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Consolidated Earnings Report for the First Half of Fiscal 2004 Oct. 28, 2003

Company Name: KOITO MANUFACTURING CO., LTD.
Stock Listings: Tokyo Stock Exchange, Osaka Securities Exchange
Code Number: 7276
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Meeting of the Board of Directors for the Approval of Results: October 28, 2003 U.S. GAAP: No

1. Consolidated Results of Operations for First Half of Fiscal 2004 (April 1, 2003 – September 30, 2003)

(1) Consolidated Business Results (¥ millions, rounded down)

Six months ended	Net sales		Operating income		Recurring profit	
Sept. 30, ‘03	145,633	5.0%	2,821	△11.5%	3,508	21.3%
Sept. 30, ‘02	138,643	5.0%	3,189	25.2%	2,891	31.3%
Year ended Mar. 31, ‘03	311,133		13,157		12,997	

Six months ended	Net income		Net income per share (¥)	Net income per share (diluted) (¥)
Sept. 30, ‘03	1,543	46.7%	9.67	—
Sept. 30, ‘02	1,052	215.0%	6.59	—
Year ended Mar. 31, ‘03	5,826		35.51	—

Notes:
a. Equity in earnings of affiliates:
Six months ended Sept. 2003 ¥58 million Six months ended Sept. 2002 ¥75 million Fiscal 2003: ¥149 million
b. Average number of shares outstanding (consolidated):
Six months ended Sept. 2003: 159,563,259 Six months ended Sept. 2002: 159,587,913 Fiscal 2002: 159,578,328
c. Changes in accounting methods: None
d. The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

(2) Consolidated Financial Position (¥ millions)

	Total assets	Shareholders’ equity	Shareholders’ equity ratio (%)	Shareholders’ equity per share (¥)
Sept. 30, ‘03	277,703	106,343	38.3	666.47
Sept. 30, ‘02	286,232	100,531	35.1	629.98
Mar. 31, ‘03	290,397	102,475	35.3	642.22

Note: Number of shares outstanding at end of period (consolidated):
Six months ended Sept. 2003: 159,562,341 Six months ended Sept. 2002: 159,578,344
Fiscal 2002: 159,564,383

(3) Consolidated Cash Flows (¥ millions)

Six months ended	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Sept. 30, ‘03	8,575	64	△7,466	16,510
Sept. 30, ‘02	18,296	△13,801	832	20,655
Year ended Mar. 31, ‘03	27,756	△22,149	△5,389	15,494

(4) Scope of Consolidation and Application of the Equity Method
Consolidated subsidiaries 20
Unconsolidated subsidiaries accounted for by the equity method —
Affiliates accounted for by the equity method 3

(5) Changes in Scope of Consolidation and Application of the Equity Method
Consolidated subsidiaries:
New —
Eliminated 1
Affiliates accounted for under the equity method:
New —
Eliminated —

2. Consolidated Outlook for Fiscal 2004 (April 1, 2003 – March 31, 2004)

(¥ millions)

	Net sales	Recurring profit	Net income
For the year	327,700	14,800	6,100

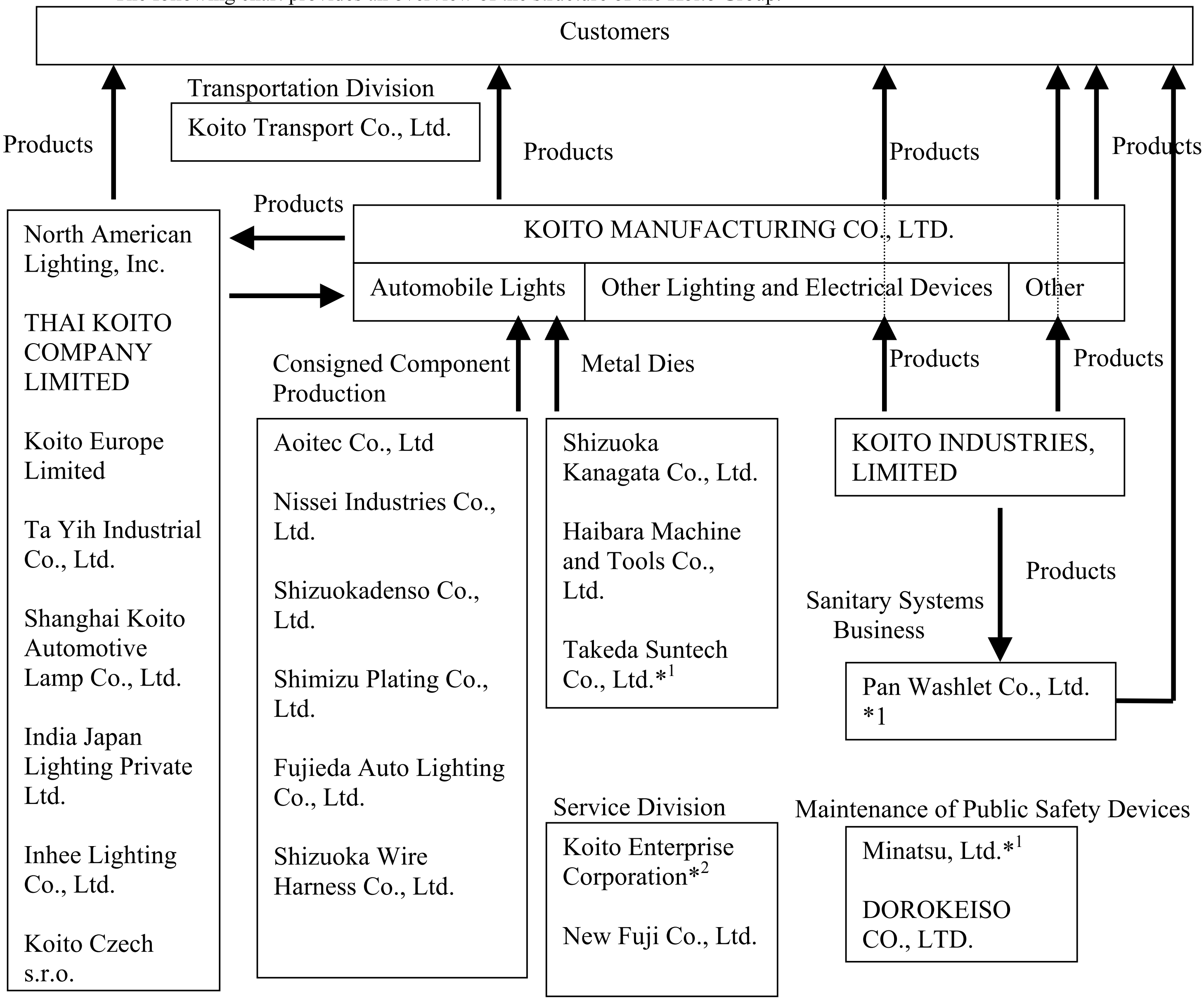
Reference – Projected net income per share for the year: ¥37.23
The above projections are based on information available at the time of release of this report. Actual results could differ significantly from projections due to a variety of factors.

Koito Group

The Koito Group comprises KOITO MANUFACTURING CO., LTD., its 20 subsidiaries and 4 affiliates. It manufactures and sells automobile lights, components for airplanes, trains and railways, a wide variety of electrical devices and measuring equipment. The Koito Group is also involved in related financial and distribution operations.

Kosmotec Co, Ltd. was liquidated by Koito on June 30, 2003.

The following chart provides an overview of the structure of the Koito Group.



Note:
Companies not marked are consolidated subsidiaries
*1 Affiliate accounted for by the equity method
*2 Affiliate not accounted for by the equity method

Management Policies

(1) Basic Management Policies

Koito Group's basic management policies call for the stimulation of new customer demand for lighting, while contributing to the progress of society and fostering mutually beneficial relationships among shareholders, customers, employees and business partners.

Koito Group is also well aware of the importance of environmental issues. Accordingly, the Koito Group's environmental policy sets an ambitious program of environmental stewardship for all business activities under the banner of "manufacturing products that put people first."

(2) Basic Earnings Distribution Policies

The Koito Group views the payment of stable dividends in line with operating results and business conditions as one of its most important management policies. Maintaining a corporate structure capable of responding with agility to future changes in market conditions is vital. Accordingly, Koito intends to build up retained earnings to expand its business, develop new technologies and products, streamline operations and lower costs. The overriding goal is to improve earnings and meet shareholders' expectations.

(3) Medium- and Long-Term Management Strategies

As a first-rate manufacturer of automotive lighting and electrical equipment, the Koito Group is committed to creating value for customers while remaining steadfast to its polestar of "Entrusting safety to light." With this in mind, Koito Group will implement the following strategies targeted at expanding its business.

1. As a global supplier capable of meeting the needs of automobile manufacturers seeking to establish overseas production bases and the expansion of procurement to optimal locations worldwide, Koito Group will reinforce the product development and manufacturing functions of its overseas bases while promoting a structure of complementarity within the Group. This will enable the Group to respond effectively to market needs in Japan, the U.S., Asia, and Europe.

2. Amid rapid advancement in information technology, the Koito Group will formulate timely and appropriate responses to Intelligent Transport System (ITS)-related fields. The Koito Group will bring attractive products to market by developing cutting-edge technologies that stay ahead of customer and market needs and commercializing products at the earliest opportunity.

3. Koito Group will reform its corporate structure by optimally allocating and utilizing resources with the aim of establishing a powerful earnings structure.

4. Koito Group will strive to earn the trust of corporate clients by pursuing the highest standards of quality and enforcing strict environmental safeguards.

These four undertakings encapsulate Koito's commitment to providing satisfaction to shareholders, customers, employees and business partners, while fulfilling its vital mission of helping preserve the environment.

(4) Key Issues

The Koito Group is working to realign and reinforce its management framework and organization in response to structural shifts in the automobile industry. (Automobile manufacturers, for instance, are now seeking to establish strong local manufacturing bases worldwide, to better serve the world's four key regional automobile markets.) Against this background, the most pressing issue for Koito is to build a stronger management structure. Vital to this will be developing innovative new technologies and products that anticipate market and customer needs, shortening development times, and implementing cost-cutting measures throughout the Group. Allocating resources effectively and establishing a structure of complementarity are also of paramount importance.

(5) Fundamental Philosophy and Measures Regarding Corporate Governance

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

Going forward, Koito will explore the feasibility of introducing a Committee System of management, as well as a variety of other ways of enhancing corporate governance.

Results of Operations and Financial Position

(1) Overview of the First Half of Fiscal 2004

Japan's economy exhibited several bright spots during the interim period, as consumer spending and private-sector capital investments strengthened amid rising stock prices. Prospects of a recovery, however, remained uncertain due to the sudden appreciation of the yen, and the continuation of a challenging employment environment.

The global economy fared relatively well during the period, as a recovery track for the U.S. economy and healthy economic growth in Asia, most notably in China, outshined lackluster economic performance throughout most of Europe.

In Japan's automobile industry saw robust automobile sale underpinned by the launch of new compact car models and replacement demand for trucks. Meanwhile, exports to North America and Asia declined due to expanded local production. The overall result was a modest decline in total automobile production in Japan compared to the same period a year earlier. Overseas, new car sales continued to slump in North America and Europe.

In this climate, the Koito Group is aggressively boosting product development capabilities in the Automotive Lighting Equipment Segment to win more orders over the medium and long terms.

Koito is particularly focused on boosting production capacity overseas. In the previous fiscal year, Koito commenced operations at North American Lighting, Inc. (NAL)'s newly completed third plant in Paris, Illinois (U.S.A), and at a new plant operated by European subsidiary Koito Czech s.r.o. (KCZ). In the current fiscal year, construction of Thai Koito Company Limited's third plant is underway, in conjunction with plant expansion at South Korea-based Inhee Lighting Co., Ltd.

In this business climate, Koito Group's healthy showing in the Automotive Lighting Equipment Segment during the interim period lifted net sales 5.0% year on year to ¥145.6 billion.

Results by business segment are outlined below.

Automotive Lighting Equipment Segment

In the automotive lighting equipment segment, net sales increased by 9%, to ¥124.5 billion. In Japan, factors driving growth included advances in larger, multi-functional headlamps and growing adoption of high-intensity gas discharge headlamps (GDHLs). Subsidiaries in Europe, China and South Korea, meanwhile, also witnessed an increase in orders for both headlamps and signaling lamps.

Non-Automotive Electrical Equipment

The non-automotive electrical equipment segment saw net sales decline 18.7% to ¥11.5 billion. This mainly reflected declining orders in the lighting, information equipment and traffic systems divisions, which outweighed brisk sales of railroad car equipment.

Other Products

The other products segment recorded net sales of ¥9.5 billion, down 6.2%, from the previous fiscal year's interim period. This decline reflected lower sales of aircraft seats due to a downturn in aircraft production, despite higher sales of headlamp cleaners for vehicles exported to North America and Europe.

On the earnings front, amid intensifying price competition in Japan and elsewhere, efforts by Koito and group companies to streamline operations by aggressively promoting cost-cutting measures lifted recurring profit 21.3% to ¥3.5 billion. Net income for the interim period rose 46.7% year on year to ¥1.5 billion.

In the previous fiscal year, Koito rewarded shareholders for their support by increasing the year-end dividend by ¥2 per share from the previous year's level. Including the interim dividend of ¥4 per share, the annual dividend came to ¥10 per share. Koito also intends to pay an annual dividend of ¥10 per share for the current fiscal year, and plans to raise the interim dividend by ¥1 per share to ¥5 per share.

(2) Cash Flows

Operating activities provided net cash of ¥8.5 billion. The major contributors of cash inflows were income before income taxes and minority interests of ¥3.3 billion and depreciation of ¥7.8 billion, which outweighed outflows for the payment of income taxes.

Investing activities provided a modest increase in net cash, as cash inflows from the sale of marketable securities covered capital expenditures of ¥6.7 billion.

Financing activities used net cash of ¥7.4 billion. This result was due to cash outflows of ¥5.9 billion for the repayment of short-term loans and ¥1.6 billion for the payment of dividends.

As a result, cash and cash equivalents as of September 30, 2003 had increased ¥1.0 billion from the previous fiscal year-end to ¥16.5 billion.

(3) Outlook

Although Japan's economy has assumed a more upbeat tone, economic prospects remain guarded due to a variety of factors, including the yen's appreciation and concerns that interest rates will be raised to help tackle deflation. Overseas, while the U.S. economy is expected to recover, low-level growth is forecast for euro-zone economies.

In Japan, domestic automobile production will inevitably decline due to falling exports. U.S. and European economies, meanwhile, hold little hope for substantial growth in automobile production, judging from current economic conditions.

In the aircraft industry, the situation has grown critical as aircraft production continues to fall due to slumping demand for air travel worldwide.

Despite difficult conditions and mounting uncertainties, the Koito Group will work to expand orders, mainly for automotive lighting equipment, with the emphasis on overseas regions. At the same time, the company implement far-reaching cost-cutting measures to enhance competitiveness, and improve operating results.

As a result of the above, the Koito Group forecasts consolidated net sales of ¥327.7 billion, recurring profit of ¥14.8 billion and net income of ¥6.1 billion for the fiscal year ending March 31, 2004.

Consolidated Balance Sheets

(¥ millions)

	As of Sept. 30, 2003	As of March 31, 2003	Increase/ (Decrease)	As of Sept. 30, 2002
Assets				
Current assets:				
Cash and time deposits	10,659	11,670	△ 1,011	14,576
Notes and accounts receivable—trade	57,656	77,396	△ 19,740	55,882
Marketable securities	20,459	19,674	785	24,484
Inventories	26,367	19,906	6,461	23,296
Deferred income taxes	5,686	5,069	617	5,374
Other current assets	8,787	5,391	3,396	6,542
Less: Allowance for doubtful receivables	△ 980	△ 931	△ 49	△ 1,063
Total current assets	128,635	138,177	△ 9,542	129,093
Fixed assets:				
Property, plant and equipment:				
Buildings and structures	29,764	30,893	△ 1,129	30,918
Machinery and transportation equipment	24,782	23,890	892	25,274
Tools and equipment	10,595	11,558	△ 963	12,591
Land	11,389	11,448	△ 59	12,770
Construction in progress	1,349	2,814	△ 1,465	1,914
Property, plant and equipment, net	77,880	80,605	△ 2,725	83,468
Intangible fixed assets	423	430	△ 7	466
Other investments:				
Investment securities	61,317	59,716	1,601	61,244
Long-term loans	1,180	1,455	△ 275	1,726
Deferred income taxes	3,606	5,116	△1,510	4,580
Other investments	4,998	5,195	△ 197	5,846
Less: Allowance for doubtful receivables	△ 336	△ 299	△ 37	△ 193
Total investments and other assets	70,765	71,184	△ 419	73,203
Total fixed assets	149,068	152,220	△ 3,152	157,138
Total assets	277,703	290,397	△ 12,694	286,232

(¥ millions)

	As of Sept. 30, 2003	As of March 31, 2003	Increase/ (Decrease)	As of Sept. 30, 2002
Liabilities				
Current liabilities:				
Notes and accounts payable—trade	46,939	55,544	△ 8,605	45,908
Short-term loans	23,194	27,660	△ 4,466	27,023
Current portion of bonds	—	—	—	525
Accrued expenses	13,652	13,794	△ 142	13,551
Income taxes payable	1,691	2,802	△ 1,111	1,452
Accrued bonuses	4,784	4,681	103	4,835
Other current liabilities	6,985	7,031	△ 46	8,639
Total current liabilities	97,247	111,514	△ 14,267	101,935
Non-current liabilities:				
Bonds	3,000	3,000	—	3,000
Long-term debt	23,006	25,379	△ 2,373	29,907
Allowance for employees' retirement benefits	19,850	19,033	817	23,636
Allowance for directors' retirement benefits	1,262	1,441	△ 179	1,359
Others	1,101	1,066	35	744
Total non-current liabilities	48,220	49,920	△ 1,700	58,648
Total liabilities	145,467	161,435	△ 15,968	160,583
Minority interests	25,891	26,487	△ 596	25,117
Shareholders' equity:				
Common stock	14,270	14,270	—	14,270
Additional paid-in capital	17,107	17,107	—	17,107
Retained earnings	69,208	68,782	426	64,647
Unrealized gain (loss) on securities	8,431	4,892	3,539	6,127
Foreign currency translation adjustments	△ 1,905	△ 1,809	△ 96	△ 885
Treasury stock	△ 769	△ 768	△ 1	△ 737
Total shareholders' equity	106,343	102,475	3,868	100,531
Total liabilities, minority interests and shareholders' equity	277,703	290,397	△ 12,694	286,232

Consolidated Statements of Income

(¥ millions)

	Six months ended September 30, 2003	%	Six months ended September 30, 2002	%	Y-o-Y Change	%	Year ended March 31, 2003	%
Net sales	145,633	100.0	138,643	100.0	6,990	5.0	311,133	100.0
Cost of sales	127,321	87.4	120,281	86.8	7,040		265,023	85.2
Gross profit	18,312	12.6	18,362	13.2	△ 50		46,110	14.8
Selling, general and administrative expenses	15,491	10.7	15,172	10.9	319		32,953	10.6
Operating income	2,821	1.9	3,189	2.3	△ 368	△ 11.5	13,157	4.2
Non-operating income	1,714		1,096		618		2,070	
Interest income and dividends	(490)		(398)		(92)		(802)	
Equity in earnings of affiliates	(58)		(75)		(△ 17)		(149)	
Other non-operating income	(1,166)		(623)		(543)		(1,119)	
Non-operating expenses	1,028		1,394		△ 366		2,230	
Interest expenses and discounts	(306)		(435)		(△ 129)		(827)	
Other non-operating expenses	(721)		(958)		(△ 237)		(1,402)	
Recurring profit	3,508	2.4	2,891	2.1	617	21.3	12,997	4.2
Extraordinary gains	445		173		272		5,553	
Extraordinary losses	645		1,032		△ 387		5,784	
Income before income taxes	3,308	2.3	2,032	1.5	1,276	62.8	12,766	4.1
Income taxes, inhabitants' taxes and enterprise taxes	2,953		1,707		1,246		5,503	
Deferred taxes	△ 1,629		△ 895		△ 734		△ 390	
Total	1,323		811		512		5,113	
Minority interest in consolidated subsidiaries	△ 440		△ 167		△ 273		△ 1,826	
Net income	1,543	1.1	1,052	0.8	491	46.7	5,826	1.9

Consolidated Statements of Additional Paid-in Capital and Retained Earnings

(¥ millions)

		Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Y-o-Y Change	Year ended March 31, 2003
	(Additional paid-in capital)				
I	Additional paid-in capital at beginning of period Additional paid-in capital at beginning of period	17,107	17,107	—	17,107
II	Additional paid-in capital at end of period	17,107	17,107	—	17,107
	(Retained earnings)				
I	Retained earnings at beginning of period Consolidated retained earnings at beginning of period	68,782	64,373	4,409	64,373
II	Increase in retained earnings Net income	1,543	1,052	491	5,826
III	Appropriations				
	Dividends	957	638	319	1,277
	Directors' bonuses	160	140	20	140
IV	Retained earnings at end of period	69,208	64,647	4,561	68,782

Consolidated Statements of Cash Flows

(¥ millions)

	Six months ended September 30, 2003	Six months ended September 30, 2002	Year ended March 31, 2002
I Cash flows from operating activities			
Income before income taxes	3,308	2,032	12,766
Depreciation and amortization	7,848	8,164	17,004
Equity in earnings of affiliates	△ 58	△ 75	△ 149
Increase (decrease) in allowance for doubtful receivables	94	16	56
Increase in allowance for retirement benefits	633	1,817	△ 2,759
Increase (decrease) in allowance for bonuses	103	52	△ 102
Interest and dividend income	△ 490	△ 398	△ 802
Interest expense paid	306	435	827
Gain (loss) on sale and revaluation of marketable securities	△ 580	148	1,588
Revaluation loss on golf memberships	40	50	326
Gain on sale and disposal of property, plant and equipment	131	△ 22	192
Revaluation loss on landholdings	—	—	1,290
Decrease (increase) in notes and accounts receivable—trade	19,172	20,993	△ 791
Decrease (increase) in inventories	△ 6,571	△ 3,494	504
Decrease (increase) in other receivables	△ 3,422	△ 543	400
Increase (decrease) in notes and accounts payable—trade	△ 8,112	△ 9,050	988
Accrued expenses and other liabilities	155	200	748
Directors' bonuses paid	△ 180	△ 168	△ 168
Sub total	12,377	20,157	31,918
Interest and dividends received	490	398	802
Interest payments	△ 306	△ 435	△ 827
Income taxes	△ 3,986	△ 1,824	△ 4,137
Net cash provided by operating activities	8,575	18,296	27,756
II Cash flows from investing activities			
Increase in time deposits	△ 782	△ 2,242	△ 2,619
Proceeds from maturity of time deposits	839	900	2,148
Payments for purchase of marketable securities	△ 13,843	△ 20,807	△ 32,146
Proceeds from sale of marketable securities	19,877	17,036	28,051
Payments for purchase of property, plant and equipment	△ 6,763	△ 9,512	△ 18,682
Proceeds from sale of property, plant and equipment	314	711	397
Increase in lending	△ 224	△ 280	△ 698
Proceeds from collection of loans	499	520	1,211
Increase (decrease) in other payments relating to investments	147	△ 127	189
Net cash used in investing activities	64	△ 13,801	△ 22,149
III Cash flows from financing activities			
Increase (decrease) in short-term loans	△ 5,995	2,012	3,697
Increase in long-term debt	224	3,992	12,148
Repayment of long-term debt	△ 7	△ 1,727	△ 14,815
Redemption of bonds	—	△ 2,000	△ 2,518
Payments for cancellation of employee savings deposits	—	—	△ 1,772
Payments for purchase of treasury stock	△ 1	△ 1	△ 33
Dividends paid by parent company	△ 957	△ 638	△ 1,277
Dividends paid to minority shareholders	△ 730	△ 806	△ 819
Net cash provided by (used in) financing activities	△ 7,466	832	△ 5,389
IV Effect of exchange rate changes on cash and cash equivalents	△ 157	△ 121	△ 173
V Increase in cash and cash equivalents	1,016	5,206	45
VI Cash and cash equivalents at beginning of period	15,494	15,449	15,449
VII Cash and cash equivalents at end of period	16,510	20,655	15,494

Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

1. Scope of Consolidation

Number of consolidated subsidiaries: 20

Former consolidated subsidiary Kosmotec Co., Ltd. was liquidated in the previous fiscal year and is thus excluded from the scope of consolidation.

2. Application of the Equity Method

Number of affiliates accounted for using the equity method: 3

The influence on consolidated income and consolidated retained earnings of affiliate New Fuji Co., Ltd., which is not accounted for using the equity method, is considered immaterial.

3. Fiscal Year of Consolidated Subsidiaries

The interim accounting period of KOITO INDUSTRIES, LIMITED, Koito Transport Co., Ltd., Minatsu, Ltd. and India Japan Lighting Private Ltd., ends on September 30, as does that of the parent company.

Interim financial statements are prepared assuming an interim accounting period ending September 30 for the other consolidated subsidiaries (Aoitec Co., Ltd. and 15 other companies).

4. Summary of Significant Accounting Policies

(1) Valuation standards and accounting treatment for marketable securities

Securities held for trading	Stated at market value (the selling price is determined mainly by the moving average method)
Securities held to maturity	Depreciable cost method (straight-line method)
Other securities	
Listed securities	Stated at market value, determined by the market price as of the end of the interim period, with unrealized gains or losses reported in shareholders' equity and the selling price determined by the moving average method.
Non-listed	Stated at cost determined by the moving average method.
(2) Derivatives	Stated at market value
(3) Specified money trusts	Stated at market value

(4) Valuation standards and accounting treatment for inventories

Finished products, semi-finished products and work-in-progress are stated at cost, cost being determined by the weighted-average method. Raw materials and supplies are stated at cost determined by the moving-average method. At overseas consolidated subsidiaries, inventories are stated at the lower of cost or market, determined by the moving-average method.

(5) Method for depreciating and amortizing important assets

(a) Property, plant and equipment:

At the Company and its domestic consolidated subsidiaries, assets are depreciated using the declining-balance method in accordance with Japan's corporate tax laws. At overseas consolidated subsidiaries, assets are depreciated using the straight-line method in accordance with the accounting principles generally accepted in each country. Buildings purchased by domestic consolidated subsidiaries on or after April 1, 1998, excluding fixtures, are depreciated using the straight-line method.

Estimated useful lives are as follows:

Buildings and structures	7 – 50 years
Machinery and transportation equipment	3 – 7 years

(b) Intangible fixed assets:

Intangible fixed assets are amortized using the straight-line method.

(6) Accounting for allowances

(a) Allowance for doubtful accounts:

The allowance for doubtful accounts provides for possible losses arising from default on receivables, such as accounts receivable. The allowance is made up of two components: the estimated credit loss for doubtful receivables based on an individual assessment of each account, and a general reserve for accounts receivable calculated based on historical default rates.

Overseas consolidated subsidiaries provide for the estimated credit loss for certain doubtful receivables based on an individual assessment of each account.

(b) Allowance for bonuses:

At the Company and its domestic consolidated subsidiaries, the allowance for employees' bonuses is based on the estimated requirements for the fiscal year. The amount recorded is that applicable to the interim period.

(c) Allowance for product warranties
The Company provides an allowance for estimated expenses related to quality assurance issues.

(d) Allowance for employees' retirement benefits
An allowance for retirement benefits is provided to adequately cover the pension costs of employees. The retirement benefit allowance is determined as of the end of the six-month period on the basis of projected retirement benefit liabilities and pension assets at the fiscal year balance sheet date.
The Company will amortize the transitional obligation arising from a change in accounting standards for retirement benefits over a period of one year. However, certain listed subsidiaries are amortizing their obligations in equal amounts over a period of five years.
Past service obligations are amortized using the straight-line method over a fixed number of years (5 to 10 years), but no more than the average remaining years of service of all employees in the accounting period in which past service obligations arise.
Actuarial gains or losses are amortized from the accounting period following the period in which actuarial gains or losses arise, using the straight-line method over a fixed number of years (5 to 10 years), but no more than the average remaining years of service of employees in the accounting period in which actuarial gains or losses arise.

(e) Allowance for directors' retirement benefits
The Company and its subsidiaries provide an allowance for directors' retirement benefits to adequately cover payments of such benefits during the accounting period under review, as prescribed by company regulations governing such payments.

(7) Accounting for foreign currency denominated transactions:
All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the interim balance date and included in income. Assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate prevailing at the interim balance date. Gains or losses on such foreign currency translations are listed under minority interests and reported in shareholders' equity as translation adjustments.

(8) Accounting for leases
Finance leases, other than those that transfer ownership of the leased assets to the lessees, are treated in the same way as ordinary operating leases for accounting purposes, and are treated by certain overseas subsidiaries as ordinary transactions.

(9) Accounting for hedging
Hedge accounting methods
Cash flows and unrealized gains and losses arising from hedge transactions are recognized when the underlying hedge contracts are concluded and are included in income during the applicable accounting period.

(10) Accounting treatment of consumption tax
Financial statements are prepared exclusive of consumption tax.

5. Scope of Cash and Cash Equivalents in the Statement of Cash Flows
Cash and cash equivalents in the statement of cash flows comprise cash on hand, demand deposits, and highly liquid short-term investments with maturities of less than 3 months that can be readily converted into cash and carry little risk of fluctuation in value.

Notes (¥ millions)

	As of Sept. 30, 2003	As of Sept. 30, 2002	As of March 31, 2003
1. Cumulative depreciation of property, plant and equipment	143,427	139,172	141,174
2. Liabilities for guarantees	42	52	47
3. Assets pledged as collateral			
Buildings and structures	1,020	1,048	1,368
Machinery	838	1,068	806
Land	1,856	2,434	1,921
Total	3,714	4,550	4,097

4. Selling, general and administrative expenses (¥ millions)

	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year Ended March 31, 2003
(1) Selling expenses			
Freight expenses	890	849	1,918
Employee salaries	2,197	2,287	6,521
Packaging expenses	722	778	1,609
Transfer to allowance for bonuses	724	726	722
Retirement benefit expenses	329	374	772
1. General and administrative expenses			
Employee salaries	2,440	2,326	5,640
Fringe benefits expenses	779	667	1,351
Transfer to allowance for bonuses	407	547	419
Retirement benefit expenses	291	274	495
Transfer to allowance for directors' retirement benefits	145	93	184

5. Reconciliation between balance sheet accounts and term-end balance of cash and cash equivalents

(¥ millions)

	As of Sept. 30, 2003	As of Sept. 30, 2002	Year ended March 31, 2002
Cash and deposits	10,659	14,576	11,670
Time deposits with maturities exceeding three months	△ 942	△ 1,862	△ 990
Marketable securities redeemable within three months	6,793	7,941	4,814
Cash and cash equivalents	16,510	20,655	15,494

Segment Information

(1) Industry Segment Information

Six months ended September 30, 2003 (¥ millions)

	Lighting Equipment Division	Other Electric Equipment Division	Others	Total	Corporate and elimination of inter-segment items	Consolidated total
Sales						
(1) Sales to outside customers	124,577	11,522	9,532	145,633	—	145,633
(2) Inter-segment sales and transfers	20,589	459	1,520	22,568	(22,568)	—
Total	145,166	11,981	11,053	168,202	(22,568)	145,633
Operating expenses	140,680	12,840	10,964	164,484	(21,672)	142,811
Operating income (loss)	4,486	△ 858	89	3,717	(895)	2,821

Six months ended September 30, 2002 (¥ millions)

	Lighting Equipment Division	Other Electric Equipment Division	Others	Total	Corporate and elimination of inter-segment items	Consolidated total
Sales						
(1) Sales to outside customers	114,315	14,170	10,157	138,643	—	138,643
(2) Inter-segment sales and transfers	22,290	—	1,378	23,669	(23,669)	—
Total	136,606	14,170	11,536	162,313	(23,669)	138,643
Operating expenses	132,053	14,664	11,589	158,307	(22,853)	135,454
Operating income (loss)	4,553	△ 493	△ 53	4,005	(816)	3,189

Year Ended March 31, 2003 (¥ millions)

	Lighting Equipment Division	Other Electric Equipment Division	Others	Total	Corporate and elimination of inter-segment items	Consolidated total
Sales						
(1) Sales to outside customers	240,627	49,832	20,673	311,133	—	311,133
(2) Inter-segment sales and transfers	44,150	2,170	2,996	49,318	(49,318)	—
Total	284,778	52,003	23,670	360,451	(49,318)	311,133
Operating expenses	272,845	49,219	23,563	345,628	(47,651)	297,976
Operating income (loss)	11,933	2,783	106	14,823	(1,666)	13,157

Notes:
1. Industry segment figures are based on sales categories.
2. Major products of each division
(1) Lighting Equipment Division
Headlamps, miscellaneous car lamps, discharge headlamp systems, all-glass sealed beam lamp units, beacons, high-mount stop lamps, halogen bulbs, miniature bulbs and other special lighting products.
(2) Other Electric Equipment Division
Road traffic signals, traffic control systems and control systems for rail transport.
(3) Others
Aircraft lights, hydraulic equipment, environmental control systems, air conditioning equipment, various electric applications equipment, various special equipment, transportation, finance and insurance.
3. Significant components of corporate and elimination of inter-segment items.

(¥ millions)

	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended March 31, 2003	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,558	1,318	2,782	Expenses related to the General Affairs Department of the parent company’s head office

(2) Geographical Segment Information

Six months ended September 30, 2003 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales:							
(1) Sales to outside customers	94,842	21,584	24,051	5,154	145,633	—	145,633
(2) Inter-segment sales and transfers	21,670	—	871	26	22,568	(22,568)	—
Total	116,513	21,584	24,922	5,181	168,202	(22,568)	145,633
Operating expenses	113,723	21,380	23,349	6,030	164,484	(21,672)	142,811
Operating income (loss)	2,789	203	1,573	△ 849	3,717	(895)	2,821

Six months ended September 30, 2002 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	92,241	21,760	20,980	3,660	138,643	—	138,643
(2) Inter-segment sales and transfers	22,962	—	702	4	23,669	(23,669)	—
Total	115,204	21,760	21,682	3,665	162,313	(23,669)	138,643
Operating expenses	112,856	20,958	20,045	4,446	158,307	(22,853)	135,454
Operating income (loss)	2,347	801	1,637	△780	4,005	(816)	3,189

Year ended March 31, 2003 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	213,891	44,428	44,674	8,138	311,133	—	311,133
(2) Inter-segment 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

Notes:
1. Country and regional segments are based on geographic proximity.
2. Countries and regions included in each segment:
   (1) North America: United States
   (2) Asia: China, Taiwan, Korea, Thailand, India
   (3) Europe: United Kingdom, Czech Republic

3. Significant components of corporate and elimination of inter-segment items

(¥ millions)

	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year March 31, 2003	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,558	1,318	2,782	Expenses related to the General Affairs Department of the parent company's head office

(3) Overseas Sales

Six months ended September 30, 2003 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	22,379	23,847	4,408	50,634
II Consolidated sales				145,633
III Overseas sales ratio (%)	15.4	16.4	3.0	34.8

Six months ended September 30, 2002 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	23,073	21,464	2,568	47,105
II Consolidated sales				138,643
III Overseas sales ratio (%)	16.6	15.5	1.9	34.0

Year Ended March 31, 2003 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	49,522	45,512	6,068	101,103
II Consolidated sales				311,133
III Overseas sales ratio (%)	15.9	14.6	2.0	32.5

Notes:
1. Country and regional segments are based on geographic proximity.
2. Countries and regions included in each segment:
   (1) North America: United States
   (2) Asia: China, Taiwan, Korea, Thailand, India
   (3) Europe: United Kingdom, Czech Republic
3. Overseas sales are those of the parent company and its consolidated subsidiaries to countries and regions other than the country or region in which each is based.

Lease Transactions

1. Finance leases that do not transfer ownership of leased property to lessee

(1) Acquisition cost equivalents, accumulated depreciation equivalents and balance equivalents of leased assets as of the interim balance date

(¥ millions)

		Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended March 31, 2003
Acquisition cost equivalents	Buildings	2,495	—	2,495
	Machinery and transportation equipment	1,504	1,439	1,378
	Tools and equipment	1,214	1,419	1,469
	Total	5,214	2,859	5,343
Accumulated depreciation equivalents	Buildings	50	—	13
	Machinery and transportation equipment	795	693	677
	Tools and equipment	745	950	1,003
	Total	1,592	1,643	1,694
Term-end balance equivalents	Buildings	2,445	—	2,482
	Machinery and transportation equipment	708	746	700
	Tools and equipment	468	469	466
	Total	3,622	1,216	3,649

Note: Outstanding lease commitments constituted an immaterial portion of term-end balances of property, plant and equipment. Consequently acquisition cost equivalents are accounted for by the paid interest method.

(2) Balance of outstanding lease commitments

(¥ millions)

	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended March 31, 2003
Within one year	267	260	484
More than one year	3,355	955	3,164
Total	3,622	1,216	3,649

Note: Outstanding lease commitments constituted an immaterial portion of term-end balances of property, plant and equipment. Consequently, outstanding lease commitments are accounted for by the paid interest method.

(3) Lease charge payable and depreciation equivalents

(¥ millions)

	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended March 31, 2003
Lease charge payable	335	372	573
Depreciation equivalents	335	372	573

(4) Accounting method for depreciation equivalents
Depreciation equivalents are accounted for by the straight-line method, assuming the lease period to be the useful lives and the residual value to be zero.

2. Operating lease transactions

(¥ millions)

	Six months ended September 30, 2003	Six months ended September 30, 2002	Year Ended March 31, 2003
Outstanding lease commitments			
Within one year	128	403	314
More than one year	199	170	84
Total	327	574	398

Marketable Securities

Marketable securities as of September 30, 2003

1. Securities with market quotations to be held to maturity (¥ millions)

	Book value	Market value	Difference
(1) Government bonds/municipal bonds	—	—	—
(2) Corporate bonds	1,003	1,003	0
Others	21,341	21,243	△ 98
Total	22,344	22,246	△ 98

2. Other marketable securities with market quotations (¥ millions)

	Book value	Market value	Difference
(1) Shares	6,050	20,103	14,053
(2) Bonds			
Government bonds/municipal bonds	—	—	—
Corporate bonds	2,099	2,102	3
Others	19,733	19,694	△ 39
(3) Other	5,197	5,229	32
Total	33,079	47,128	14,049

3. Marketable securities without market quotations (¥ millions)

	Book value	Details
(1) Bonds held to maturity Non-listed foreign bonds, other	328	
(2) Other securities		
Non-listed shares (excluding shares traded over-the-counter)	1,072	
Investments	188	

Marketable securities as of September 30, 2002

1. Securities with market quotations to be held to maturity (¥ millions)

	Book value	Market value	Difference
(1) Government bonds/municipal bonds	—	—	—
(2) Corporate bonds	2,311	2,277	△ 34
(3) Others	16,426	16,271	△ 155
Total	18,737	18,548	△ 189

2. Other marketable securities with market quotations (¥ millions)

	Book value	Market value	Difference
(1) Shares	6,651	17,759	11,108
(2) Bonds			
Government bonds/municipal bonds	—	—	—
Corporate bonds	2,000	1,986	△ 14
Others	28,990	28,349	△ 641
(3) Other	4,799	4,762	△ 37
Total	42,440	52,856	10,416

3. Marketable securities without market quotations (¥ millions)

	Book value	Details
(1) Bonds held to maturity Non-listed foreign bonds	193	
(2) Other securities		
Non-listed shares (excluding shares traded over-the-counter)	882	
Investments	212	

Marketable securities as of March 31, 2003

1. Securities with market quotations to be held to maturity (¥ millions)

	Book value	Market value	Difference
(1) Government bonds/municipal bonds	—	—	—
(2) Corporate bonds	1,006	991	△ 15
(3) Others	20,880	20,762	△ 118
Total	21,886	21,753	△ 133

2. Other marketable securities with market quotations (¥ millions)

	Book value	Market value	Difference
(1) Shares	6,086	15,050	8,964
(2) Bonds			
Government bonds/municipal bonds	—	—	—
Corporate bonds	2,099	2,098	△ 1
Others	24,541	24,017	△ 524
(3) Other	4,700	4,557	△ 143
Total	37,426	45,722	8,296

Note: Koito booked an impairment loss of ¥1,606 million on other marketable securities with market quotations.

3. Marketable securities without market quotations (¥ millions)

	Book value	Details
(1) Bonds held to maturity Non-listed foreign bonds, other	165	
(2) Other securities		
Non-listed shares (excluding shares traded over-the-counter)	938	
Investments	193	

Derivative Transactions

Current accounting period of consolidation (April 1, 2003 – September 30, 2003)
Previous corresponding accounting period of consolidation (April 1, 2002 – September 30, 2002)
Previous accounting period of consolidation (April 1, 2002 – March 31, 2003)

The Company applies hedge accounting to its derivative transactions. Accordingly, information is not disclosed.

《 For Reference Only 》

Non-Consolidated Earnings Report for the First Half of Fiscal 2004 Oct. 28, 2003

Company Name: KOITO MANUFACTURING CO., LTD.
Stock Listings: Tokyo Stock Exchange, Osaka Securities Exchange
Code Number: 7276
Head Office: 4-8-3, Takanawa, Minato-ku, Tokyo 108-8711
URL: http://www.koito.co.jp
Representative Director: Takashi Ohtake, President
Inquiries: Masahiro Ohtake, Executive Senior Managing Director, (03) 3443-7111
Meeting of the Board of Directors for the Approval of Interim Results: October 28, 2003
Interim Dividend System: Yes
Interim Dividend Payment Date: December 9, 2003
Tangen System: Yes (1 *tangen* = 1,000 shares)

1. Non-Consolidated Results of Operations for First Half of Fiscal 2004 (April 1, 2003 – September 30, 2003)
(1) Non-Consolidated Business Results

(¥ millions, rounded down)

Six months ended	Net sales		Operating income		Recurring profit	
Sept. 30 '03	79,660	5.1%	1,707	26.8%	3,845	29.2%
Sept. 30, '02	75,772	1.8%	1,347	20.3%	2,975	26.1%
Year ended Mar. 31, '03	156,967		5,195		7,981	

Six months ended	Net income		Net income per share (¥)
Sept. 30 '03	2,267	24.8%	14.21
Sept. 30, '02	1,817	34.6%	11.38
Year ended Mar. 31, '03	5,894		36.05

Notes: (1) Average number of shares outstanding:
Six months ended Sept. 2003: 159,607,059 Six months ended Sept. 2002: 159,623,380
Fiscal 2003: 159,617,961
(2) Changes in accounting methods: None
(3) The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

(2) Dividends

Six months ended	Interim dividend per share (¥)	Annual dividend per share (¥)
Sept. 30, '03	5.00	—
Sept. 30, '02	4.00	—
Year ended March 31, '03	—	10.00

(3) Non-Consolidated Financial Position (¥ millions)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Sept. 30, '02	150,001	93,550	62.4	586.13
Sept. 30, '01	145,605	87,003	59.8	545.06
Mar. 31, '02	144,925	89,302	61.6	559.51

Notes: (1) Average number of shares issued and outstanding:
Six months ended Sept. 2003: 159,606,141 Six months ended Sept. 2002: 159,622,144
Year ended March 31, 2003: 159,608,183
(2) Treasury stock:
Six months ended Sept. 2003: 1,183,295 shares Six months ended Sept. 2002: 1,167,292
Year ended March 31, 2003: 1,181,253

2. Non-Consolidated Outlook for Fiscal 2004 (April 1, 2003 – March 31, 2004)

(¥ millions)

	Net sales	Recurring profit	Net income	Year-end dividend (¥)	Total annual dividend (¥)
For the year	166,100	9,000	5,300	5.00	10.00

Reference – Projected net income per share for the year: ¥32.33

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from projections due to a variety of factors.

Non-Consolidated Balance Sheets

(¥ millions)

	As of Sept. 30, 2003	As of March 31, 2003	Increase /(Decrease)	As of Sept. 30, 2002
Assets				
Current assets:				
Cash and time deposits	1,670	1,609	61	2,043
Notes receivable	745	970	△ 225	820
Accounts receivable–trade	30,860	28,367	2,493	24,844
Marketable securities	7,601	9,667	△ 2,066	11,826
Finished and semi-finished products	4,456	3,663	793	3,191
Work in progress	871	789	82	808
Raw materials and supplies	1,471	1,673	△ 202	1,540
Accrued income	1,085	1,324	△ 239	1,212
Deferred income taxes	2,441	2,198	243	2,187
Other current assets	522	304	218	548
Less: Allowance for doubtful receivables	△ 133	△ 136	3	△ 133
Total current assets	51,593	50,432	1,161	48,891
Fixed assets:				
Property, plant and equipment				
Buildings	12,152	12,577	△ 425	13,071
Structures	919	954	△ 35	977
Machinery	4,460	4,864	△ 404	5,086
Vehicles	268	259	9	258
Tools and equipment	6,198	6,552	△ 354	7,061
Land	5,063	5,063	—	6,344
Construction in progress	78	25	53	40
Property, plant and equipment, net	29,141	30,297	△ 1,156	32,840
Intangible fixed assets	182	164	18	184
Other investments:				
Investment securities	45,164	38,811	6,353	38,055
Equity in subsidiary companies	20,307	20,307	—	20,307
Deferred income taxes	918	2,160	△ 1,242	2,208
Other investments	3,012	3,034	△ 22	3,298
Less: Allowance for doubtful receivables	△ 319	△ 283	△ 36	△ 179
Total	69,083	64,030	5,053	63,689
Total fixed assets	98,407	94,492	3,915	96,714
Total assets	150,001	144,925	5,076	145,605

(¥ millions)

	As of Sept. 30, 2003	As of March 31, 2003	Increase /(Decrease)	As of Sept. 30, 2002
Liabilities				
Current liabilities:				
Notes and accounts payable–trade	27,271	27,325	△ 54	24,731
Payables	1,607	1,929	△ 322	1,899
Accrued expenses	9,075	8,389	686	8,852
Employees' deposits	—	—	—	1,350
Reserve for bonuses	3,258	3,250	8	3,243
Reserve for product warranties	450	450	—	—
Income taxes payable	1,839	2,066	△ 227	1,746
Other current liabilities	679	693	△ 14	633
Total current liabilities	44,182	44,104	78	42,457
Non-current liabilities:				
Allowance for retirement benefits	10,597	9,839	758	14,767
Allowance for directors' retirement benefits	868	877	△ 9	825
Allowance for losses on overseas investments	800	800	—	550
Others	2	2	—	2
Total non-current liabilities	12,267	11,518	749	16,144
Total liabilities	56,450	55,622	828	58,601
Shareholders' equity:				
Common stock	14,270	14,270	—	14,270
Capital surplus				
Additional paid-in capital	17,107	17,107	—	17,107
Retained earnings				
Profit reserve	3,567	3,567	—	3,567
Condensed reserve on trade-in assets	938	833	105	833
Other reserve	46,500	42,500	4,000	42,500
Unappropriated retained earnings	3,779	6,713	△ 2,934	3,274
(Interim/full-year net income)	(2,267)	(5,894)	(△ 3,627)	(1,817)
Total retained earnings	54,785	53,615	1,170	50,176
Unrealized gain on securities	8,130	5,051	3,079	6,186
Treasury stock	△ 744	△ 743	△ 1	△ 737
Total shareholders' equity	93,550	89,302	4,248	87,003
Total liabilities and shareholders' equity	150,001	144,925	5,076	145,605

Non-Consolidated Statements of Income

(¥ millions)

	Six months ended Sept. 30, 2003		Six months ended Sept. 30, 2002		Y-o-Y Change		Year Ended March 31, 2003	
		%		%		%		%
(Recurring Items)								
Operating revenues								
Net sales	79,660	100.0	75,772	100.0	3,888	5.1	156,967	100.0
Operating expenses								
Cost of sales	69,346	87.1	65,987	87.1	3,359		134,706	85.8
Selling, general and administrative expenses	8,606	10.8	8,437	11.1	169		17,066	10.9
Operating income	1,707	2.1	1,347	1.8	360	26.8	5,195	3.3
Non-operating income (expenses)								
Non-operating income	2,242		1,686		556		2,869	
Interest and dividend income	(893)		(920)		(△ 27)		(1,259)	
Other	(1,348)		(765)		(583)		(1,609)	
Non-operating expenses	104		57		47		83	
Interest expenses	(—)		(3)		(△ 3)		(5)	
Other	(104)		(54)		(50)		(77)	
Recurring profit	3,845	4.8	2,975	3.9	870	29.2	7,981	5.1
(Non-Recurring Items)								
Extraordinary gains	—		147		△ 147		5,483	
	(—)		(—)		(—)		(5,336)	
Gains on sales of property, plant and equipment	(—)		(147)		(△ 147)		(147)	
Extraordinary losses	66		94		△ 28		3,640	
Revaluation of investment securities	(—)		(—)		(—)		(1,250)	
Revaluation of golf membership	(—)		(50)		(△ 50)		(326)	
Revaluation of landholdings	(—)		(—)		(—)		(1,290)	
Provision to reserve for product warranties	(—)		(—)		(—)		(450)	
Provision to reserve for losses on overseas investments	(—)		(—)		(—)		(250)	
Losses on sales and disposal of property, plant and equipment	(66)		(43)		(23)		(73)	
Income before income taxes	3,779	4.7	3,028	4.0	751	24.8	9,825	6.3
Income taxes-current	2,565		1,744		821		3,670	
Income taxes-deferred	△ 1,053		△ 533		△ 520		259	
Total income taxes	1,511		1,211		300		3,930	
Net income	2,267	2.8	1,817	2.4	450	24.8	5,894	3.8
Retained earnings b/fwd.	1,511		1,457		54		1,457	
Interim dividend	—		—		—		638	
Unappropriated retained earnings	3,779		3,274		505		6,713	

Breakdown of Non-Consolidated Net Sales

(¥ millions)

	Six months ended Sept. 30, 2003		Six months ended Sept. 30, 2002		Y-o-Y Change		Year ended March 31, 2003	
		%		%		%		%
Automobile Lighting Equipment	75,786	95.1	72,055	95.1	3,731	5.2	149,328	95.1
Aircraft Lights	1,267	1.6	1,476	1.9	△ 209	△ 14.2	2,993	1.9
Others	2,607	3.3	2,241	3.0	366	16.3	4,645	3.0
Total	79,660	100.0	75,772	100.0	3,888	5.1	156,967	100.0
(Portion accounted for by exports)	(6,203)	(7.8)	(6,344)	(8.4)	(△ 141)	(△ 2.2)	(12,125)	(7.7)

Significant Accounting Policies Used in Preparation of Non-Consolidated Financial Statements

1. Marketable securities

Securities held for trading	Stated at market value (the selling price is mainly determined by the moving-average method)
Securities held to maturity	Depreciable-cost method (straight-line method)
Securities of subsidiaries and affiliates	Cost as determined by the moving-average method
Other securities	
Listed securities	Stated at market value, determined by the market price as of the end of the interim period, with unrealized gains or losses reported in shareholders' equity and the selling price determined by the moving-average method.
Non-listed	Stated at cost determined by the moving-average method.

2. Derivatives — Stated at market value

3. Money trusts — Stated at market value

4. Inventories

Finished and semi-finished products and work in progress	Stated at cost, determined mainly by the gross-average method.
Raw materials and supplies	Stated at cost, determined by the moving-average method

5. Method for depreciating and amortizing important assets

Property, plant and equipment are depreciated using the declining-balance method, based on the estimated useful lives of the assets as permitted by the corporate tax laws. Intangible fixed assets are depreciated using the straight-line method. Estimate useful lives are as follows:

Buildings and structures	7 – 50 years
Machinery and transportation equipment	3 – 7 years

6. Allowance for doubtful receivables

The allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up by two components: the estimated credit loss for doubtful receivables based on an individual assessment of each account, and a reserve for general receivables calculated based on historical default rates.

7. Allowance for bonuses

Provisions for employees' bonuses are based on the estimated requirements for the fiscal year. The amount recorded is that applicable to the interim period.

8. Allowance for product warranties

The Company provides for an allowance for possible expenses related to quality assurance issues.

9. Allowance for retirement benefits

An allowance for retirement benefits is provided to adequately cover the pension costs of employees. The allowance is determined as of the end of the six-month period on the basis of projected retirement benefit liabilities and pension assets at the fiscal year balance sheet date.

Past service obligations are amortized using the straight-line method over a fixed number of years, but no more than the average remaining years of service of all employees in the accounting period in which past service obligations arise.

Actuarial gains or losses are amortized from the accounting period following the period in which actuarial gains or losses arise, using the straight-line method over a fixed number of years (5 years), but no more than the average remaining years of service of employees in the accounting period in which actuarial gains or losses arise.

10. Allowance for directors' retirement benefits

The Company and its subsidiaries provide an allowance for directors' retirement benefits to adequately cover estimated payments of such benefits during the accounting period under review, as prescribed by company regulations.

11. Reserve for losses on overseas investments

The allowance for losses on overseas investments provides for possible losses is made up by the estimated credit loss for investment losses based on an individual assessment of country risk and the financial soundness of overseas affiliates.

12. Accounting for translation of foreign currency transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the end of the interim period with gains and losses included in income.

13. Accounting for leases

Finance leases, other than those that transfer ownership of the leased assets to the lessees, are treated in the same way as ordinary operating leases for accounting purposes.

14. Accounting for hedging

Hedge accounting methods

Cash flows and unrealized gains and losses arising from hedge transactions are recognized when the underlying hedge contracts are concluded and are included in income during the applicable accounting period.

15. Accounting treatment of consumption tax

Financial statements are prepared exclusive of consumption tax.

Notes

(¥ millions)

	As of Sept. 30, 2003	As of Sept. 30, 2002	Year ended March 31, 2003
1. Cumulative depreciation of property, plant and equipment	95,227	93,845	94,827
2. Guarantees	13,036	3,028	13,844

Lease Transactions

1. Finance leases that do not transfer ownership of leased property to lessee

(1) Acquisition cost equivalents, accumulated depreciation equivalents and balance equivalents of leased assets as of the term-end.

(¥ millions)

		Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended March 31, 2003
Acquisition cost equivalents	Machinery and transportation equipment	459	459	459
	Tools and equipment	283	287	288
	Total	742	746	747
Accumulated depreciation equivalents	Machinery and transportation equipment	204	153	153
	Tools and equipment	192	163	172
	Total	396	316	325
Balance equivalents	Machinery and transportation equipment	255	306	306
	Tools and equipment	90	123	115
	Total	345	430	421

Note: Outstanding lease commitments constituted an immaterial portion of term-end balances of property, plant and equipment. Consequently acquisition cost equivalents are accounted for by the paid interest method.

(2) Balance of outstanding lease commitments

(¥ millions)

	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended March 31, 2003
Within one year	5	108	101
More than one year	340	321	320
Total	345	430	421

Note: Outstanding lease commitments constituted an immaterial portion of term-end balances of property, plant and equipment. Consequently, outstanding lease commitments are accounted for by the paid interest method.

(3) Lease charge payable and depreciation equivalents

(¥ millions)

	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended March 31, 2003
Lease charge payable	107	106	116
Depreciation equivalents	107	106	116

(4) Accounting method for depreciation equivalents
Depreciation equivalents are accounted for by the straight-line method, assuming the lease period to be the useful lives and the residual value to be zero.

2. Operating lease transactions

(¥ millions)

	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year Ended March 31, 2003
Within one year	0	—	—
More than one year	—	—	—
Total	0	—	—

Marketable Securities

Shares held by subsidiaries and affiliated companies with market quotations
As of September 30, 2003

(¥ millions)

	Book Value	Market value	Gain (loss)
1. Subsidiaries	7,370	7,257	△ 113
2. Affiliated companies	1,332	2,616	1,284
Total	8,702	9,873	1,171

As of September 30, 2002

(¥ millions)

	Book Value	Market value	Gain (loss)
1. Subsidiary companies	7,370	6,238	△ 1,132
2. Affiliated companies	1,332	2,049	717
Total	8,702	8,287	△ 415

As of March 31, 2003

(¥ millions)

	Book Value	Market value	Gain (loss)
1. Subsidiaries	7,370	6,196	△ 1,174
2. Affiliated companies	1,332	2,708	1,376
Total	8,702	8,904	202