies and products that satisfy the needs of local automakers and launch innovative products before competitors. In these ways, we aim to capture a higher share of the global market.

Do the Koito Group's high product quality and market share promise further improvement in the operating income ratio?

In fiscal 2003, the operating income ratio improved one percentage point to 4.2%, from 3.2% in the previous fiscal year. We are currently working to achieve an operating income ratio of at least 5%.

This will entail making the very best use of resources such as personnel, facilities and funds. At the same time, Koito will implement a number of measures that place priority on enhanc-

ing operational efficiency. These include developing innovative production methods and bulk purchasing. In materials and components procurement, for example, Koito's purchasing divisions around the world are working together to implement optimal global procurement practices that reduce purchasing costs. Bulk purchasing will also capture synergies by leveraging economies of scale, and is expected to make a significant earnings contribution.

In recent years, Koito has prioritized upfront investments abroad aimed at increasing production capacity and enhancing operating bases in anticipation of growing demand in overseas markets. Looking ahead, Koito plans to continue making investments geared to increase production capacity, guided by a precise understanding of market developments and technological advances. Our consolidated operating results are already set to benefit from these investments. U.S.-based NAL, our largest overseas subsidiary, completed its Paris Plant in July 2002. This state-of-the-art facility is now fully on stream, and is making a large contribution to our operating results. In Europe, where Koito has made key upfront investments to bring a new plant at KCZ on stream and accomplish other ends, we expect operations to move into the black in 2005, supported by increased production on a steady rise in orders.

What is your strategy for Koito's other businesses?

The automotive lighting equipment segment is our core business, but the non-automotive electrical equipment and other products segments still represented 23% of net sales in fiscal 2003. Hand in hand with our growing core business, we are seeking to increase sales of non-automotive electrical equipment and other products as a percentage of net sales. Specifically, our target is to increase sales of non-automotive electrical equipment and other products to at least 30% of net sales within ten years.

Koito's non-automotive electrical equipment segment includes numerous products in promising growth fields such as Intelligent Transport Systems (ITS), aeronautics and space, and biotechnology. These include traffic control systems and LED displays. The other products segment includes aircraft electronic components, hydraulic equipment and aircraft seats, as well as biological controlling equipment. We will work to rapidly develop new products that deliver high customer satisfaction to expand our business.

Another priority is to make more effective use of Group-wide resources such as products, sales networks, facilities and personnel. We will realign our businesses on a Group-wide level by eliminating redundancies and taking other actions. In these ways, we aim to develop and expand the non-automotive electrical equipment and other products business.

What is your outlook for Koito?

In fiscal 2004, the Koito Group projects a continuation in overall sales and earnings growth, supported by a strong performance overseas.

In the medium and long terms, the global automobile industry is expected to expand and become more geographically diverse. The coming years will likely see growing demand in promising markets such as China and Eastern Europe, as well as new demand arising from the launch of high-value-added vehicles in the mature markets of developed nations.

In this climate, Koito plans to take steps to reinforce its overseas strategy. One step will be to allocate more resources overseas to win orders in growing markets. In Asia, capital expenditures will focus on increasing headlamp production capacity. In 2003, Koito is constructing a third plant at THAI KOITO COMPANY LIMITED and is expanding production facilities at a plant in South Korea. Plans also call for building a new plant in the fast-growing Chinese market in 2005. We will take numerous initiatives to further improve our operating results. These will include a stronger drive to increase orders, and additional measures to increase production capacity in the four key global automobile markets. Another key priority is to trim costs through measures that include implementing a mutually complementary supply system spanning our operating bases in the four key global automobile markets.

Review of Operations and Outlook by Geographic Region

During fiscal 2003, the year ended March 31, 2003, the Koito Group recorded significant growth, supported by expanding automobile production in North America, Europe and Asia. While this testifies to the strong link between our results and automobile production levels, Koito has nevertheless consistently worked to provide each Group company with the guidance needed to upgrade QCD activities, which will ultimately help to capture higher market share. As the shift to a borderless global economy gathers pace, it is essential that we make our optimal manufacturing and supply network even better. Koito is making steady headway toward establishing such a global network.

Note: Of the 21 consolidated subsidiaries based in Japan and overseas, 17 subsidiaries provisionally close their books on March 31 for the purpose of preparing financial statements.

North America

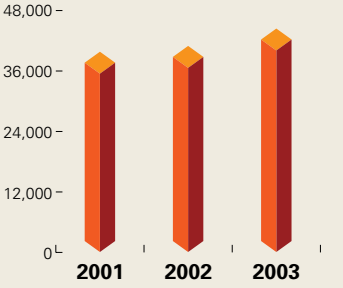
In North America, consolidated subsidiary North American Lighting, Inc. (NAL), established in April 1983, supplies automotive lighting equipment to the Big 3 automakers and all local plants of Japanese auto manufacturers. Since its establishment, NAL has grown steadily to become one of the largest manufacturers of lighting equipment in North America. NAL operates three plants in Flora, Salem, and Paris, Illinois. The company also has a Technical Center in Farmington Hills, Michigan.

Growing orders and changes in specifications, such as the adoption of larger, multifunctional lamps has prompted NAL to build a third plant in Paris, Illinois, which came on stream in July 2002, to manufacture headlamps and fog lamps. The Paris Plant is a state-of-the-art facility in which Koito provided technical guidance on all aspects of the plant—from buildings to the plant's layout and production technologies. When the new plant came online, several measures were implemented to improve the efficiency of NAL's three plants, by reallocating production responsibilities and personnel, and taking other actions.

Net sales at NAL increased 8.4% to ¥44.4 billion in fiscal 2003.

Net Sales [North America]

(Millions of yen)



Flora Plant

Salem Plant

Paris Plant

NAL's Technical Center

Europe

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. The Koito Europe Technical Center (KETC) in Zaventem, Belgium is responsible for developing new technologies. From these bases, Koito is working tirelessly to expand its business in the region. Previously, KEL supplied all products in Europe. However, steadily growing orders from automakers in continental Europe, prompted us to establish KCZ in the Czech Republic in March 2001. In September 2002, Koito completed a plant at KCZ and commenced production of headlamps for Renault S.A. This state-of-the-art plant is equipped with Koito's very best product technologies, and thus promises significant improvements in production efficiency. Koito will move to raise the profitability of its European operations by reviewing various aspects of operations, such as production responsibilities at KEL and KCZ. In fiscal 2003, net sales in Europe increased by 54.5% to ¥8.1 billion on healthy growth in new orders from the region. To overcome fierce competition among major lighting equipment manufacturers in this region, Koito will work to hold engineering presentations for customers through collaboration with KEL and KCZ and will conduct a vigorous marketing drive to win more orders.

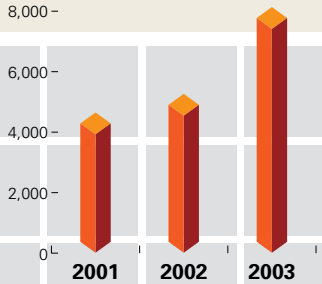
KEL

KCZ

KETC

Net Sales [Europe]

(Millions of yen)



Asia

China

China's automotive industry is growing at a phenomenal pace, with automobile production soaring from 2.33 million units in 2001 to 3.25 million units in 2002. Automobile production is projected to reach 4.00 million units in 2003. Koito began a technological assistance program in China at a very early time for the Japanese automobile industry in 1982. This was followed by the 1989 establishment of a joint venture, Shanghai Koito Automotive Lamp Co., Ltd., with a prominent local automaker. In line with China's growing automobile industry, this joint venture transferred production to a new plant in the suburban Katei district of Shanghai in 1996, a move that substantially ramped up production capacity. In April 2002, Shanghai Koito Automotive Lamp established a Technical Center in China, to make itself more competitive following the country's accession to the World Trade Organization (WTO) in 2001. This significantly improved its local product development capabilities and ability to manufacture dies. Shanghai Koito Automotive Lamp's largest customers include Shanghai Volkswagen Automotive Company Ltd. (Shanghai VW) and Shanghai General Motors Co., Ltd. (Shanghai GM). Shanghai Koito Automotive Lamp has received orders for automobile lighting equipment for use in all models produced by these two customers, giving the company a dominant share of China's lighting equipment market. Furthermore, in October 2002, Shanghai Koito Automotive Lamp began supplying headlamps and other products for use in Toyota's VIOS model, which entered production at Tianjin Toyota Motor Co., Ltd. Japanese automakers are now poised to make a full-scale entry into the Chinese market. Aiming to hold down the No.1 market share in China, Shanghai Koito Automotive Lamp will accurately respond to the strategies of automakers by supplying high-quality products and offering outstanding technological development skills.

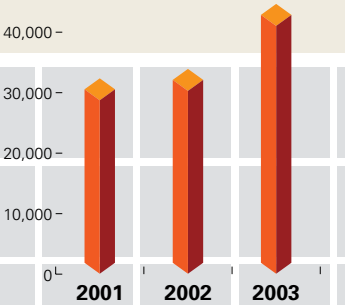
In fiscal 2003, net sales at Shanghai Koito Automotive Lamp rose 37.6% to ¥12.6 billion.

Shanghai Koito Automotive Lamp's Technical Center

Head Office, Shanghai Koito Automotive Lamp

Net Sales [Asia]

(Millions of yen)



Thailand

THAI KOITO

Thailand's automobile industry achieved record automobile production of 0.58 million units in 2002, and is expected to continue to rapidly grow, with automobile production projected to reach the 1 million-unit mark by 2006. Motorcycle production was trending favorably at 1.33 million units in 2002, and significant growth is projected in the years ahead. In Thailand, Koito's operations began with the 1986 establishment of THAI KOITO COMPANY LIMITED. THAI KOITO has been steadily ramping up production in line with growth in Thailand's auto industry and has benefited from growing demand for large, high-end lighting equipment and gas discharge headlamps. Consequently, net sales for fiscal 2003 at THAI KOITO climbed 71.6% to ¥7.1 billion. In view of the volume of orders projected for 2004 and subsequent years, Koito is building a third plant at THAI KOITO, with completion scheduled for December 2003. THAI KOITO's production capacity will be 1.5 times the level of 2002 by 2006.

South Korea

Inhee Lighting

Automobile production in South Korea rose 7% to 3.14 million units in 2002.

Koito's business activities in South Korea began in 1985 with a technical assistance program. In 1997, Koito and Apollo Industrial Co., Ltd. jointly established Inhee Lighting Co., Ltd. (IHL). Inhee Lighting has achieved steady growth by supplying automotive lighting equipment to Hyundai Motor Company and other customers. The company plans to finish expanding production facilities at its plant, by November 2003, to meet an increase in orders expected in 2004 and thereafter. In fiscal 2003, the increase in automobile production, and a rise in unit prices driven by growing adoption of high-end signaling lamps such as LED lamps, combined to lift net sales at IHL by 21.3% to ¥15.5 billion.

Taiwan

Automobile production in Taiwan jumped 23% to 0.33 million units in 2002. In 1988, Koito took an equity interest in Ta Yih Industrial Co., Ltd.—a Tainan-based manufacturer of automotive lighting equipment. Since then, Ta Yih Industrial has grown hand in hand with the development of Taiwan's automobile industry and has captured a dominant share of the local automotive lighting equipment market. In 1997, the company successfully listed on the Taiwan Stock Exchange, becoming Koito's only listed consolidated subsidiary overseas. For fiscal 2003, Ta Yih Industrial recorded net sales of ¥9.3 billion, a year-on-year increase of 24%. Sales benefited from increased automobile production, firm demand for high-end automotive headlamps and higher production of automobiles fitted with gas discharge headlamps (GDHL).

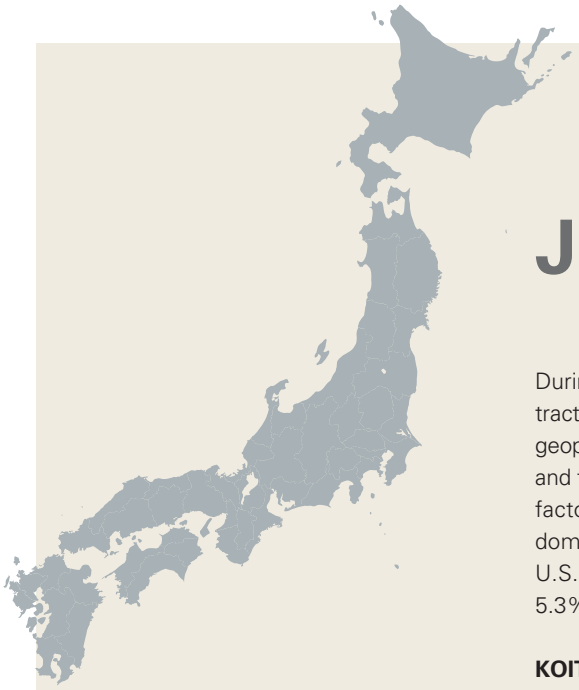
Ta Yih Industrial

India

India's automobile industry has achieved steady growth, with automobile production increasing 4% to 0.9 million units in 2002. In 2004, automobile production is expected to reach 1 million units. U.S., European and Japanese automakers have entered India's automobile industry, which remains a highly promising market for the future. Koito's operations in India began with a technical assistance program for Lucas-TVS Limited in 1995. Subsequently, in 1997, Koito became a joint partner in INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL) with Lucas-TVS and is steadily expanding its operations. Since then, sales have been growing steadily. For fiscal 2003, IJL recorded net sales of ¥1.2 billion, a year-on-year increase of 41.9%.

IJL has excellent prospects for growth—the company has been winning a steady stream of new orders, underpinned by the outstanding quality of its products.

INDIA JAPAN LIGHTING



Japan

During fiscal 2003, the Japanese economy showed no signs of escaping from its protracted economic slump. A depressed global economy, weak demand overseas due to geopolitical instability, the growing shift of manufacturing overseas, deepening deflation and tumbling stock prices all combined to make recovery a challenging prospect. These factors also conspired to weaken consumer spending. The automobile industry saw domestic auto sales edge up on brisk sales of compact cars. Exports to Europe, the U.S. and Asia also rose. These factors lifted domestic automobile production volume 5.3% to 10.32 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 2003, net sales at Koito in Japan rose slightly to ¥156.9 billion. Results for each segment are as follows.

[Automotive Lighting Equipment Segment]

This segment recorded net sales of ¥149.3 billion, a year-on-year increase of 1.2%. The main contributing factors were technological advances in the form of larger, multifunctional headlamps, and the growing adoption of gas discharge headlamps (GDHL). The launch of two products designed to enhance driving safety—headlamps for the Adaptive Front Lighting System (AFS), and near-infrared lamps —also helped to lift sales.

[Aircraft Equipment Segment]

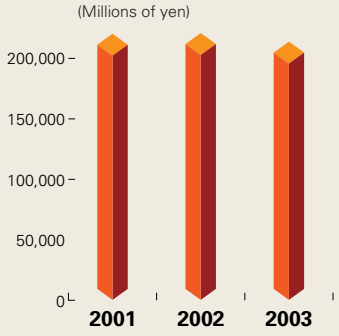
Segment sales decreased 3.4% year on year to ¥2.9 billion. Increased sales of hydraulic equipment for the domestic market were outweighed by a decline in exports due to lower aircraft production.

[Other Products Segment]

The other products segment recorded higher sales of headlamp cleaners due to an increase in the number of models fitted with these devices. However, this was more than cancelled out by declines in sales of power window regulators due to the end of production of vehicles fitted with these products, and by falling demand for card readers. Consequently, segment sales fell 16.2% to ¥4.6 billion.

On the earnings side, Koito worked to rationalize operations and trim costs by improving productivity. Lowering depreciation by reviewing and reining in capital investment budgets, paring back fixed costs and taking other actions, were also key priorities. Another contributing factor behind earnings was an extraordinary gain on the return of the substitutional component of the Employees Welfare Annuity Fund to the

Net Sales [Japan]



KOITO MANUFACTURING's
Shizuoka Plant

KOITO MANUFACTURING's
Kikkawa Plant

Japanese government. As a result, net income climbed 65.6% to ¥5.8 billion. During fiscal 2003, Koito made total capital expenditures of ¥8.3 billion. Capital expenditures were made primarily 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.

Looking ahead, domestic auto sales are projected to remain mostly the same as in fiscal 2003. The global economic slowdown and further relocation of automobile production bases overseas will also lead to a decline in exports. These factors are expected to drive down domestic automobile production in the coming years. Undaunted, Koito will work to expand sales of new products, while implementing cost reduction measures to shore up its price competitiveness and raise operating efficiency.

KOITO INDUSTRIES, LIMITED

In fiscal 2003, consolidated net sales at KOITO INDUSTRIES, LIMITED decreased 9.2% to ¥60.8 billion. By segment, in the transportation equipment segment, favorable sales by the railroad car equipment division were offset by a decline in sales in the aircraft seat division.

The non-automotive electrical equipment segment recorded a year-on-year decline in net sales. This reflected 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. Despite healthy growth in the environmental systems division, there was a substantial slide in sales in the home appliances division due to the separation of washlet toilet operations.

On the earnings front, operating income increased 22.0% to ¥2.4 billion. The main contributing factors were cost-cutting measures focused on ensuring that targets in each business were met, and lowering operating expenses. The greater weight of high value-added products was another key factor. After deducting the amortization of retirement benefit liabilities for the fiscal year, net income rose 106.5% to ¥0.6 billion.

Although there is uncertainty in some areas, the outlook for the future is mostly positive. One promising area is the railroad car equipment business, with strong exports expected due to demand arising from the construction of a high-speed railway in Taiwan and other factors. Meanwhile, the aircraft seat business is an area for concern due to the Iraq situation. However, KOITO INDUSTRIES will work to expand its market share by winning new customers. The company will launch and promote sales of new products and systems in the non-automotive lighting equipment and information systems divisions. The traffic system division expects firm replacement demand for LED-based traffic signals and other items. The home appliances and environmental systems division will continue to press forward with reform measures aimed at building highly profitable operating structures.

Head Office,
KOITO MANUFACTURING

Head Office, KOITO INDUSTRIES

KOITO MANUFACTURING's
Haibara Plant

KOITO MANUFACTURING's
Sagara Plant

KOITO MANUFACTURING's
Fujikawa Tooling Plant

Research and Development

The Koito Group is committed to delivering attractive products that anticipate customer needs in a timely manner by leveraging its innovative product development system, which rests on two pillars—R&D aimed at the pursuit and creation of leading-edge technologies and product line development for efficiently transforming those technologies into viable products. At the same time, Koito aims to conduct manufacturing activities that put people and the environment first, 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, 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, 1,881 personnel were engaged in the Koito Group's R&D activities.

In fiscal 2003, R&D costs totaled ¥17.7 billion, with ¥15.6 billion of this amount used by the automotive lighting equipment segment. Of the remainder, the non-automotive electrical segment accounted for ¥1.1 billion and the other products segment ¥1.0 billion.

The main research themes in each segment in fiscal 2003 are outlined below.

Automotive lighting equipment

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

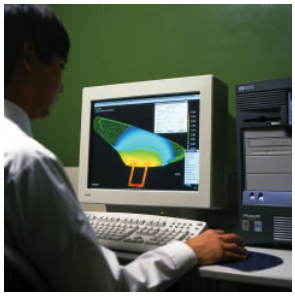
Non-automotive electrical equipment

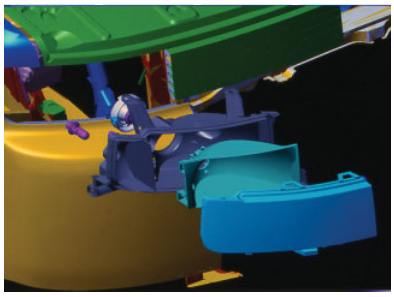
(1) Image transmission technologies for railroad rolling stock
(2) System development for ITS-related equipment and materials
(3) Internet-based systems, etc.

Other products

(1) Non-lighting automotive components
(2) Aircraft components and seats
(3) New products in new business domains, etc.

KOITO MANUFACTURING's Technical Center



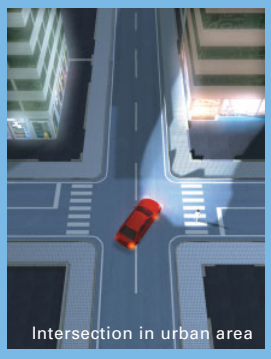


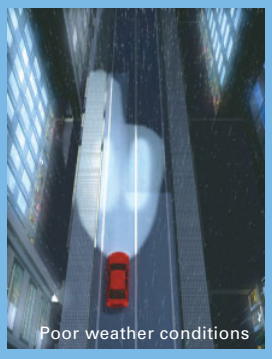
New products born out of our R&D program during the year under review included the Adaptive Front Lighting System (AFS) and a near-infrared headlamp. These products are now being fitted to vehicles.

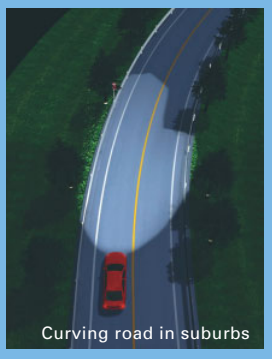
Adaptive Front Lighting System, which automatically swivels the headlamp low-beam unit in horizontal directions according to the steering angle and vehicle speed

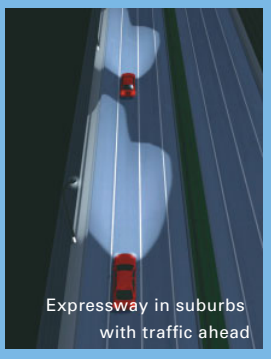
This system improves visibility for drivers, and therefore driving safety, by responding to specific road conditions to ensure optimal illumination of the road ahead.

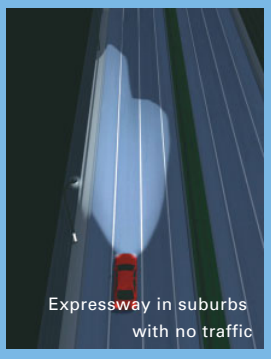
Koito commercialized the world's first AFS in February 2003. The state-of-the-art headlights at the heart of the AFS are equipped with low-beam units that can automatically swivel the optical axis in a horizontal plane in response to electronic control signals that indicate steering angle, vehicle speed and other parameters. The AFS provides wider and deeper illumination in the direction the vehicle is turning, making this system a promising preventive safety technology. For this reason, AFS technology is set to find an expanding range of applications in the near future. Koito is also busy developing a next-generation AFS headlamp system that will automatically adjust the optical axis both vertically and horizontally in response to road conditions detected by various on-board sensors and navigation systems.


Intersection in urban area


Poor weather conditions

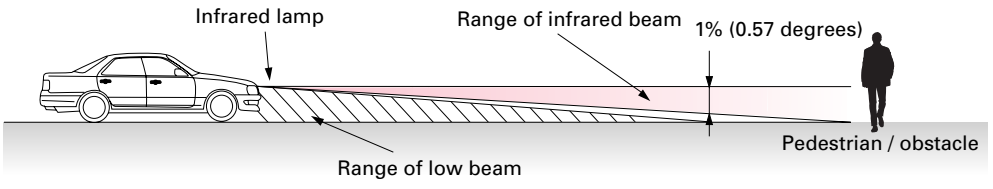

Curving road in suburbs


Expressway in suburbs with traffic ahead


Expressway in suburbs with no traffic

Near-infrared Headlamp (infrared lamps for night viewer systems)

This near-infrared headlamp augments night viewer systems that enhance visibility for drivers. The idea is to illuminate the road ahead with an invisible near-infrared beam, to create video images of pedestrians or obstacles that may lie beyond the range of the conventional headlamp beam. This system was put into practical use in August 2002, and has been fitted to new vehicles.



Without infrared beam

With infrared beam

Environmental Activities

Manufacturing That Puts People and the Environment First

The 21st century has been called the environmental century. Certainly, it is becoming increasingly important for companies to engage in environmental protection activities that help to realize a recycling-oriented society. Under its corporate slogan of "Entrusting Safety to Light," the Koito Group's operations are centered on the automotive lighting business, but also extend to the fields of aerospace and shipping. Dealing with environmental issues is a management priority for Koito. To play a part in building a safe and comfortable society using light as a theme, it is imperative that all of our manufacturing operations put people and the environment first. Koito established an Environmental Committee in 1998, and has defined a three-phase plan for environmental action.

The first phase for Koito is to advance environmental protection activities in line with the international ISO 14001 standard for environmental management. The second phase is to strengthen a broader range of environmental protection activities encompassing not only manufacturing but also waste disposal and material recycling. The third phase will see us extend environmental activities to Group companies at home and abroad. Our commitment to "manufacturing that puts people and the environment first" will guide continual improvements in all three phases, helping us to play a meaningful role in building a recycling-oriented society.

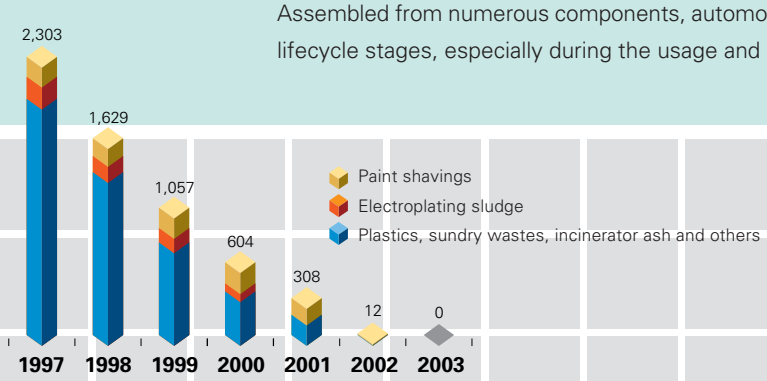
Initiatives to Build a Recycling-oriented Society

Having obtained ISO 14001 certification at all five domestic plants as of July 2000, Koito has a strong foundation for environmental activities in place. We are now working to meet the goals of annual environmental management plans to consistently implement ISO 14001 standards.

Koito has made significant progress in reducing the amount of waste sent to landfills. In July 2002, all five domestic plants achieved zero emission status ahead of schedule, meaning that waste sent to landfills has been reduced to zero. Meanwhile, ISO 14001 certification was renewed at the Shizuoka Plant and the scope of ISO 14001 inspections was expanded to include the Fujikawa Tooling Plant, a manufacturing facility for resin molds, with the view to obtaining ISO certification.

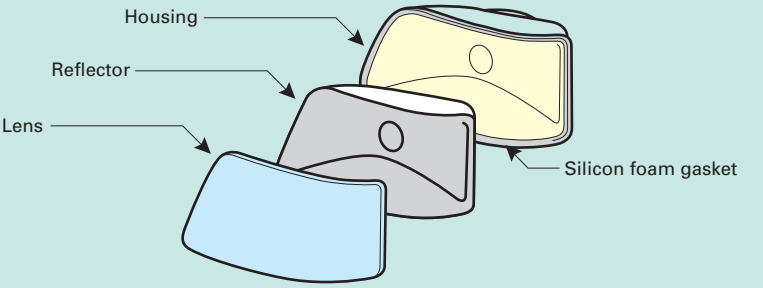
The Koito Group is a global supplier of automotive components consisting of 21 subsidiaries in Europe, North America and Asia and four affiliated companies. Eight Koito Group companies worldwide have obtained ISO 14001 certification. Looking ahead, Koito will extend its environmental practices to all Group companies, and will provided the guidance needed to implement environmental safeguards appropriate to host countries and regions.

Waste sent to landfills
(m^3)



Eco-conscious Headlamp Design and Development

Assembled from numerous components, automobiles have a significant environmental impact in all lifecycle stages, especially during the usage and disposal stages. The Koito Group is taking a wide



range of initiatives in the product development and design phases to reduce the environmental impact of automotive headlamps not only in the manufacturing stage, but also during use and disposal.

To promote greater recycling of components and materials, Koito has developed a new bonding method using gel-based seals to make automotive lamps easier to disassemble. These seals, which preclude the need for conventional glue, make it possible to recycle headlamps into separate components and materials. Koito also manufactures headlamp components using highly recyclable materials, such as thermoplastic resins. To enhance the energy efficiency of our products and conserve resources, we have miniaturized ballast resistors (stabilizers) for gas discharge headlamps (GDHL) and made headlamps lenses thinner.

The growing use of electronics in automobiles has increased the number of energy-hungry electronic components. This had made it important for automotive component suppliers to lower the power consumption of individual components. Steps in this direction at Koito include the use of GDHL and light-emitting diodes (LEDs) in signaling lamps. Koito has successfully developed GDHL that produce beams approximately two to three times brighter than halogen bulbs with only two-thirds the power. The use of LEDs in traditional signaling lamps also reduces power consumption to approximately one-eighths that of electrical bulbs.

Communicating With Society

Manufacturing activities bring companies into close contact with their natural environment. At the same time, companies have relationships with stakeholders of all kinds and many societies. Enlightened companies realize that winning the trust of society is an essential prerequisite for carrying out their business activities. Building trust is therefore a key element of Koito's management strategy. Mindful of the importance of environmental disclosure, Koito has published an Environmental Report since June 2001. And going forward, Koito will make an even stronger commitment to environmental preservation initiatives. Our Environmental Report will be published annually to enhance transparency, for example. Environmental accounting was also introduced to incorporate quantitative information on environmental preservation costs and their economic effects and benefits in volume terms into management decision making. In fiscal 2003, there was a high weighting of disposal costs for waste and other materials. Environmental accounting helped us to accurately determine how much waste was sent to landfills and reductions in the accompanying disposal costs.

Board of Directors

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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

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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, 2003)

Financial Section

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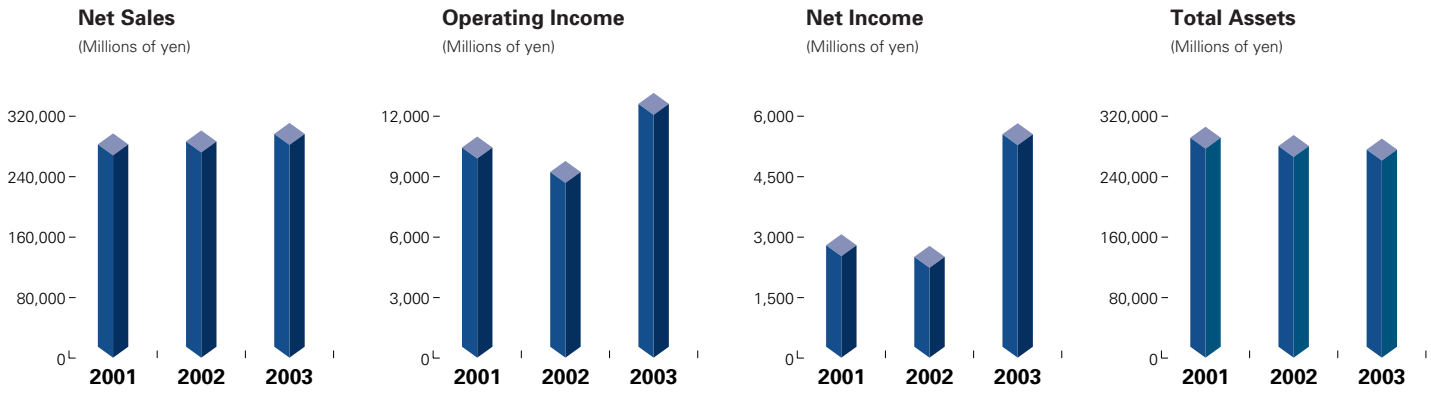
TEN-YEAR SUMMARY

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

Consolidated	Millions of yen (except per share amounts) 1994	1995	1996	1997
For the year:				
Net sales	¥232,094	¥225,120	¥212,357	¥220,045
Operating income	9,828	11,069	9,608	10,607
Income before income taxes and minority interests	9,812	11,376	10,669	10,899
Income taxes	5,895	6,994	6,427	6,310
Net income	2,879	4,407	3,917	4,702
Amounts per share (in yen and U.S. dollars):				
Net income	¥ 17.94	¥ 27.47	¥ 24.39	¥ 29.24
Cash dividends	8.00	9.00	8.00	9.00
At year-end:				
Working capital	¥ 55,876	¥ 62,111	¥ 64,752	¥ 59,053
Property, plant and equipment, less accumulated depreciation	49,419	46,574	49,297	54,742
Total assets	188,604	204,181	207,104	218,079
Total shareholders' equity	69,295	72,897	75,589	78,881

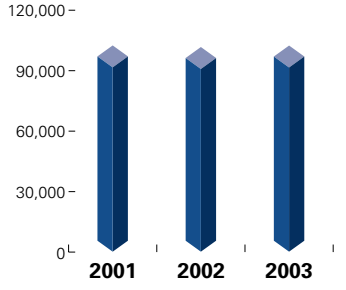
Note: Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥120.20=$1, the rate prevailing on March 31, 2003.



1998	1999	2000	2001	2002	2003	Thousands of U.S. dollars (except per share amounts) 2003
¥226,134	¥275,934	¥279,034	¥297,280	¥301,141	**¥311,133**	**$2,588,461**
8,540	10,201	9,288	10,991	9,779	**13,157**	**109,459**
9,771	8,451	7,341	6,190	6,292	**12,766**	**106,206**
5,836	3,486	2,997	2,476	2,516	**5,113**	**42,537**
4,285	3,846	3,412	3,072	2,784	**5,826**	**48,469**
¥ 26.65	¥ 23.92	¥ 21.23	¥ 19.11	¥ 17.38	**¥ 35.51**	**$ 0.30**
8.00	8.00	10.00	8.00	8.00	**10.00**	**0.08**
¥ 55,348	¥ 40,393	¥ 51,060	¥ 16,724	¥ 27,340	**¥ 26,663**	**$ 221,822**
46,174	65,857	61,448	64,856	69,148	**66,342**	**551,930**
217,741	267,783	275,063	306,084	295,097	**290,397**	**2,415,948**
81,313	90,291	92,848	102,532	101,738	**102,475**	**852,537**

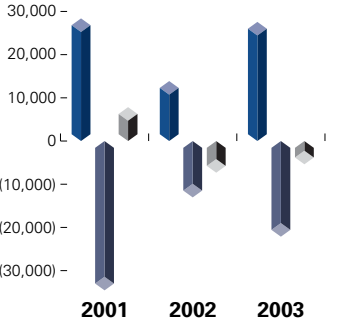
Total Shareholders' Equity

(Millions of yen)



Cash Flows

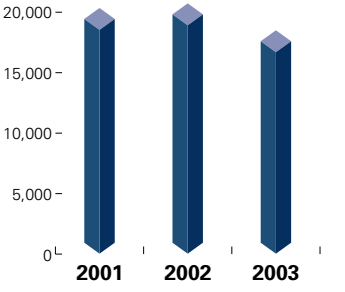
(Millions of yen)



Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities

Capital Expenditures

(Millions of yen)



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The Koito Group comprises the parent company KOITO MANUFACTURING CO., LTD., 21 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 17 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 fiscal 2003, Japan's domestic automobile production increased steadily, underpinned by firm domestic sales, as seen in higher demand for compact cars and a sharp increase in exports to the U.S. and Asia. Domestic automobile production rose 5.3% to 10.32 million units, clearing the 10 million-unit mark for the first time in two years. Global vehicle production steadily expanded due to strong automobile production overseas. Automobile production in the U.S. and Europe held firm, while automobile production in Asia, especially in China, grew significantly.

In this climate, the Koito Group increased sales by ¥9,992 million, or 3.3%, to ¥311,133 million on higher sales in the automotive lighting equipment segment at overseas subsidiaries in each region.

Results by Business Segment

Automotive Lighting Equipment

In the core automotive lighting equipment segment, net sales increased ¥18,909 million, or 8.5%, to ¥240,627 million. In Japan, factors driving growth included advances in larger, multi-functional headlamps and growing adoption of ultra-bright gas discharge headlamps (GDHL). Subsidiaries in North America, Europe and Asia, particularly those in China, also witnessed higher sales, reflecting a sharp increase in orders for both headlamps and signaling lamps. Operating income increased ¥3,183 million, or 36.4%, to ¥11,933 million, the result of higher net 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 ¥7,298 million, or 12.8%, to ¥49,832 million. This mainly reflected the separation of the washlet toilet business in home appliances and declining orders for traffic systems. These factors were partly offset by brisk sales of railroad car equipment. Operating income rose ¥635 million, or 29.6%, to ¥2,783 million due to enhancement and rationalization measures, and improved productivity.

Other Products

The other products segment recorded net sales of ¥20,673 million, down ¥1,618 million, or 7.3%, from the previous fiscal year. Despite higher sales of headlamp cleaners on strong orders for new vehicle models, sales of power window regulators declined due to the end of production of models employing these products. Sales of aircraft seats also fell due to a decline in aircraft production. As a result, operating income decreased ¥304 million, or 74.1%, to ¥106 million.

Business Results by Geographical Segment

Japan

In Japan, although sales in the automotive lighting equipment segment increased, sales fell in the non-automotive electrical equipment and other products segments. The result was a ¥7,076 million, or a 3.2% decrease in net sales to ¥213,891 million. However, operating income increased ¥1,445 million, or 14.5%, to ¥11,404 million, the result of cost-cutting and rationalization measures throughout the company. In short, fiscal 2003 saw operating income grow despite lower sales.

North America

Net sales in North America increased ¥3,449 million, or 8.4%, to ¥44,428 million. This reflected a sharp increase in orders for both headlamps and signaling lamps on the back of strong automobile sales by Japanese automakers in North America. North American Lighting, Inc. (NAL) saw the completion of its third plant in Paris, Illinois, a significant addition to its existing development and production framework that reinforced product development and production capacity. NAL will continue to implement an active marketing approach to win new orders. Operating income jumped ¥1,017 million to ¥1,465 million, the result of the increase in sales and rationalization measures leading to fewer product defects.

Asia

Net sales in Asia increased ¥10,747 million, or 31.7%, to ¥44,674 million, reflecting increased automobile production in Asian countries such as China, Taiwan, Thailand and South Korea, and higher unit prices for headlamps, due to larger dimensions and high-performance functions on offer. Operating income rose ¥1,428 million, or 64.2%, to ¥3,651 million, the result of higher profitability due to the inclusion of more high-value added products in our product mix and other factors.

In April 2002, Koito completed a Technical Center for Shanghai Koito Automotive Lamp in China, with the view to further strengthening product development capabilities and improving the quality and function of automotive lighting equipment.

Business Results by Geographic Segment

	(Millions of yen)				
For the years ended March 31,	1999	2000	2001	2002	**2003**
Japan					
Net sales	¥213,559	¥213,880	¥220,425	¥220,967	**¥213,891**
Operating income	8,703	8,859	11,301	9,959	**11,404**
North America					
Net sales	35,462	35,384	39,830	40,979	**44,428**
Operating income	1,670	697	102	448	**1,465**
Asia					
Net sales	21,862	25,302	32,370	33,927	**44,674**
Operating income	1,806	2,062	2,105	2,223	**3,651**
Europe					
Net sales	5,049	4,466	4,652	5,267	**8,138**
Operating loss	(358)	(294)	(1,062)	(1,322)	**(1,697)**

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

Europe

Net sales in Europe increased ¥2,871 million, or 54.5%, to ¥8,138 million on higher orders from new customers. In September 2002, headlamp production came on stream at Koito Czech s.r.o. (KCZ), marking the completion of a dual production framework in Europe with UK-based Koito Europe Limited. Meanwhile, the operating loss widened ¥375 million, to ¥1,697 million. This mainly reflects budgeted losses incurred due to the establishment of KCZ. In Europe, Koito will continue working to improve results.

Earnings

As a result of the above factors, operating income climbed ¥3,378 million, or 34.5%, to ¥13,157 million. Consequently, income before income taxes and minority interests rose ¥6,474 million, or 102.9%, to ¥12,766 million. The other income (expenses) account included an extraordinary gain of ¥5,336 million from the return of the substituted portion of the Employees Welfare Annuity Fund to the Japanese government, as well as an extraordinary loss of ¥1,290 million on revaluation of land holdings.

The result was that net income increased ¥3,042 million, or 109.3%, to ¥5,826 million. The net income ratio improved 1.0 percentage point to 1.9%.

Financial Position

As of March 31, 2003, total assets were ¥290,397 million, down ¥4,700 million from a year earlier. Total current assets declined ¥1,388 million to ¥138,177 million, mainly reflecting a decline of ¥1,169 million in marketable securities. In property, plant and equipment, the land account decreased ¥1,443 million, due to a ¥1,290 million revaluation loss on land following the application of impairment accounting standards.

On the liabilities side of the balance sheet, total current liabilities were ¥111,514 million, a decrease of ¥711 million from a year ago. The main factors behind this change were: an increase in short-term loans and income taxes payable of ¥2,047 million and ¥1,366 million, respectively; a reduction in bonds due within one year of ¥2,571 million to a zero balance, following the redemption of all bonds issued by subsidiary Koito Enterprise Corporation and Ta Yih Industrial Co., Ltd.; and the elimination of employees' savings deposits at the parent company KOITO MANUFACTURING and KOITO INDUSTRIES, LIMITED, which lowered accrued expenses and other current liabilities by ¥1,521 million.

Looking at non-current liabilities, long-term debt declined ¥2,629 million. Interest-bearing debt, which comprises bonds (including those due within one year) and short-term borrowings, decreased ¥3,153 million to ¥56,039 million. Accrued retirement benefits declined ¥2,796 million to ¥19,033 million, due to return of the substituted portion of the Employees Welfare Annuity Fund to the Japanese government.

Total shareholders' equity increased ¥737 million to ¥102,475 million, remaining mostly unchanged from a year earlier. The equity ratio increased 0.8 of a percentage point to 35.3%. ROE improved 3.0 percentage points to 5.7%.

Cash Flows

Consolidated cash and cash equivalents at the end of the fiscal year were up ¥45 million to ¥15,494 million. Major providers of cash included net income of ¥5,826 million, as well as depreciation of ¥17,004 million. These factors offset substantial cash outflows during the year, among them ¥18,682 million for the acquisition of property and equipment, ¥2,667 million for repayment of long-term bank loans, and ¥2,518 million for the redemption of bonds.

Operating activities provided net cash of ¥27,583 million. The major contributors of cash inflows were net income of ¥5,826 million and depreciation of ¥17,004 million, a non-cash expense. Return of the substituted portion of the Employees Welfare Annuity Fund to the Japanese government also reduced accrued retirement benefits during the fiscal year.

Investing activities used net cash of ¥22,149 million, mainly due to payments of ¥18,682 million for the acquisition of property and equipment, and ¥32,150 million for the purchase of marketable and investment securities.

Financing activities used net cash of ¥5,389 million. This result came as an increase of ¥3,697 million in short-term bank loans was outweighed by ¥2,096 million for the payment of dividends, and declines in long-term bank loans and bonds.

Capital Expenditures

Capital expenditures totaled ¥18,506 million, down ¥2,224 million, or 10.7% 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 ¥17,481 million in the automotive lighting equipment segment, mainly for commencing production at a new plant at Koito Czech s.r.o. Capital expenditures in the non-automotive electrical equipment segment were ¥616 million, mainly for upgrading production facilities for transport equipment. The other products segment made capital expenditures of ¥408 million mainly for production facilities for new products such as electronics and information equipment.

CONSOLIDATED BALANCE SHEETS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

At March 31,	Millions of yen 2002	Millions of yen **2003**	Thousands of U.S. dollars **2003**
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 15,449	**¥ 15,494**	**$ 128,902**
Trade notes and accounts receivable	77,105	**77,396**	**643,894**
Less: Allowance for doubtful accounts	(1,112)	**(931)**	**(7,745)**
	75,993	**76,465**	**636,148**
Marketable securities	16,029	**14,860**	**123,627**
Inventories	19,943	**19,906**	**165,607**
Deferred income taxes (Note 7)	5,501	**5,069**	**42,171**
Prepaid expenses and others	6,650	**6,381**	**53,087**
Total current assets	139,565	**138,177**	**1,149,559**
Investments:			
Investment securities	59,038	**59,716**	**496,805**
Loans	1,969	**1,455**	**12,105**
Deferred income taxes (Note 7)	3,727	**5,116**	**42,562**
Other investments	6,266	**5,625**	**46,797**
Less: Allowance for doubtful accounts	(150)	**(299)**	**(2,488)**
Total investments	70,852	**71,613**	**595,782**
Property, plant and equipment, at cost:			
Buildings and structures	65,586	**66,642**	**554,426**
Machinery, equipment and tools	141,522	**140,873**	**1,171,988**
Less: Accumulated depreciation	(137,960)	**(141,174)**	**(1,174,493)**
	69,148	**66,342**	**551,930**
Land	12,891	**11,448**	**95,241**
Construction in progress	2,638	**2,814**	**23,411**
Property, plant and equipment, net	84,678	**80,605**	**670,591**
Total assets	¥ 295,097	**¥ 290,397**	**$ 2,415,948**

At March 31,	Millions of yen 2002	Millions of yen 2003	Thousands of U.S. dollars 2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade notes and accounts payable	¥ 55,576	**¥ 55,544**	**$ 462,097**
Short-term loans (Note 4)	25,613	**27,660**	**230,116**
Bonds due within one year (Note 5)	2,571	**–**	**–**
Income taxes payable (Note 7)	1,436	**2,802**	**23,311**
Accrued expenses and other current liabilities	27,029	**25,508**	**212,213**
Total current liabilities	112,225	**111,514**	**927,737**
Non-current liabilities:			
Long-term debt (Note 4)	28,008	**25,379**	**211,140**
Bonds (Note 5)	3,000	**3,000**	**24,958**
Accrued retirement benefits (Note 6)	21,829	**19,033**	**158,344**
Other non-current liabilities	2,058	**2,507**	**20,857**
Total non-current liabilities	54,898	**49,920**	**415,308**
Contingent liabilities (Note 9)			
Minority interests	26,235	**26,487**	**220,358**
Shareholders' equity:			
Common stock 320,000,000 shares authorized and 160,789,436 shares issued at 31 March, 2002 and 2003	14,270	**14,270**	**118,719**
Additional paid-in capital	17,107	**17,107**	**142,321**
Retained earnings	64,373	**68,782**	**572,230**
Valuation adjustment on investment securities	6,719	**4,892**	**40,699**
Translation adjustments	4	**(1,809)**	**(15,050)**
Treasury common stock, at cost: 495 shares in 2002 and 1,164,239 shares in 2003	(736)	**(768)**	**(6,389)**
Total	101,738	**102,475**	**852,537**
Total liabilities and shareholders' equity	¥295,097	**¥290,397**	**$2,415,948**

CONSOLIDATED STATEMENTS OF INCOME

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Net sales	¥301,141	**¥311,133**	**$2,588,461**
Cost of sales	259,378	**265,023**	**2,204,850**
Gross profit	41,762	**46,110**	**383,611**
Selling, general and administrative expenses	31,982	**32,953**	**274,151**
Operating income	9,779	**13,157**	**109,459**
Other income (expenses):			
Interest income	351	**563**	**4,684**
Interest expenses	(1,075)	**(827)**	**(6,880)**
Loss on sale and disposal of property and equipment	(479)	**(380)**	**(3,161)**
Others, net	(2,284)	**253**	**2,105**
Income before income taxes and minority interests	6,292	**12,766**	**106,206**
Income taxes	2,516	**5,113**	**42,537**
Income before minority interests	3,776	**7,653**	**63,669**
Minority interests in consolidated subsidiaries	(991)	**(1,826)**	**(15,191)**
Net income	¥ 2,784	**¥ 5,826**	**$ 48,469**

	Yen		U.S. dollars
	2002	**2003**	**2003**
Per share:			
Net income	¥17.38	**¥35.51**	**$0.30**
Cash dividends	8	**10**	**0.08**
Average total number of shares of during the year (thousands of shares)	160,207	**159,578**	**159,578**

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen 2002	Millions of yen **2003**	Thousands of U.S. dollars **2003**
Common stock:			
Beginning balance	¥ 14,270	**¥ 14,270**	**$118,719**
Ending balance	¥ 14,270	**¥ 14,270**	**$118,719**
Additional paid-in capital:			
Beginning balance	¥ 17,107	**¥ 17,107**	**$142,321**
Ending balance	¥ 17,107	**¥ 17,107**	**$142,321**
Retained earnings:			
Beginning balance	¥ 62,786	**¥ 64,373**	**$535,549**
Increase by addition of equity investee	6	**–**	**–**
Adjustment for increase of subsidiaries	222	**–**	**–**
Beginning balance, as adjusted	¥ 63,014	**¥ 64,373**	**$535,549**
Net income	¥ 2,784	**¥ 5,826**	**$ 48,469**
Deductions:			
Cash dividends applicable to the year	(1,281)	**(1,277)**	**(10,624)**
Bonuses to directors and corporate auditors	(144)	**(140)**	**(1,165)**
Ending balance	¥ 64,373	**¥ 68,782**	**$572,230**
Valuation adjustment on investment securities	¥ 6,719	**¥ 4,892**	**$ 40,699**
Translation adjustments	¥ 4	**¥ (1,809)**	**$ (15,050)**
Treasury stock	(736)	**(768)**	**(6,389)**
Total	¥101,738	**¥102,475**	**$852,537**

CONSOLIDATED STATEMENTS OF CASH FLOWS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen 2002	Millions of yen **2003**	Thousands of U.S. dollars **2003**
Cash flows from operating activities:			
Net income	¥ 2,784	**¥ 5,826**	**$ 48,469**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	17,493	**17,004**	**141,464**
Minority interests in consolidated subsidiaries	991	**1,826**	**15,191**
Provision for allowance for doubtful accounts	(120)	**56**	**466**
Provision for accrued retirement benefits	2,236	**(2,759)**	**(22,953)**
Loss on revaluation of marketable securities	960	**1,588**	**13,211**
Loss on sale and disposal of property and equipment	429	**192**	**1,597**
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	1,992	**(291)**	**(2,421)**
Marketable securities	(1,195)	**626**	**5,208**
Inventories	(1,538)	**37**	**308**
Prepaid expenses and others	1,441	**1,172**	**9,750**
Trade notes and accounts payable	(5,896)	**(32)**	**(266)**
Income taxes payable	(2,836)	**1,366**	**11,364**
Accrued expenses and other current liabilities	(1,418)	**(1,521)**	**(12,654)**
Others, net	(1,439)	**2,493**	**20,740**
Net cash provided by operating activities	13,884	**27,583**	**229,476**
Cash flows from investing activities:			
Acquisition of property and equipment	(20,363)	**(18,682)**	**(155,424)**
Proceeds from sale of property and equipment	635	**397**	**3,303**
Purchase of marketable and investment securities	(30,729)	**(32,150)**	**(267,471)**
Proceeds from sale of marketable and investment securities	35,842	**28,051**	**233,369**
(Decrease) increase in long-term loans	(98)	**513**	**4,268**
Increase (decrease) in other investments and other assets	1,658	**(278)**	**(2,313)**
Net cash used in investing activities	(13,055)	**(22,149)**	**(184,268)**
Cash flows from financing activities:			
(Decrease) increase in short-term bank loans	(9,575)	**3,697**	**30,757**
Increase (decrease) in long-term bank loans	4,963	**(2,667)**	**(22,188)**
Decrease in bonds	–	**(2,518)**	**(20,948)**
Decrease in employees' deposit	–	**(1,772)**	**(14,742)**
Purchase of treasury stock	(734)	**(33)**	**(275)**
Cash dividends	(1,990)	**(2,096)**	**(17,438)**
Net cash used in financing activities	(7,336)	**(5,389)**	**(44,834)**
Change in cash and cash equivalents	(6,507)	**45**	**374**
Cash and cash equivalents at beginning of the year	21,956	**15,449**	**128,527**
Cash and cash equivalents at end of the year	¥ 15,449	**¥ 15,494**	**¥ 128,902**

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, 2002 and 2003 include the accounts for the Company and the 21 subsidiaries 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
Kosmotec 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, 2003 and includes shares owned through consolidated subsidiaries.

(2) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The excess of the costs over the underlying net equity of investments in the consolidated subsidiaries is amortized over five years.

Investments in 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 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, the Company obtained approval for exemption from future retirement obligations on December 16, 2002 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

Effective April 1, 2003, the Company adopted a new accounting standard issued by the Accounting Standards Board of Japan for earnings per share of common stock. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, 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 ¥120.20=$1, the approximate rate of March 31, 2003, 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, 2002 and 2003, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Loans, principally from banks			
To the Company	–	–	–
To consolidated subsidiaries	¥25,613	¥27,660	$230,116
Total	¥25,613	¥27,660	$230,116

At March 31, 2002 and 2003, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Loans, principally from banks			
To the Company	–	–	–
To consolidated subsidiaries	¥28,008	¥25,379	$211,140
Total	¥28,008	¥25,379	$211,140

5. Bonds

At March 31, 2002 and 2003, bonds consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Bonds			
Issued by the Company	–		
Issued by consolidated subsidiaries	¥5,571	¥3,000	$24,958
Total	¥5,571	¥3,000	$24,958
Less: Current maturities	¥2,571	¥ –	$ –
Total	¥3,000	¥3,000	$24,958

6. Employee retirement benefits

Retirement benefit obligation at March 31,2002 and 2003 consisted of the following:

Upon receiving approval from Japan's Ministry of Health, Labour and Welfare for exemption from the future retirement benefit obligation with respect to the substitutional component managed by the Employees Welfare Annuity Fund on December 16, 2002, the company pension plan assets were reduced by an amount equivalent to the retirement benefit obligations associated with this component.

As a result, the company returned pension plan assets equivalent to an estimated ¥ 15,979 million as of March 31, 2003.

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Retirement benefit obligations originally	¥(80,987)	¥(60,442)	$(502,845)
Plan assets	53,333	29,803	247,945
Funded status	(27,654)	(30,639)	(254,900)
Unrecognized net transition obligation	4,715	3,143	26,148
Unrecognized actuarial loss	1,109	8,463	70,408
Accrued retirement benefits on balance sheet	¥(21,829)	¥(19,033)	$(158,344)

Net periodic cost for the fiscal years ended March 31, 2002 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Service cost	¥ 2,845	¥ 2,000	$ 16,639
Interest cost	2,735	2,540	21,131
Expected return on plan assets	(1,789)	(1,448)	(12,047)
Amortization of transition obligation	1,571	1,571	13,070
Actuarial loss	277	1,283	10,674
Net periodic cost	¥ 5,639	¥ 5,946	$ 49,468
Gain on the return of substitutional component of Employees Welfare Annuity fund	–	(5,336)	(44,393)
Total	¥ 5,639	¥ 610	$ 5,075

7. Income taxes

The significant components of deferred tax assets and liabilities at March 31, 2002 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31,	2002	2003	2003
Deferred tax assets:			
Excess accrued bonus	¥ 1,444	¥ 1,720	$ 14,309
Excess accrued retirement benefits	4,585	4,407	36,664
Retirement allowance to directors disallowed	528	603	5,017
Excess depreciation, other	4,671	2,555	21,256
Loss on revaluation of investment securities, other	493	1,120	9,318
Amortization of development cost	291	–	–
Loss on revaluation of land	–	516	4,293
Reserve for liability claims	–	977	8,128
Reserve for product warranties	–	180	1,498
Others	2,263	1,920	15,973
Deferred tax assets total	¥14,275	¥14,001	$116,481
Deferred tax liabilities:			
Reserve for reduction of asset costs	¥ (567)	¥ (555)	$ (4,617)
Securities valuation differences	(4,479)	(3,261)	(27,130)
Deferred tax liabilities total	(5,046)	(3,816)	(31,747)
Net deferred tax assets (liabilities)	¥ 9,229	¥10,185	$ 84,734

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 Company acquired 1,160,000 shares of its common stock for the plan up to March 31st, 2003. The options are exercisable for three years from July 1st, 2003 to June 30th, 2006.

9. Contingent liabilities

At March 31, 2002 and 2003, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
As guarantor of employees' housing loans and other from financial institutions and others	¥56	**¥47**	**$391**

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				
For the year ended March 31, 2002	Lighting Equipment	Other Electric Equipment	Others	Elimination of Inter-Segment Items	Consolidated Total
Sales:					
Sales to outside customers	¥221,718	¥57,130	¥22,291	¥ –	¥301,141
Inter-segment sales and transfers	42,845	–	2,785	(45,630)	–
Total	264,563	57,130	25,077	(45,630)	301,141
Operating expenses	255,813	54,982	24,666	(44,101)	291,361
Operating income	¥ 8,750	¥ 2,148	¥ 410	¥ (1,529)	¥ 9,779
Identifiable assets at March 31, 2002	¥149,965	¥60,081	¥53,996	¥ 31,055	¥295,097
Depreciation	¥ 15,371	¥ 1,169	¥ 891	¥ 62	¥ 17,493
Capital expenditures	¥ 19,145	¥ 561	¥ 1,024	¥ –	¥ 20,730

For the year ended March 31, 2003	Millions of yen				
	Lighting Equipment	Other Electric Equipment	Others	Elimination of Inter-Segment Items	Consolidated Total
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

For the year ended March 31, 2003	Thousands of U.S. dollars				
	Lighting Equipment	Other Electric Equipment	Others	Elimination of Inter-Segment Items	Consolidated Total
Sales:					
Sales to outside customers	$2,001,889	$414,576	$171,988	$ –	$2,588,461
Inter-segment sales and transfers	367,304	18,053	24,925	(410,300)	–
Total	2,369,201	432,637	196,922	(410,300)	2,588,461
Operating expenses	2,269,925	409,476	196,032	(396,431)	2,479,002
Operating income	$ 99,276	$ 23,153	$ 882	$ (13,860)	$ 109,459
Identifiable assets at March 31, 2003	$1,249,742	$491,938	$436,057	$ 238,211	$2,415,948
Depreciation	$ 125,757	$ 8,361	$ 6,913	$ 424	$ 141,464
Capital expenditures	$ 145,433	$ 5,125	$ 3,394	$ –	$ 153,960

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, 2002 and 2003 is as follows:

	Millions of yen						
For the year ended March 31, 2002	Japan	North America	Asia	Europe	Total	Elimination and other	Consolidated
Sales:							
Sales to outside customers	¥220,967	¥40,979	¥33,927	¥ 5,267	¥301,141	¥ –	¥301,141
Inter-area sales and transfers	44,851	–	767	11	45,630	(45,630)	–
Total	265,818	40,979	34,695	5,278	346,771	(45,630)	301,141
Operating expenses	255,859	40,531	32,471	6,601	335,462	(44,101)	291,361
Operating income (loss)	¥ 9,959	¥ 448	¥ 2,223	¥(1,322)	¥ 11,309	¥ (1,529)	¥ 9,779
Total assets	¥199,965	¥23,766	¥30,373	¥ 9,937	¥264,042	¥ 31,055	¥295,097

	Millions of yen						
For the year ended March 31, 2003	Japan	North America	Asia	Europe	Total	Elimination and other	Consolidated
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**

	Thousands of U.S. dollars						
For the year ended March 31, 2003	Japan	North America	Asia	Europe	Total	Elimination and other	Consolidated
Sales:							
Sales to outside customers	**$1,779,459**	**$369,617**	**$371,664**	**$ 67,704**	**$2,588,461**	**$ –**	**$2,588,461**
Inter-area sales and transfers	**398,561**	**–**	**11,531**	**191**	**410,300**	**(410,300)**	**–**
Total	**2,178,028**	**369,617**	**383,203**	**67,903**	**2,998,760**	**(410,300)**	**2,588,461**
Operating expenses	**2,083,145**	**357,429**	**352,829**	**82,030**	**2,875,441**	**(396,431)**	**2,479,002**
Operating income (loss)	**$ 94,875**	**$ 12,188**	**$ 30,374**	**$ (14,118)**	**$ 123,319**	**$ (13,860)**	**$ 109,459**
Total assets	**$1,624,068**	**$190,200**	**$259,817**	**$103,652**	**$2,177,737**	**$ 238,211**	**$2,415,948**

11. Subsequent events

At the general shareholders' meeting held by the Company on June 27, 2003, appropriations of retained earnings were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥6 per share ($49.92 per 1,000 shares)	¥957	$7,962
Bonuses to directors and corporate auditors	140	1,165

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2002 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended March 31, 2002 and 2003, 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 the 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 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, 2002 and 2003, and the consolidated results of their operations and their cash flows for the years ended March 31, 2002 and 2003, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

Tachiji Mizuno　　Kingo Sakurai　　Akio Nagasawa

TACHIJI MIZUNO　　KINGO SAKURAI　　AKIO NAGASAWA

Certified Public Accountants
June 27, 2003

Network

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

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

Koito Czech s.r.o.
Na Astre 3001, 438 01 Zatec,
Czech Republic
Phone: 420-415-930-111
Facsimile: 420-415-930-109

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.L. (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

Corporate Directory

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

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

Sendai Sales Office (Miyagi Pref.)
Utsunomiya Sales Office (Tochigi Pref.)
Ohta Sales Office (Gunma Pref.)
Tokyo Sales Office (Tokyo)
Atsugi Sales Office (Kanagawa Pref.)
Shizuoka Sales Office (Shizuoka Pref.)
Nagoya Sales Office (Aichi Pref.)
Osaka Sales Office (Osaka)
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,
Michigan 48331 U.S.A.
Phone: 1-248-553-6408
Facsimile: 1-248-553-6454

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

Corporate Information

As of March 31, 2003

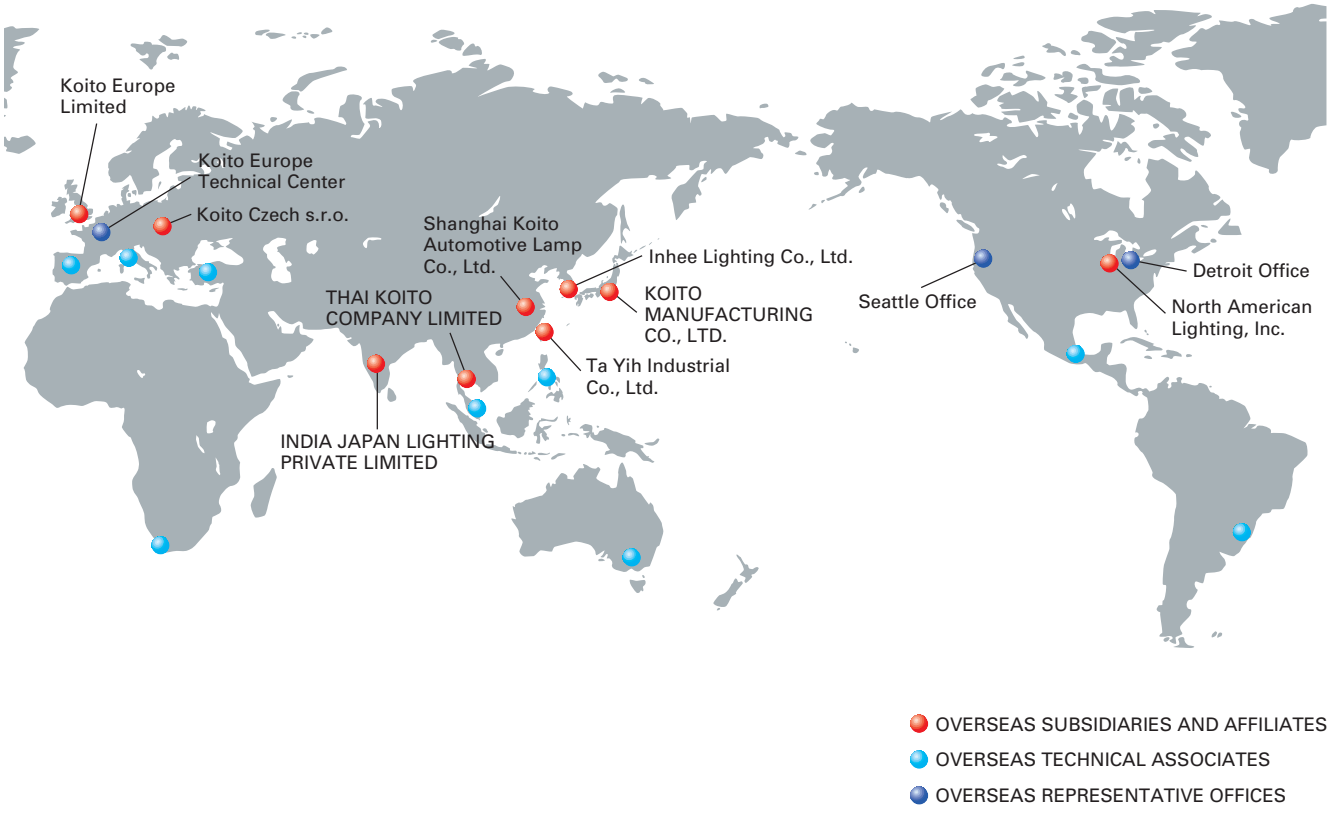
KOITO MANUFACTURING CO., LTD.

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:	4,449 (Non-consolidated) 12,599 (Consolidated)
Common stock:	
Authorized:	320,000,000 shares
Issued:	160,789,436 shares
Number of shareholders:	8,466
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 Matsushita Electric Industrial Co., Ltd. The Master Trust Bank of Japan, 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

Global Network



KOITO MANUFACTURING CO., LTD.

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