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Consolidated Earnings Report for the First Half of Fiscal 2003 — Nov 6, 2002

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: November 6, 2002 U.S. GAAP: No

1. Consolidated Results of Operations for First Half of Fiscal 2003 (April 1, 2002 – September 30, 2002)

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

Six months ended	Net sales		Operating income		Recurring profit	
Sept. 30, '02	138,643	5.0%	3,189	25.2%	2,891	31.3%
Sept. 30, '01	132,036	4.1%	2,547	△36.0%	2,201	△46.0%
Year ended Mar. 31, '02	301,141		9,779		10,249	

Six months ended	Net income		Net income per share (¥)	Net income per share (diluted) (¥)
Sept. 30, '02	1,052	215.0%	6.59	—
Sept. 30, '01	334	△78.6%	2.08	—
Year ended Mar. 31, '02	2,784		17.38	—

Notes:
a. Equity in earnings of affiliates:
Six months ended Sept. 2002 ¥75 million Six months ended Sept. 2001: ¥1 million Fiscal 2002: ¥119 million
b. Average number of shares outstanding (consolidated):
Six months ended Sept. 2002: 159,589,580 Six months ended Sept. 2001: 160,208,842 Fiscal 2002: 160,207,069
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, '02	286,232	100,531	35.1	629.94
Sept. 30, '01	282,968	96,611	34.1	605.22
Mar. 31, '02	295,097	101,738	34.5	637.36

Note: Number of shares outstanding at end of period (consolidated):
Six months ended Sept. 2002: 159,588,344 Six months ended Sept. 2001: 159,628,743
Fiscal 2002: 159,625,197

(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, '02	18,296	△13,801	832	20,655
Sept. 30, '01	5,764	△4,152	△1,225	22,266
Year ended Mar. 31, '02	13,609	△13,055	△7,336	15,449

(4) Scope of Consolidation and Application of the Equity Method
Consolidated subsidiaries 21
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 —
Affiliates accounted for under the equity method:
New —
Eliminated —

2. Consolidated Outlook for Fiscal 2003 (April 1, 2002 – March 31, 2003)

(¥ millions)

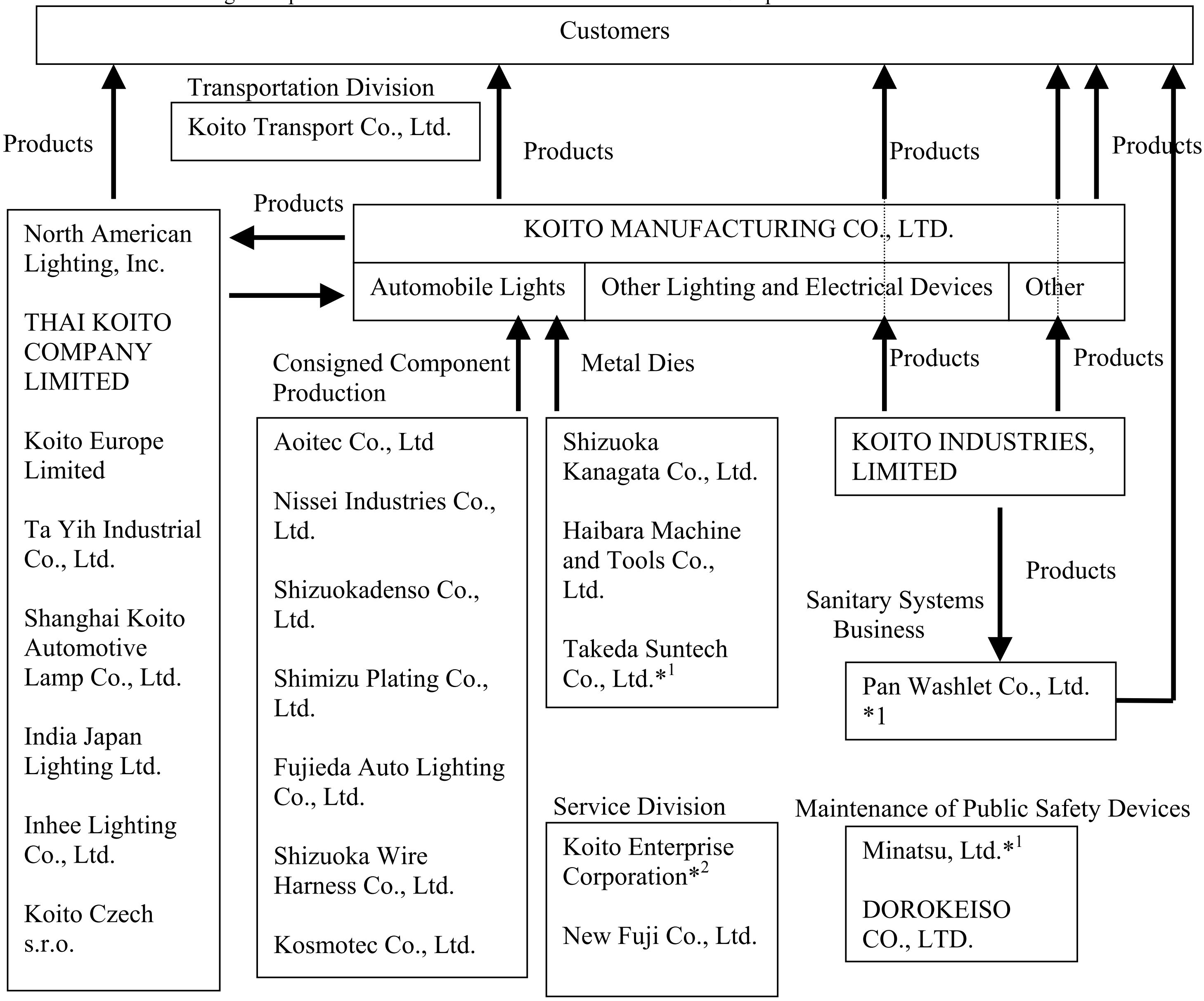
	Net sales	Recurring profit	Net income
For the year	302,600	10,300	6,400

Reference – Projected net income per share for the year: ¥40.10
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 21 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.

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

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.

The Koito Group will pay an interim dividend for the first half of fiscal 2003, ending March 31, 2003, of ¥4 per share, the same as for the first half of the previous year, with plans to pay an additional year-end dividend of ¥4 per share.

(3) Medium- and Long-Term Management Strategies

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

a. 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.

b. Amid rapid advancement in information technology, Koito Group will formulate timely and appropriate responses to Intelligent Transport System (ITS)-related fields. 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.

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

d. 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.

Results of Operations and Financial Position

(1) Overview of the First Half of Fiscal 2003

During the interim period, Japan's economy continued to face difficulties, showing no signs of a full-fledged recovery. An export-led upturn proved to be short-lived, giving way to deepening deflation, tumbling stock prices and weak capital expenditure and consumer spending.

Despite some growth in Asian economies, particularly in China, concerns over slowing U.S. and European economies were fueled by weak stock markets and other factors.

In Japan's car industry, domestic automobile sales experienced slower growth, reflecting an overall slump in the general economy. Exports however, increased, particularly to Asian markets. As a result, automobile production in Japan totaled 4.99 million units in the first half of fiscal 2003, up 4.7% from the corresponding period of the previous fiscal year.

Overseas, despite slowing growth in U.S. and European markets, overseas local production by Japanese automobile manufacturers is increasing steadily, driven by demand for new cars from Asia.

In this climate, the Koito Group is boosting product development in the Automotive Lighting Segment to win more orders over the medium to long term. Koito presently has in place a global quadrangular R&D system, following the completion in April 2002 of a new Technology Center in China, run by Shanghai Koito Automotive Lamp Co., Ltd. The other R&D bases include North American Lighting, Inc. (NAL)'s Technology Center in the U.S., Koito Europe Technology Center in Belgium and Koito Manufacturing's Technology Center in Japan.

On the manufacturing front, Koito has expanded production capacity dramatically. In July 2002, the manufacture of headlamps and fog lamps began at NAL's new Paris Plant. In September, production of headlamps commenced at a new plant operated by European subsidiary Koito Czech s.r.o.

Under these conditions, the Koito Group's net sales climbed 5.0% year on year to ￥138.6 billion, lifted by an increase in sales of core automotive lighting equipment at overseas subsidiaries.

Results by business segment are outlined below.

Automotive Lighting Equipment Segment

Sales in the automotive lighting equipment segment rose 9.3% to ￥114.3 billion. Activities focused on offering a still more competitive lineup of products to increase orders. Koito worked to expand sales of large, multi-functional headlamps. It benefited from stronger domestic demand arising from greater use of discharge headlamps in Japan and increased overseas orders for automotive lighting equipment for use in new models.

Non-Automotive Electrical Equipment

Sales in this segment decreased 21.0% to ￥14.1 billion. Brisk sales of railway car equipment and traffic systems were outweighed by weak demand for non-automotive lighting equipment. In home appliances, the company separated its washlet toilet business, transferring operations to affiliate Pan Washlet Co., Ltd. in October 2001.

Other Products

Sales in this segment rose 7.1% to ￥10.1 billion. Solid sales of headlamp cleaners, card readers and airplane seats countered lower demand for power-window regulators.

On the earnings front, recurring income rose 31.3% to ￥2.8 billion due to a number of factors. As domestic and overseas competitors move to slash prices, the Koito Group advanced bold cost-cutting measures to streamline operations. A strong performance by overseas businesses was another contributing factor. Net income increased 215.0% to ￥1.0 billion, partly due to a decline in extraordinary losses.

In regard to full-year projections, Koito expects to contend with even more difficult conditions at home and abroad. Slowing U.S. and European economies are expected to outweigh the forecast benefits of a strong Asian economy. And the Japanese economy is likely to face continued deflation.

In Japan, domestic automobile sales are expected to benefit from the introduction of new compact cars and other new models, resulting in a slight increase in automobile production. Overseas, Asian economies are forecast to post continued growth, although U.S. and European economies are expected to trend on a slower growth track.

In the aircraft industry, aircraft production is expected to fall due to sharp declines in the demand for air travel.

Despite difficult conditions and mounting uncertainties, the Koito Group intends to make a concerted effort to push forward with cost-cutting measures, enhance competitiveness, raise operating efficiency and improve results.

For the fiscal year ending March 31, 2003, the Koito Group forecasts consolidated net sales of ￥302.6 billion, recurring profit of ￥10.3 billion and net income of ￥6.4 billion.

(2) Cash Flows

Net cash provided by operating activities was ￥18.2 billion. Cash inflows of ￥20.1 billion, mainly from income before income taxes of ￥2.0 billion and depreciation of ￥8.1 billion, were countered by income taxes paid and other items.

Net cash used in investing activities was ￥13.8 billion, reflecting capital investments of ￥9.5 billion and payments for the purchase of marketable and investment securities, and other items.

Net cash provided by financing activities increased to ￥0.8 billion. Koito redeemed ￥2.0 billion in bonds and repaid debt of ￥1.7 billion. The increase in short-term loans and long-term debt totaled ￥5.9 billion.

As a result, cash and cash equivalents at the end of the interim term had increased ￥5.2 billion to ￥20.6 billion, compared with March 31, 2002.

Consolidated Balance Sheets

(¥ millions)

	As of Sept. 30, 2002	As of March 31, 2002	Increase/ (Decrease)	As of Sept. 30, 2001
Assets				
Current assets:				
Cash and time deposits	14,576	10,567	4,009	9,727
Notes and accounts receivable—trade	55,882	77,105	△ 21,223	57,102
Marketable securities	24,484	21,430	3,054	25,216
Inventories	23,296	19,943	3,353	24,310
Deferred income taxes	5,374	5,501	△ 127	4,937
Other current assets	6,542	6,131	411	8,903
Less: Allowance for doubtful receivables	△ 1,063	△ 1,112	49	△ 1,186
Total current assets	129,093	139,565	△ 10,472	129,011
Fixed assets:				
Property, plant and equipment:				
Buildings and structures	30,918	31,614	△ 696	32,006
Machinery and transportation equipment	25,274	24,715	559	24,379
Tools and equipment	12,591	12,818	△ 227	11,594
Land	12,770	12,891	△ 121	13,239
Construction in progress	1,914	2,638	△ 724	2,227
Property, plant and equipment, net	83,468	84,678	△ 1,210	83,448
Intangible fixed assets	466	511	△ 45	537
Other investments:				
Investment securities	61,244	59,038	2,206	58,268
Long-term loans	1,726	1,969	△ 243	1,669
Deferred income taxes	4,580	3,727	853	3,070
Other investments	5,846	5,755	91	7,107
Less: Allowance for doubtful receivables	△ 193	△ 150	△ 43	△ 143
Total investments and other assets	73,203	70,341	2,862	69,972
Total fixed assets	157,138	155,531	1,607	153,957
Total assets	286,232	295,097	△ 8,865	282,968

(¥ millions)

	As of Sept. 30, 2002	As of March 31, 2002	Increase/ (Decrease)	As of Sept. 30, 2001
Liabilities				
Current liabilities:				
Notes and accounts payable—trade	45,908	55,576	△ 9,668	49,102
Short-term loans	27,023	25,613	1,410	33,029
Current portion of bonds	525	2,571	△ 2,046	—
Accrued expenses	13,551	13,758	△ 207	11,980
Income taxes payable	1,452	1,436	16	911
Accrued bonuses	4,835	4,783	52	4,780
Other current liabilities	8,639	8,486	153	9,516
Total current liabilities	101,935	112,225	△ 10,290	109,321
Non-current liabilities:				
Bonds	3,000	3,000	—	5,519
Long-term debt	29,907	28,008	1,899	23,708
Allowance for employees' retirement benefits	23,636	21,829	1,807	20,906
Allowance for directors' retirement benefits	1,359	1,265	94	1,146
Others	744	793	△ 49	770
Total non-current liabilities	58,648	54,898	3,750	52,050
Total liabilities	160,583	167,123	△ 6,540	161,372
Minority interests	25,117	26,235	△ 1,118	24,985
Shareholders' equity:				
Common stock	14,270	14,270	—	14,270
Additional paid-in capital	17,107	17,107	—	17,107
Retained earnings	64,647	64,373	274	62,332
Unrealized gain (loss) on securities	6,127	6,719	△ 592	5,115
Foreign currency translation adjustments	△ 885	4	△ 889	△1,481
Treasury stock	△ 737	△ 736	△ 1	△734
Total shareholders' equity	100,531	101,738	△ 1,207	96,611
Total liabilities, minority interests and shareholders' equity	286,232	295,097	△ 8,865	282,968

Consolidated Statements of Income

(¥ millions)

	Six months ended September 30, 2002		Six months ended September 30, 2001		Y-o-Y Change		Year ended March 31, 2002	
		%		%		%		%
Net sales	138,643	100.0	132,036	100.0	6,607	5.0	301,141	100.0
Cost of sales	120,281	86.8	114,867	87.0	5,414		259,378	86.1
Gross profit	18,362	13.2	17,169	13.0	1,193		41,762	13.9
Selling, general and administrative expenses	15,172	10.9	14,621	11.1	551		31,982	10.7
Operating income	3,189	2.3	2,547	1.9	642	25.2	9,779	3.2
Non-operating income	1,096		832		264		2,754	
Interest and dividend income	(398)		(112)		(286)		(614)	
Equity in earnings of affiliates	(75)		(1)		(74)		(119)	
Other non-operating income	(623)		(718)		(△ 95)		(2,021)	
Non-operating expenses	1,394		1,178		216		2,285	
Interest expense and discounts	(435)		(464)		(△29)		(1,075)	
Other non-operating expenses	(958)		(714)		(244)		(1,209)	
Recurring profit	2,891	2.1	2,201	1.7	690	31.3	10,249	3.4
Extraordinary gains	173		99		74		132	
Extraordinary losses	1,032		1,663		△ 631		4,089	
Income before income taxes	2,032	1.5	637	0.5	1,395	219.0	6,292	2.1
Income taxes, inhabitants' taxes and enterprise taxes	1,707		1,158		549		5,136	
Deferred taxes	△ 895		△ 891		△ 4		△ 2,619	
Total	811		267		544		2,516	
Minority interests in consolidated subsidiaries	△ 167		△ 36		△ 131		△ 991	
Net income	1,052	0.8	334	0.3	718	215.0	2,784	0.9

Consolidated Statements of Retained Earnings

(¥ millions)

		Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2001	Y-o-Y Change	Year ended March 31, 2002
I	Consolidated retained earnings at beginning of period	—	62,786	△ 62,786	62,786
II	Increase in consolidated retained earnings	—	—	—	228
	Increase due to the increase in companies accounted for using the equity method	(—)	(—)	(—)	(6)
	Increase due to changes in equity in consolidated subsidiaries	(—)	(—)	(—)	(222)
III	Appropriations	—	788	△ 788	1,425
	Dividends	(—)	(643)	(△ 643)	(1,281)
	Directors' bonuses	(—)	(144)	(△ 144)	(144)
IV	Net income	—	334	△ 334	2,784
V	Consolidated retained earnings at end of period	—	62,332	△ 62,332	64,373
	(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	—
II	Additional paid-in capital at end of period	17,107	—	17,107	—
	(Retained earnings)				
I	Retained earnings at beginning of period				
	Consolidated retained earnings at beginning of period	64,373	—	64,373	—
II	Increase in retained earnings				
	Net income	1,052	—	1,052	—
III	Appropriations				—
	Dividends	638	—	638	—
	Directors' bonuses	140	—	140	—
IV	Retained earnings at end of period	64,647	—	64,647	—

Consolidated Statements of Cash Flows

(¥ millions)

Period	Six months ended September 30, 2002	Six months ended September 30, 2001	Year ended March 31, 2002
I Cash flows from operating activities			
Income before income taxes	2,032	637	6,292
Depreciation and amortization	8,164	7,902	17,493
Equity in earnings of affiliates	△ 75	△ 1	△ 119
Increase (decrease) in allowance for doubtful receivables	66	49	△ 120
Increase in allowance for retirement benefits	1,817	1,160	2,236
Increase (decrease) in allowance for bonuses	52	△ 10	△ 7
Interest and dividend income	△ 398	△ 112	△ 614
Interest expense paid	435	464	1,075
Gain (loss) on sale and revaluation of marketable securities	148	△ 60	960
Gain on sale and disposal of property, plant and equipment	△ 22	159	429
Decrease (increase) in notes and accounts receivable—trade	20,993	21,501	1,992
Decrease (increase) in inventories	△ 3,494	△ 6,195	△ 1,538
Decrease (increase) in other receivables	△ 543	△ 1,677	1,441
Increase (decrease) in notes and accounts payable—trade	△ 9,050	△ 11,576	△ 5,896
Accrued expenses and other liabilities	200	△ 1,436	△ 1,418
Directors' bonuses paid	△ 168	△ 164	△ 164
Sub total	20,157	10,641	22,042
Interest and dividends received	398	112	614
Interest payments	△ 435	△ 464	△ 1,075
Income taxes	△ 1,824	△ 4,525	△ 7,972
Net cash provided by operating activities	18,296	5,764	13,609
II Cash flows from investing activities			
Increase in time deposits	△ 2,242	△ 235	△ 470
Proceeds from maturity of time deposits	900	261	1,059
Payments for purchase of marketable securities	△ 20,807	△ 11,890	△ 30,729
Proceeds from sale of marketable securities	17,036	16,803	35,842
Payments for purchase of property, plant and equipment	△ 9,512	△ 9,308	△ 20,363
Proceeds from sale of property, plant and equipment	711	378	635
Increase in lending	△ 280	△ 272	△ 134
Proceeds from collection of loans	520	474	36
Increase (decrease) in other payments relating to investments	△ 127	△ 362	1,069
Net cash used in investing activities	△ 13,801	△ 4,152	△ 13,055
III Cash flows from financing activities			
Increase (decrease) in short-term loans	2,012	△ 756	△ 9,575
Increase in long-term debt	3,992	2,281	10,498
Repayment of long-term debt	△ 1,727	△ 754	△ 5,535
Redemption of bonds	△ 2,000	—	—
Payments for purchase of treasury stock	△ 1	△ 734	△ 734
Dividends paid by parent company	△ 638	△ 643	△ 1,281
Dividends paid to minority shareholders	△ 806	△ 619	△ 709
Net cash provided by (used in) financing activities	832	△ 1,225	△ 7,336
IV Effect of exchange rate changes on cash and cash equivalents	△ 121	△ 77	275
V Increase in cash and cash equivalents	5,206	310	△ 6,507
VI Cash and cash equivalents at beginning of period	15,449	21,956	21,956
VII Cash and cash equivalents at end of period	20,655	22,266	15,449

Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

1. Scope of Consolidation
Number of consolidated subsidiaries: 21

2. Application of the Equity Method
Number of affiliates accounted for using the equity method: 3
The influence on consolidated income and 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 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 16 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:
The Company and its domestic consolidated subsidiaries amortize intangible fixed assets using the straight-line method. At overseas consolidated subsidiaries, intangible fixed assets are amortized using the straight-line method in accordance with the accounting principles generally accepted in each country.

(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 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.

(d) 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.
a. Hedging methods and hedge targets
The Company employs foreign exchange forward contracts and interest swap transactions as hedging methods. The hedge targets are transactions denominated in foreign currencies subject to exchange rate fluctuations, and loans bearing fixed or variable interest rates that are subject to interest rate fluctuations.
b. Hedging policy
Koito Group does not enter into hedge transactions for trading purposes. The Company employs foreign exchange forward contracts and interest rate swap transactions that are fixed to hedge any risk anticipated from underlying transactions.
c. Evaluation of hedging effectiveness
Hedging effectiveness is determined based on a comparison of the exposure of hedge targets and hedging methods to market fluctuations and the effect on cash flows that arise as a consequence.

5. Accounting treatment of consumption tax
Financial statements are prepared exclusive of consumption tax.

6. 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.

Supplemental Information
(Accounting for treasury stock, and the reduction of statutory reserves and other items)
Effective April 1, 2002, the Company adopted new accounting standards for treasury stock and for the reduction of statutory reserves in accordance with the "Accounting Standard for Treasury Stock and Reduction of Legal Reserves" (Financial Accounting Standard No.1) The adoption of this accounting standard had no effect on consolidated earnings for the six months ended September 30, 2002.
Effective the current interim period under review, the Company has also presented the shareholders' equity portion of interim consolidated balance sheets and the interim consolidated statements of retained earnings in accordance with the amended guidelines for the preparation of interim consolidated financial statements.
The Company has retroactively reclassified the shareholders' equity portion of balance sheets as of September 30, 2001 and March 31, 2002 in accordance with the aforementioned amended guidelines.

Notes

(¥ millions)

	As of Sept. 30, 2002	As of Sept. 30, 2001	As of March 31, 2002
1. Cumulative depreciation of property, plant and equipment	139,172	134,602	137,960
2. Liabilities for guarantees	52	61	56
3. Assets pledged as collateral			
Buildings and structures	1,048	1,377	1,479
Machinery	1,068	1,244	1,269
Land	2,434	1,925	2,118
Total	4,550	4,547	4,867

4. Accounting treatment for promissory notes maturing at consolidated interim and fiscal-year end
As the company's balance dates at the end of the previous interim period and fiscal year fell on holidays, promissory notes due on those dates were treated as having been settled on those dates, with details as follows.

(¥ millions)

	As of Sept. 30, 2002	As of Sept. 30, 2001	As of March 31, 2002
Notes receivable – trade	—	732	505
Notes payable – trade	—	1,636	1,734

5. Selling, general and administrative expenses

(¥ millions)

	Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2001	Year Ended March 31, 2002
(1) Selling expenses			
Freight expenses	849	816	1,881
Employee salaries	2,287	2,286	6,522
Packaging expenses	778	821	1,664
Transfer to allowance for bonuses	726	625	735
Retirement benefit expenses	374	191	542
(2) General and administrative expenses			
Employee salaries	2,326	2,372	5,748
Fringe benefits expenses	667	538	1,078
Transfer to allowance for bonuses	547	440	475
Retirement benefit expenses	274	232	485
Transfer to allowance for directors' retirement benefits	93	118	288

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

(¥ millions)

	As of Sept. 30, 2002	As of Sept. 30, 2001	Year ended March 31, 2002
Cash and deposits	14,576	9,727	10,567
Time deposits with maturities exceeding three months	△ 1,862	△ 616	△ 519
Marketable securities redeemable within three months	7,941	13,155	5,401
Cash and cash equivalents	20,655	22,266	15,449

Segment Information

(1) Industry Segment Information

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

Six months ended September 30, 2001 (¥ 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	104,621	17,932	9,483	132,036	—	132,036
(2) Inter-segment sales and transfers	20,522	—	1,313	21,836	(21,836)	—
Total	125,143	17,932	10,796	153,872	(21,836)	132,036
Operating expenses	121,731	18,285	10,523	150,540	(21,051)	129,488
Operating income (loss)	3,412	△ 353	273	3,332	(784)	2,547

Year Ended March 31, 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	221,718	57,130	22,291	301,141	—	301,141
(2) Inter-segment sales and transfers	42,845	—	2,785	45,630	(45,630)	—
Total	264,563	57,130	25,077	346,771	(45,630)	301,141
Operating expenses	255,813	54,982	24,666	335,462	(44,101)	291,361
Operating income	8,750	2,148	410	11,309	(1,529)	9,779

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, 2002	Six months ended Sept. 30, 2001	Year ended March 31, 2002	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,318	1,313	2,632	Expenses related to the General Affairs Department of the parent company’s head office

(2) Geographical Segment Information

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

Six months ended September 30, 2001 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	95,383	18,570	16,039	2,042	132,036	—	132,036
(2) Inter-segment sales and transfers	21,382	—	453	—	21,836	(21,836)	—
Total	116,766	18,570	16,493	2,042	153,872	(21,836)	132,036
Operating expenses	114,216	18,173	15,531	2,618	150,540	(21,051)	129,488
Operating income (loss)	2,549	396	961	△ 575	3,332	(784)	2,547

Year ended March 31, 2002 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	220,967	40,979	33,927	5,267	301,141	—	301,141
(2) Inter-segment 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

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

(¥ millions)

	Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2001	Year March 31, 2002	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,318	1,313	2,632	Expenses related to the General Affairs Department of the parent company's head office

(3) Overseas Sales

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

Six months ended September 30, 2001 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	21,322	16,858	1,149	39,330
II Consolidated sales				132,036
III Overseas sales ratio (%)	16.1	12.8	0.9	29.8

Year Ended March 31, 2002 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	45,827	34,106	3,366	83,300
II Consolidated sales				301,141
III Overseas sales ratio (%)	15.2	11.3	1.1	27.7

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 Sept. 30, 2002	Six months ended Sept. 30, 2001	Year ended March 31, 2002
Acquisition cost equivalents	Machinery and transportation equipment	1,439	1,537	1,563
	Tools and equipment	1,419	1,526	1,423
	Total	2,859	3,064	2,987
Accumulated depreciation equivalents	Machinery and transportation equipment	693	629	712
	Tools and equipment	950	878	811
	Total	1,643	1,507	1,524
Term-end balance equivalents	Machinery and transportation equipment	746	908	850
	Tools and equipment	469	648	612
	Total	1,216	1,556	1,462

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, 2002	Six months ended Sept. 30, 2001	Year ended March 31, 2002
Within one year	260	415	392
More than one year	955	1,141	1,070
Total	1,216	1,556	1,462

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, 2002	Six months ended Sept. 30, 2001	Year ended March 31, 2002
Lease charge payable	372	338	549
Depreciation equivalents	372	338	549

(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, 2002	Six months ended September 30, 2001	Year Ended March 31, 2002
Outstanding lease commitments			
Within one year	403	394	449
More than one year	170	857	287
Total	574	1,252	736

Marketable Securities

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, other	193	
(2) Other securities		
Non-listed shares (excluding shares traded over-the-counter)	882	
Investments	212	

Marketable securities as of September 30, 2001

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

	Book value	Market value	Difference
(1) Government bonds/municipal bonds	0	0	0
(2) Corporate bonds	2,106	2,059	△ 47
(3) Others	5,290	5,292	2
Total	7,396	7,351	△ 45

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

	Book value	Market value	Difference
(1) Shares	7,676	17,943	10,267
(2) Bonds			
Government bonds/municipal bonds	—	—	—
Corporate bonds	4,803	4,807	4
Others	31,575	29,932	△ 1,643
(3) Other	15,522	15,419	△ 103
Total	59,576	68,101	8,525

3. Marketable securities without market quotations (¥ millions)

	Book value	Details
(1) Bonds held to maturity Non-listed foreign bonds	—	
(2) Other securities		
Non-listed shares (excluding shares traded over-the-counter)	3,160	
Investments	230	

Marketable securities as of March 31, 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	1,514	1,509	△ 5
(3) Others	10,871	10,764	△ 107
Total	12,385	12,273	△ 112

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

	Book value	Market value	Difference
(1) Shares	6,842	19,036	12,194
(2) Bonds			
Government bonds/municipal bonds	—	—	—
Corporate bonds	1,201	1,200	△ 1
Others	30,681	29,848	△ 833
(3) Other	4,502	4,321	△ 181
Total	43,226	54,405	11,179

3. Marketable securities without market quotations (¥ millions)

	Book value	Details
(1) Bonds held to maturity Non-listed foreign bonds, other	544	
(2) Other securities		
Non-listed shares (excluding shares traded over-the-counter)	876	
Investments	217	

Derivative Transactions

Current accounting period of consolidation (April 1, 2002 – September 30, 2002)
Previous corresponding accounting period of consolidation (April 1, 2001 – September 30, 2001)
Previous accounting period of consolidation (April 1, 2001 – March 31, 2002)

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 2003 November 6, 2002

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: Junsuke Kato, President
Inquiries: Masahiro Ohtake, Executive Senior Managing Director, (03) 3443-7111
Meeting of the Board of Directors for the Approval of Interim Results: November 6, 2002
Interim Dividend System: Yes
Interim Dividend Payment Date: December 9, 2002
Tangen System: Yes (1 *tangen* = 1,000 shares)

1. Non-Consolidated Results of Operations for First Half of Fiscal 2003 (April 1, 2002 – September 30, 2002)
(1) Non-Consolidated Business Results

(¥ millions, rounded down)

Six months ended	Net sales		Operating income		Recurring profit	
Sept. 30 '02	75,772	1.8%	1,347	20.3%	2,975	26.1%
Sept. 30, '01	74,419	0.7%	1,120	△ 54.4%	2,360	△ 36.7%
Year ended Mar. 31, '02	156,130		4,388		6,791	

Six months ended	Net income		Net income per share (¥)
Sept. 30 '02	1,817	34.6%	11.38
Sept. 30, '01	1,350	△ 22.7%	8.43
Year ended Mar. 31, '02	3,560		22.23

Notes: (1) Average number of shares outstanding:
Six months ended Sept. 2002: 159,623,380 Six months ended Sept. 2001: 160,209,089
Fiscal 2002: 160,207,316
(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, '02	4.00	—
Sept. 30, '01	4.00	—
Year ended March 31, '02	—	8.00

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

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Sept. 30, '02	145,605	87,003	59.8	545.06
Sept. 30, '01	141,516	83,548	59.0	523.39
Mar. 31, '02	145,289	86,569	59.6	542.33

Notes: (1) Average number of shares issued and outstanding:
Six months ended Sept. 2002: 159,622,144 Six months ended Sept. 2001: 159,628,743
Year ended March 31, 2002: 159,625,197
(2) Treasury stock:
Six months ended Sept. 2002: 1,167,292 shares Six months ended Sept. 2001: 1,160,693
Year ended March 31, 2002: 1,164,239

2. Non-Consolidated Outlook for Fiscal 2003 (April 1, 2002 – March 31, 2003)

(¥ millions)

	Net sales	Recurring profit	Net income	Year-end dividend (¥)	Total annual dividend (¥)
For the year	155,300	6,000	6,300	4.00	8.00

Reference – Projected net income per share for the year: ¥39.47
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, 2002	As of March 31, 2002	Increase /(Decrease)	As of Sept. 30, 2001
Assets				
Current assets:				
Cash and time deposits	2,043	1,807	236	1,925
Notes receivable	820	1,387	△ 567	1,838
Accounts receivable–trade	24,844	28,025	△ 3,181	24,255
Marketable securities	11,826	12,118	△ 292	7,211
Finished and semi-finished products	3,191	3,669	△ 478	3,649
Work in progress	808	902	△ 94	789
Raw materials and supplies	1,540	1,580	△ 40	1,973
Accrued income	1,212	1,542	△ 330	1,300
Deferred income taxes	2,187	1,769	418	1,705
Other current assets	548	317	231	1,041
Less: Allowance for doubtful receivables	△ 133	△ 139	6	△ 121
Total current assets	48,891	52,980	△ 4,089	45,569
Fixed assets:				
Property, plant and equipment				
Buildings	13,071	13,542	△ 471	14,131
Structures	977	1,014	△ 37	1,062
Machinery	5,086	5,234	△ 148	5,774
Vehicles	258	251	7	270
Tools and equipment	7,061	6,569	492	7,715
Land	6,344	6,293	51	6,293
Construction in progress	40	11	29	21
Property, plant and equipment, net	32,840	32,917	△ 77	35,269
Intangible fixed assets	184	203	△ 19	276
Other investments:				
Investment securities	38,055	34,035	4,020	35,614
Equity in subsidiary companies	20,307	20,307	—	19,896
Deferred income taxes	2,208	1,673	535	1,746
Other investments	3,298	3,306	△ 8	3,265
Less: Allowance for doubtful receivables	△ 179	△ 134	△ 45	△ 122
Total	63,689	59,188	4,501	60,401
Total fixed assets	96,714	92,308	4,406	95,946
Total assets	145,605	145,289	316	141,516

(¥ millions)

	As of Sept. 30, 2002	As of March 31, 2002	Increase /(Decrease)	As of Sept. 30, 2001
Liabilities				
Current liabilities:				
Notes and accounts payable–trade	24,731	27,182	△ 2,451	25,429
Payables	1,899	1,802	97	3,536
Accrued expenses	8,852	8,288	564	8,372
Employees' deposits	1,350	1,360	△ 10	1,384
Reserve for bonuses	3,243	3,240	3	3,157
Income taxes payable	1,746	963	783	789
Other current liabilities	633	545	88	472
Total current liabilities	42,457	43,381	△ 924	43,142
Non-current liabilities:				
Allowance for retirement benefits	14,767	14,009	758	13,545
Allowance for directors' retirement benefits	825	776	49	727
Allowance for losses on overseas investments	550	550	—	550
Others	2	2	—	2
Total non-current liabilities	16,144	15,337	807	14,825
Total liabilities	58,601	58,719	△ 118	57,967
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	833	851	△ 18	851
Other reserve	42,500	40,300	2,200	40,300
Unappropriated retained earnings	3,274	4,390	△ 1,116	2,818
(Interim/full-year net income)	(1,817)	(3,560)	(△ 1,743)	(1,350)
Total retained earnings	50,176	49,110	1,066	47,538
Unrealized gain on securities	6,186	6,816	△ 630	5,365
Treasury stock	△ 737	△ 736	△ 1	△ 734
Total shareholders' equity	87,003	86,569	434	83,548
Total liabilities and shareholders' equity	145,605	145,289	316	141,516

Non-Consolidated Statements of Income

(¥ millions)

	Six months ended Sept. 30, 2002		Six months ended Sept. 30, 2001		Y-o-Y Change		Year Ended March 31, 2002	
		%		%		%		%
(Recurring Items)								
Operating revenues								
Net sales	75,772	100.0	74,419	100.0	1,353	1.8	156,130	100.0
Operating expenses								
Cost of sales	65,987	87.1	64,989	87.3	998		134,967	86.4
Selling, general and administrative expenses	8,437	11.1	8,309	11.2	128		16,775	10.8
Operating income	1,347	1.8	1,120	1.5	227	20.3	4,388	2.8
Non-operating income (expenses)								
Non-operating income	1,686		1,279		407		2,506	
Interest and dividend income	(920)		(471)		(449)		(959)	
Other	(765)		(808)		(△ 43)		(1,546)	
Non-operating expenses	57		39		18		102	
Interest expenses	(3)		(3)		(0)		(6)	
Other	(54)		(35)		(19)		(95)	
Recurring profit	2,975	3.9	2,360	3.2	615	26.1	6,791	4.3
(Non-Recurring Items)								
Extraordinary gains	147		60		87		62	
Gains on sales of property, plant and equipment	(147)		(−)		(147)		(−)	
Gains on sales of investment securities	(−)		(60)		(△ 60)		(62)	
Extraordinary losses	94		92		2		921	
Revaluation of investment securities	(−)		(−)		(−)		(775)	
Revaluation of golf club membership	(50)		(−)		(50)		(−)	
Losses on sales and disposal of property, plant and equipment	(43)		(92)		(△ 49)		(146)	
Income before income taxes	3,028	4.0	2,328	3.1	700	30.1	5,933	3.8
Income taxes-current	1,744		1,399		345		3,750	
Income taxes-deferred	△ 533		△ 420		△ 113		△ 1,378	
Total income taxes	1,211		978		233		2,372	
Net income	1,817	2.4	1,350	1.8	467	34.6	3,560	2.3
Retained earnings b/fwd.	1,457		1,468		△ 11		1,468	
Interim dividend	—		—		—		638	
Unappropriated retained earnings	3,274		2,818		456		4,390	

Breakdown of Non-Consolidated Net Sales

(¥ millions)

	Six months ended Sept. 30, 2002		Six months ended Sept. 30, 2001		Y-o-Y Change		Year ended March 31, 2002	
		%		%		%		%
Automobile Lighting Equipment	72,055	95.1	70,257	94.4	1,798	2.6	147,490	94.5
Aircraft Lights	1,476	1.9	1,513	2.0	△ 37	△ 2.4	3,097	2.0
Others	2,241	3.0	2,649	3.6	△ 408	△ 15.4	5,542	3.5
Total	75,772	100.0	74,419	100.0	1,353	1.8	156,130	100.0
(Portion accounted for by exports)	(6,344)	(8.4)	(4,830)	(6.5)	(1,514)	(31.3)	(11,002)	(7.0)

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 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

a. Hedging methods and hedge targets

The Company employs foreign exchange forward contracts and interest swap transactions as hedging methods. The hedge targets are transactions denominated in foreign currencies subject to exchange rate fluctuations, and loans bearing fixed or variable interest that are subject to interest rate fluctuations.

b. Hedging policy

The Company does not enter into hedge transactions for trading purposes. The Company employs foreign exchange forward contracts and interest rate swap transactions that are fixed to hedge any risk anticipated from underlying transactions.

c. Evaluation of hedging effectiveness

Hedging effectiveness is judged based on a comparison of the exposure of hedge targets and hedge methods to market fluctuations and the effect on cash flows that arise as a consequence.

14. Accounting treatment of consumption tax

Financial statements are prepared exclusive of consumption tax.

Supplemental Information

(Accounting for treasury stock, and the reduction of statutory reserves and other items)

Effective April 1, 2002, the Company adopted new accounting standards for treasury stock and for the reduction of statutory reserves in accordance with the “Accounting Standard for Treasury Stock and Reduction of Legal Reserves” (Financial Accounting Standard No.1)

The adoption of this accounting standard had no effect on consolidated earnings for the six months ended September 30, 2002.

Effective the current interim period under review, the Company has also presented the shareholders’ equity portion of interim consolidated balance sheets and the interim consolidated statements of retained earnings in accordance with the amended guidelines for the preparation of interim consolidated financial statements.

The Company has retroactively reclassified the shareholders’ equity portion of balance sheets as of September 30, 2001 and March 31, 2002 in accordance with the aforementioned amended guidelines.

Notes

(¥ millions)

	As of Sept. 30, 2002	As of Sept. 30, 2001	Year ended March 31, 2002
1. Cumulative depreciation of property, plant and equipment	93,845	91,762	93,382
2. Guarantees	3,028	11,033	5,031

3. Accounting treatment for promissory notes maturing at the end of half-year and full-year accounting periods

As the company’s balance date at the end of the interim period and full-year fell on holidays, promissory notes due on those dates were treated as having been settled on those dates, with details as follows.

(¥ millions)

	As of Sept. 30, 2002	As of Sept. 30, 2001	As of March 31, 2002
Notes receivable – trade	—	236	227

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, 2002	Six months ended Sept. 30, 2001	Year ended March 31, 2002
Acquisition cost equivalents	Machinery and transportation equipment	459	459	459
	Tools and equipment	287	219	226
	Total	746	678	686
Accumulated depreciation equivalents	Machinery and transportation equipment	153	102	102
	Tools and equipment	163	98	107
	Total	316	200	209
Balance equivalents	Machinery and transportation equipment	306	357	357
	Tools and equipment	123	121	119
	Total	430	478	476

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, 2002	Six months ended Sept. 30, 2001	Year ended March 31, 2002
Within one year	108	99	101
More than one year	321	378	374
Total	430	478	476

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, 2002	Six months ended Sept. 30, 2001	Year ended March 31, 2002
Lease charge payable	106	91	101
Depreciation equivalents	106	91	101

(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, 2002	Six months ended Sept. 30, 2001	Year Ended March 31, 2002
Within one year	—	35	—
More than one year	—	—	—
Total	—	35	—

Marketable Securities

Shares held by subsidiaries and affiliated companies with market quotations

As of September 30, 2002

(¥ millions)

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

As of September 30, 2001

(¥ millions)

	Book Value	Market value	Gain (loss)
1. Subsidiary companies	7,370	6,113	△ 1,256
2. Affiliated companies	1,332	711	△ 621
Total	8,702	6,825	△ 1,877

As of March 31, 2002

(¥ millions)

	Book Value	Market value	Gain (loss)
1. Subsidiaries	7,370	5,864	△ 1,506
2. Affiliated companies	1,332	1,274	△ 58
Total	8,702	7,138	△ 1,564