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Consolidated Earnings Report for the First Half of Fiscal 2002 **Nov 5, 2001**

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
Inquiries: Masahiro Ohtake, Executive Senior Managing Director, (03) 3443-7111
Meeting of the Board of Directors for the Approval of Results: November 5, 2001 U.S. GAAP: No

1. Consolidated Results of Operations for First Half of Fiscal 2002 (April 1, 2001 – September 30, 2001)

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

Six months ended	Net sales		Operating income		Recurring profit		Net income	
Sept. 30, ‘01	132,036	4.1%	2,547	(36.0%)	2,201	(46.0%)	334	(78.6%)
Sept. 30, ‘00	126,843	4.3%	3,982	43.1%	4,079	86.8%	1,562	38.5%
Year ended Mar. 31, ‘01	297,280		10,991		11,497		3,072	

Six months ended	Net income per share (¥)	Net income per share (diluted)
Sept. 30, ‘01	2.08	0.00
Sept. 30, ‘00	9.71	0.00
Year ended Mar 31, ‘01	19.11	0.00

Notes:
① Equity in earnings of affiliates:
Six months ended Sept. 2001: ¥1 million Six months ended Sept. 2000: ¥0 million Fiscal 2001: ¥6 million
② Average number of shares outstanding (consolidated):
Six months ended Sept. 2001: 160,208,842 Six months ended Sept. 2000: 160,788,972 Fiscal 2001: 160,789,163
③ Changes in accounting methods: None
④ 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, ‘01	282,968	96,611	34.1	605.22
Sept. 30, ‘00	277,392	100,452	36.2	624.74
Mar. 31, ‘01	306,084	102,532	33.5	637.68

Note: Number of shares outstanding at end of period (consolidated):
Six months ended Sept. 2001: 159,628,743 Six months ended Sept. 2000: 160,788,559
Fiscal 2001: 160,788,941

(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, ‘01	5,764	(4,152)	(1,225)	22,266
Sept. 30, ‘00	16,822	(16,785)	8,218	28,576
Year ended Mar 31, ‘01	28,046	(34,575)	7,850	21,956

(4) Scope of Consolidation and Application of the Equity Method
Consolidated subsidiaries 21
Unconsolidated subsidiaries accounted for by the equity method 0
Affiliates accounted for by the equity method 2

(5) Changes in Scope of Consolidation and Application of the Equity Method
Consolidated subsidiaries:
New 0
Eliminated 0
Affiliates accounted for under equity method:
New 0
Eliminated 0

2. Consolidated Outlook for Fiscal 2002 (April 1, 2001 – March 31, 2002) (¥ millions)

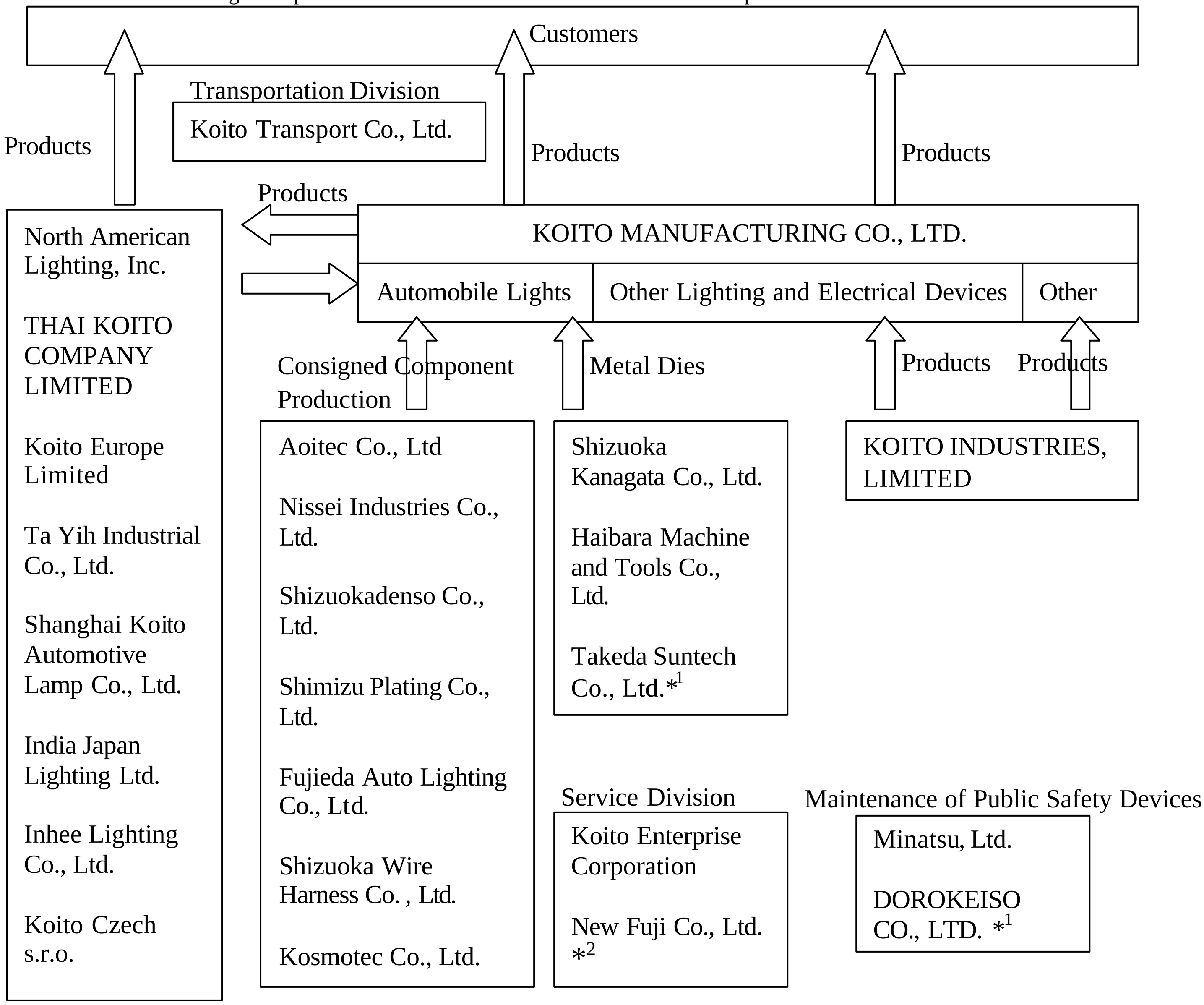
	Net sales	Recurring profit	Net income
For the year	299,400	9,500	3,000

Reference – Projected net income per share for the year: ¥18.79

Koito Group

Koito Group comprises KOITO MANUFACTURING CO., LTD., its 21 subsidiaries and 3 affiliates. It manufactures and sells automobile lights, components for airplanes, trains and railways, a wide variety of electrical devices and measuring equipment. Koito Group is also involved in related financial and distribution operations.

The following chart provides an overview of the structure of 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 2002, ending March 31, 2002, 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.

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, 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.

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.

Results of Operations

(1) Overview of the First Half of Fiscal 2002

In the six-month period ended September 30, 2001, Japan's economy slid deeper into recession, as exports declined due to slowdown in the U.S. economy, the global IT industry waned, share prices slumped and unemployment worsened.

Automobile sales in Japan were held to a slight decline from the same period a year ago due to proactive efforts by automakers to bring new models to market. However, overall automobile exports declined due to lower shipments to the U.S. As a result, automobile production in Japan totaled 4.76 million units in the first half of fiscal 2002, down 2.8% from the corresponding period of the previous fiscal year.

In this climate, Koito Group recorded consolidated net sales of ¥132.0 billion, an increase of 4.1% year on year, due to aggressive marketing activities aimed at increasing sales of new automotive lighting equipment products such as gas discharge headlamps.

Financial results by business segment are as follows.

Automotive Lighting Equipment Segment

Sales in the automotive lighting equipment segment climbed 3.5% to ¥104.6 billion. Activities focused on offering a still more competitive lineup of products to increase orders. The segment also increased sales of gas discharge headlamps and multi-functional headlamps.

Non-Automotive Electrical Equipment

Sales in the other electric equipment segment were ¥17.9 billion, an increase of 6.5%. Principal contributing factors were stronger demand for electronic road signs following the Japanese government's approval of a supplementary budget, and higher replacement demand for washlet toilets.

Other Products

The other products segment increased sales by 5.7% to ¥9.4 billion. This mainly reflected brisk sales of headlamp cleaners and control systems for incubators, which countered lackluster demand for airplane seats and power window regulators.

Recurring profit was ¥2.2 billion and net income ¥0.3 billion, a fall of 46.0% and 78.6%, respectively, from the same period a year earlier. Despite streamlining operations by implementing measures to cut cost prices, R&D expenditures increased due to stepped-up efforts to cope with frequent model changes and the introduction of new models in the automobile sector. Net interest expense also widened, adversely affecting the bottom line.

(2) Outlook for Fiscal 2001

The September 11 terrorist attacks on the U.S. have fueled concerns that the global economy may take longer than expected to recover, clouding the outlook not only for the U.S., but also for Europe and Asia. Other recent events, including the slump in IT-related industries and Japan's first reported case of mad cow disease, which is affecting already weak consumer spending, are expected to push the Japanese economy further into recession.

In the automobile industry, domestic automobile sales and new automobile sales in the U.S., including Japanese models, are both expected to fall. A slowdown in demand in Europe and Asia is also anticipated. The terrorist attacks in the U.S. have significantly sapped demand for air travel, dealing a severe blow to the airline/aviation industry.

Against this backdrop, Koito Group will continue to make innovative improvements to its R&D functions and seek out new cutting-edge technologies. The Group is determined to improve product quality while shortening development lead-times and paring costs. In these ways, Koito Group will sharpen its competitive edge to expand its global market share and boost overseas earnings. The key objective is to improve group-wide performance and succeed amid exacting operating conditions.

Koito Group forecasts consolidated net sales of ¥229.4 billion, recurring profit of ¥9.5 billion, and net income of ¥3.0 billion for fiscal 2002, ending March 31, 2002.

Consolidated Balance Sheets

(¥ millions)

	As of Sept. 30, 2001	As of March 31, 2001	Increase/ (Decrease)	As of Sept. 30, 2000
Assets				
Current assets:				
Cash and time deposits	9,727	12,916	(3,189)	10,567
Notes and accounts receivable—trade	57,102	78,961	(21,859)	53,238
Marketable securities	25,216	24,392	824	27,798
Inventories	24,310	18,306	6,004	22,343
Deferred income taxes	4,937	3,736	1,201	1,161
Other current assets	8,903	7,358	1,545	9,507
Less: Allowance for doubtful receivables	(1,186)	(1,181)	(5)	(1,065)
Total current assets	129,011	144,490	(15,479)	123,551
Fixed assets:				
Property, plant and equipment:				
Buildings and structures	32,006	31,055	951	31,557
Machinery and transportation equipment	24,379	22,734	1,645	21,130
Tools and equipment	11,594	11,065	529	10,378
Land	13,239	13,392	(153)	13,100
Construction in progress	2,227	4,060	(1,833)	2,083
Property, plant and equipment, net	83,448	82,309	1,139	78,251
Intangible fixed assets	537	647	(110)	1,098
Other investments:				
Investment securities	58,268	69,924	(11,656)	66,365
Long-term loans	1,669	1,871	(202)	1,854
Deferred income taxes	3,070	184	2,886	N/A
Other investments	7,107	6,788	319	6,270
Less: Allowance for doubtful receivables	(143)	(132)	(11)	N/A
Total investments and other assets	69,972	78,367	(8,665)	74,490
Total fixed assets	153,957	161,594	(7,637)	153,840
Total assets	282,968	306,084	(23,116)	277,392

(¥ millions)

	As of Sept. 30, 2001	As of March 31, 2001	Increase/ (Decrease)	As of Sept. 30, 2000
Liabilities				
Current liabilities:				
Notes and accounts payable — trade	49,102	60,952	(11,850)	46,672
Short-term loans	33,029	34,732	(1,703)	15,292
Accrued expenses	11,980	13,920	(1,940)	12,502
Income taxes payable	911	4,284	(3,373)	1,378
Accrued bonuses	4,780	4,790	(10)	4,807
Other current liabilities	9,516	9,086	430	9,506
Total current liabilities	109,321	127,766	(18,445)	90,160
Non-current liabilities:				
Bonds	5,519	5,565	(46)	5,517
Long-term debt	23,708	22,359	1,349	34,637
Allowance for employees' retirement benefits	20,906	19,388	1,518	17,522
Allowance for directors' retirement benefits	1,146	1,498	(352)	1,354
Deferred income taxes	-	-	-	1,283
Others	770	941	(171)	1,024
Total non-current liabilities	52,050	49,753	2,297	61,339
Total liabilities	161,372	177,520	(16,148)	151,500
Minority interests	24,985	26,031	(1,046)	25,439
Shareholders' equity:				
Common stock	14,270	14,270	-	14,270
Additional paid-in capital	17,107	17,107	-	17,107
Retained earnings	62,332	62,786	(454)	61,920
Unrealized gain (loss) on securities	5,115	9,454	(4,339)	10,586
Foreign currency translation adjustments	(1,481)	(1,088)	(393)	(3,433)
Total	97,345	102,532	(5,187)	100,452
Treasury stock	(734)	(0)	(734)	(0)
Subsidiary stake in parent company	-	-	-	-
Total shareholders' equity	96,611	102,532	(5,921)	100,452
Total liabilities, minority interest and shareholders' equity	282,968	306,084	(23,116)	277,392

Consolidated Statements of Income

(¥ millions)

	Six months ended September 30, 2001	%	Six months ended September 30, 2000	%	Y-o-Y Change	%	Year ended March 31, 2001	%
Net sales	132,036	100.0	126,843	100.0	5,193	4.1	297,280	100.0
Cost of sales	114,867	87.0	108,537	85.6	6,330		253,840	85.4
Gross profit	17,169	13.0	18,305	14.4	(1,136)		43,440	14.6
Selling, general and administrative expenses	14,621	11.1	14,323	11.3	298		32,449	10.9
Operating income	2,547	1.9	3,982	3.1	(1,435)	(36.0)	10,991	3.7
Non-operating income	832		1,103		(271)		2,544	
Interest and dividend income	(112)		(359)		(△ 247)		(825)	
Equity in earnings of affiliates	(1)		(0)		(1)		(6)	
Other non-operating income	(718)		(744)		(△ 26)		(1,713)	
Non-operating expenses	1,178		1,006		172		2,038	
Interest expenses and discounts	(464)		(404)		(60)		(931)	
Other non-operating expenses	(714)		(602)		(112)		(1,107)	
Recurring profit	2,201	1.7	4,079	3.2	(1,878)	(46.0)	11,497	3.9
Extraordinary gains	99		146		(47)		355	
Extraordinary losses	1,663		1,617		46		5,662	
Income before income taxes	637	0.5	2,609	2.1	(1,972)	(75.6)	6,190	2.1
Income taxes, inhabitant taxes and enterprise taxes	1,158		1,331		(173)		3,280	
Deferred taxes	(891)		(288)		(603)		(804)	
Total	267		1,043		(776)		2,476	
Minority interests in consolidated subsidiaries	(36)		(4)		(32)		(642)	
Net income	334	0.3	1,562	1.2	(1,228)	(78.6)	3,072	1.0

Consolidated Statements of Retained Earnings (¥ millions)

	Six months ended Sept. 30, 2001	Six months ended Sept. 30, 2000	Y-o-Y Change	Year ended March 31, 2001
Consolidated retained earnings at beginning of period	62,786	61,469	1,317	61,469
Appropriations	788	1,112	(324)	1,755
Cash dividends	(643)	(964)	(△321)	(1,607)
Bonuses to directors and corporate auditors	(144)	(147)	(△3)	(147)
Net income	334	1,562	(1,228)	3,072
Balance at end of period	62,332	61,920	412	62,786

Consolidated Statements of Cash Flows

(¥ millions)

Period	Six months ended September 30, 2001	Six months ended September 30, 2000	Year ended March 31, 2001
I Cash flows from operating activities			
Income before income taxes	637	2,609	6,190
Depreciation and amortization	7,902	7,785	17,513
Equity in earnings of affiliates	(1)	0	(6)
Increase (decrease) in allowance for doubtful accounts	49	(209)	(97)
Increase in allowance for retirement benefits	1,160	4,838	6,750
Increase (decrease) in allowance for bonuses	(10)	198	135
Interest and dividend income	(112)	(359)	(825)
Interest expenses paid	464	404	931
Gain (loss) on sale and revaluation of marketable securities	(60)	66	176
Gain on sale and disposal of property, plant and equipment	159	244	317
Decrease (increase) in notes and accounts receivable—trade	21,501	19,092	(5,488)
Decrease (increase) in inventories	(6,195)	(4,354)	273
Decrease (increase) in other receivables	(1,677)	(151)	3,706
Increase (decrease) in notes and accounts payable—trade	(11,576)	(10,750)	2,692
Accrued expenses and other liabilities	(1,436)	(617)	(671)
Directors' bonuses paid	(164)	(170)	(170)
Sub total	10,641	18,626	31,426
Interest and dividends received	112	359	825
Interest payments	(464)	(404)	(931)
Income taxes	(4,525)	(1,759)	(3,274)
Net cash provided by operating activities	5,764	16,822	28,046
II Cash flows from investing activities			
Increase in time deposits	(235)	(433)	(1,108)
Proceeds from maturity of time deposits	261	1,090	1,213
Payments for purchase of marketable securities	(11,890)	(28,949)	(71,277)
Proceeds from sale of marketable securities	16,803	21,973	58,059
Payments for purchase of property, plant and equipment	(9,308)	(9,662)	(20,350)
Proceeds from sale of property, plant and equipment	378	329	1,068
Increase in lending	(272)	(297)	(807)
Proceeds from collection of loans	474	606	258
Other payments relating to investments	(362)	(1,442)	(1,631)
Net cash used in investing activities	(4,152)	(16,785)	(34,575)
III Cash flows from financing activities			
Increase (decrease) in short-term loans	(756)	1,983	5,163
Increase in long-term debt	2,281	8,537	14,233
Repayment of long-term debt	(754)	(890)	(9,427)
Dividends paid by parent company	(643)	(964)	(1,607)
Payments for purchase of treasury stock	(734)	0	0
Dividends paid to minority shareholders	(619)	(448)	(512)
Net cash provided by (used in) financing activities	(1,225)	8,218	7,850
IV Effect of exchange rate changes on cash and cash equivalents	(77)	36	350
V Increase in cash and cash equivalents	310	8,291	1,671
VI Cash and cash equivalents at beginning of period	21,956	20,285	20,285
VII Cash and cash equivalents at end of period	22,266	28,576	21,956

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: 2

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 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 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 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

① 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.

② 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.

③ 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.

④ 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.

Notes

(¥ millions)

	As of Sept. 30, 2001	As of Sept. 30, 2000	As of March 31, 2001
1. Cumulative depreciation of property, plant and equipment	134,602	134,599	134,786
2. Liabilities for guarantees	61	70	65
3. Assets pledged as collateral			
Buildings and structures	1,377	1,510	755
Machinery	1,244	1,888	1,259
Land	1,925	504	213
Total	4,547	3,902	2,228

4. Accounting treatment for promissory notes maturing at interim and full-year balance dates

As the company's balance dates 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, 2001	As of Sept. 30, 2000	As of March 31, 2001
Notes receivable – trade	732	804	298
Notes payable – trade	1,636	547	423

5. Selling, general and administrative expenses

(¥ millions)

	Six months ended Sept. 30, 2001	Six months ended Sept. 30, 2000	Year Ended March 31, 2001
(1) Selling expenses			
Freight expenses	816	750	1,802
Employee salaries	2,286	2,273	6,714
Packaging expenses	821	897	1,746
Transfer to allowance for bonuses	348	659	723
Transfer to allowance for retirement benefits	191	657	683
(2) General and administrative expenses			
Employee salaries	2,372	2,295	5,641
Fringe benefits expenses	538	527	1,094
Transfer to allowance for bonuses	358	533	410
Transfer to allowance for retirement benefits	232	272	583
Transfer to allowance for directors' retirement benefits	118	106	225

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

(¥ millions)

	As of Sept. 30, 2001	As of Sept. 30, 2000	Year ended March 31, 2001
Cash and deposits	9,727	10,567	12,916
Time deposits with maturities exceeding three months	(616)	(1,193)	(1,108)
Marketable securities redeemable within three months	13,155	19,202	10,148
Cash and cash equivalents	22,266	28,576	21,956

Segment Information

(1) Industry Segment Information

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

Six months ended September 30, 2000 (¥ 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	101,047	16,831	8,965	126,843	—	126,843
(2) Inter-segment sales and transfers	22,502	—	1,346	23,848	(23,848)	—
Total	123,549	16,831	10,311	150,691	(23,848)	126,843
Operating expenses	118,795	17,533	9,906	146,234	(23,374)	122,860
Operating income (loss)	4,754	(702)	405	4,456	(474)	3,982

Year Ended March 31, 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	215,381	60,628	21,270	297,280	—	297,280
(2) Inter-segment sales and transfers	46,484	0	2,794	49,278	(49,278)	—
Total	261,865	60,628	24,064	346,558	(49,278)	297,280
Operating expenses	251,580	59,321	23,210,	334,111	(47,823)	286,288
Operating income	10,284	1,307	854	12,446	(1,455)	10,991

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, sanitary equipment 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, 2001	Six months ended Sept. 30, 2000	Year ended March 31, 2001	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,313	1,287	2,672	Expenses related to the General Affairs Department of the parent company's head office

(2) Geographical Segment Information

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

Six months ended September 30, 2000 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	92,164	17,579	15,061	2,039	126,843	—	126,843
(2) Inter-segment sales and transfers	23,503	—	345	—	23,848	(23,848)	—
Total	115,667	17,579	15,406	2,039	150,691	(23,848)	126,843
Operating expenses	111,952	17,425	14,425	2,430	146,234	(23,374)	122,860
Operating income (loss)	3,714	154	980	(392)	4,456	(474)	3,982

Year ended March 31, 2001 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	220,425	39,830	32,370	4,652	297,280	—	297,280
(2) Inter-segment sales and transfers	48,652	—	626	—	49,278	(49,278)	—
Total	269,077	39,830	32,996	4,652,	346,558	(49,278)	297,280
Operating expenses	257,776	39,728	30,890	5,714	334,111	(47,278)	286,288
Operating income (loss)	11,301	102	2,105	(1,062)	12,446	(1,455)	10,991

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:
   First half fiscal 2002 United Kingdom, Czechoslovakia
   First half fiscal 2001 United Kingdom
   Fiscal 2001 United Kingdom, Czechoslovakia

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

(¥ millions)

	Six months ended Sept. 30, 2001	Six months ended Sept. 30, 2000	Year March 31, 2001	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,313	1,287	2,672	Expenses related to the General Affairs Department of the parent company’s head office

(3) Overseas Sales

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

Six months ended September 30, 2000 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	20,457	15,487	816	36,761
II Consolidated sales				126,843
III Overseas sales ratio (%)	16.1	12.2	0.6	29.0

Year Ended March 31, 2001 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	45,714	33,412	1,894	81,020
II Consolidated sales				297,280
III Overseas sales ratio (%)	15.4	11.2	0.6	27.3

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: First half fiscal 2002 United Kingdom, Czechoslovakia
   First half fiscal 2001 United Kingdom
   Fiscal 2001 United Kingdom, Czechoslovakia

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, 2001	Six months ended Sept. 30, 2000	Year ended March 31, 2001
Acquisition cost equivalents	Machinery and transportation equipment	1,537	1,817	1,365
	Tools and equipment	1,526	1,460	1,443
	Total	3,064	3,277	2,808
Accumulated depreciation equivalents	Machinery and transportation equipment	629	793	505
	Tools and equipment	878	850	791
	Total	1,507	1,643	1,297
Term-end balance equivalents	Machinery and transportation equipment	908	1,023	859
	Tools and equipment	648	609	652
	Total	1,556	1,633	1,511

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, 2001	Six months ended Sept. 30, 2000	Year ended March 31, 2001
Within one year	415	431	429
More than one year	1,141	1,201	1,081
Total	1,556	1,633	1,511

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, 2001	Six months ended Sept. 30, 2000	Year ended March 31, 2001
Lease charge payable	338	380	581
Depreciation equivalents	338	380	581

(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, 2001	Six months ended September 30, 2000	Year Ended March 31, 2001
Within one year	394	652	799
More than one year	857	1,000	612
Total	1,252	1,653	1,412

Marketable Securities

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

	As of Sept. 30, 2001			As of Sept. 30, 2000			As of March 31, 2001		
	Book value	Market value	Difference	Book value	Market value	Difference	Book value	Market value	Difference
(1) Government bonds/municipal bonds	0	0	0	1	1	0	0	1	1
(2) Corporate bonds	2,106	2,059	(47)	951	958	7	1,855	1,855	0
(3) Others	5,290	5,292	2	12,921	12,924	3	2,990	2,992	2
Total	7,396	7,351	(45)	13,873	13,883	10	4,847	4,850	3

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

	As of Sept. 30, 2001			As of Sept. 30, 2000			Year ended March 31, 2001		
	Book value	Market value	Difference	Book value	Market value	Difference	Book value	Market value	Difference
(1)Shares	7,676	17,943	10,267	6,982	24,774	17,792	7,685	24,296	16,611
(2)Bonds									
Government bonds/municipal bonds	-	-	-	-	-	-	-	-	-
Corporate bonds	4,803	4,807	4	20	21	1	12,025	11,593	(432)
Other	31,575	29,932	(1,643)	26,153	26,136	(17)	30,958	30,591	(367)
(3)Other	15,522	15,419	(103)	12,266	12,133	(133)	15,733	15,657	(76)
Total	59,576	68,101	8,525	45,421	63,064	17,643	66,404	82,141	15,737

3. Marketable securities without market quotations(¥ millions)

	As of Sept. 30, 2001	As of Sept. 30, 2000	As of March 31, 2001
	Book value	Book value	Book value
(1) Bonds held to maturity			
Non-listed foreign bonds	-	35	0
(2) Other securities			
Non-listed shares (excluding shares traded over-the-counter)	3,160	3,090	3,132
Investments	230	272	233

Derivative Transactions

(Six months ended September 30, 2001)
Koito Group concluded derivative transactions that qualify for hedging under accounting principles generally accepted in Japan.

(Six months ended September 30, 2000)
Koito Group did not enter into derivative transactions.

(Year ended March 31, 2001)
Koito Group concluded derivative transactions that qualify for hedging under accounting principles generally accepted in Japan.

《 For Reference Only 》

Non-Consolidated Earnings Report for the First Half of Fiscal 2002 **November 5, 2001**

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
Inquiries: Masahiro Ohtake, Executive Senior Managing Director, (03) 3443-7111
Meeting of the Board of Directors for the Approval of Results: November 5, 2001
Interim Dividend System: Yes
Interim Dividend Payment Date: December 10, 2001

1. Non-Consolidated Results of Operations for First Half of Fiscal 2002 (April 1, 2001 – September 30, 2001)
(1) Non-Consolidated Business Results

(¥ millions, rounded down)

Six months ended	Net sales		Operating income		Recurring profit		Net income	
Sept. 30 '01	74419	0.7%	1120	(54.4%)	2360	-36.7%	1350	-22.7%
Sept. 30, '00	73907	6.1%	2455	126.0%	3730	38.3	1746	22.9%
Year ended Mar. 31, '01	155349		5886		8335		4264	

Six months ended	Net income per share (¥)
Sept. 30 '01	8.43
Sept. 30, '00	10.86
Year ended Mar. 31, '01	26.52

The average number of shares outstanding as of September 30, 2001 and March 31, 2001 excludes treasury stock.
Notes:
① Average number of shares outstanding:
Six months ended Sept. 2001: 160,209,089 Six months ended Sept. 2000: 160,789,436
Fiscal 2001: 160,789,436
② Changes in accounting methods: None
③The 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, '01	4.00	—
Sept. 30, '00	4.00	—
Year ended March 31, '01	—	8.00

(3) Non-Consolidated Financial Position

(¥ millions)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Sept. 30, '01	141516	83548	59.0	523.39
Sept. 30, '00	146056	86705	59.4	539.25
Mar. 31, '01	148084	87648	59.2	545.11

Note: (1) Average number of shares issued and outstanding:
Six months ended Sept. 2001: 159,628,743 Six months ended Sept. 2000: 160,789,436
Year ended March 31, 2001: 160,789,436
(2) Treasury stock:
Six months ended Sept. 2001: 1,160,693 shares

2. Non-Consolidated Outlook for Fiscal 2002 (April 1, 2001 – March 31, 2002)

(¥ million)

	Net sales	Recurring profit	Net income	Year-end dividend (¥)	Total annual dividend (¥)
For the year	156,400	6,300	3,600	4.00	8.00

Reference – Projected net income per share for the year: ¥22.55

Non-Consolidated Balance Sheets

(¥ million)

	As of Sept. 30, 2001	As of March 31, 2001	Increase /(Decrease)	As of Sept. 30, 2000
Assets				
Current assets:				
Cash and time deposits	1,925	1,835	90	2,555
Notes receivable	1,838	1,870	(32)	1,669
Accounts receivable–trade	24,255	26,463	(2,208)	23,470
Marketable securities	7,211	5,258	1,953	7,364
Finished and semi-finished products	3,649	2,943	706	3,632
Work in progress	789	728	61	779
Raw materials and supplies	1,973	1,641	332	1,548
Accrued income	1,300	1,473	(173)	1,220
Deferred income taxes	1,705	1,402	303	1,343
Other current assets	1,041	318	723	525
Less: Allowance for doubtful receivables	(121)	(130)	9	(125)
Total current assets	45,569	43,806	1,763	43,985
Fixed assets:				
Property, plant and equipment				
Buildings	14,131	13,493	638	14,019
Structures	1,062	1,085	(23)	1,087
Machinery	5,774	5,051	723	5,225
Vehicles	270	261	9	278
Tools and equipment	7,715	7,221	494	7,039
Land	6,293	6,294	(1)	6,294
Construction in progress	21	319	(298)	149
Property, plant and equipment, net	35,269	33,728	1,541	34,095
Intangible fixed assets	276	358	(82)	762
Other investments:				
Investment securities	35,614	47,115	(11,501)	44,113
Equity in subsidiary companies	19,896	19,896	—	19,896
Deferred income taxes	1,746	—	1,746	—
Other investments	3,265	3,296	(31)	3,202
Less: Allowance for doubtful receivables	(122)	(116)	(6)	—
Total	60,401	70,191	(9,790)	67,212
Total fixed assets	95,946	104,277	(8,331)	102,070
Total assets	141,516	148,084	(6,568)	146,056

(¥ millions)

	As of Sept. 30, 2001	As of March 31, 2001	Increase /(Decrease)	As of Sept. 30, 2000
Liabilities				
Current liabilities:				
Notes and accounts payable–trade	25,429	26,740	(1,311)	25,111
Payables	3,536	2,358	1,178	2,939
Accrued expenses	8,372	8,236	136	8,462
Employees' deposits	1,384	1,391	(7)	1,400
Reserve for bonuses	3,157	3,142	15	3,073
Income taxes payable	789	2,418	(1,629)	1,957
Other current liabilities	472	647	(175)	669
Total current liabilities	43,142	44,935	(1,793)	43,615
Non-current liabilities:				
Allowance for retirement benefits	13,545	13,034	511	12,400
Allowance for directors' retirement benefits	727	907	(180)	855
Allowance for losses on overseas investments	550	550	—	550
Deferred income taxes	—	1,005	(1,005)	1,927
Others	2	2	—	2
Total non-current liabilities	14,825	15,500	(675)	15,735
Total liabilities	57,967	60,435	(2,468)	59,351
Shareholders' equity:				
Common stock	14,270	14,270	—	14,270
Legal reserves				
Additional paid-in capital	17,107	17,107	—	17,107
Profit reserve	3,567	3,567	—	3,567
Total legal reserves	20,675	20,675	—	20,675
Retained earnings				
Repurchased assets reduction reserve	851	870	(19)	870
General reserve	40,300	37,500	2,800	37,500
Unappropriated retained earnings	2,818	5,013	(2,195)	3,138
(Interim/full-year net income)	(1,350)	(4,264)	(△ 2,914)	(1,746)
Total retained earnings	43,970	43,383	587	41,509
Unrealized gain on securities	5,365	9,318	(3,953)	10,249
Treasury stock	(734)	—	(734)	—
Total shareholders' equity	83,548	87,648	(4,100)	86,705
Total liabilities and shareholders' equity	141,516	148,084	(6,568)	146,056

Non-Consolidated Statements of Income

(¥ millions)

	Six months ended Sept. 30, 2001		Six months ended Sept. 30, 2000		Y-o-Y Change		Year Ended March 31, 2001	
		%		%		%		%
(Recurring Items)								
Operating revenues								
Net sales	74,419	100.0	73,907	100.0	512	0.7	155,349	100.0
Operating expenses								
Cost of sales	64,989	87.3	63,137	85.4	1,852		132,595	85.4
Selling, general and administrative expenses	8,309	11.2	8,314	11.3	(5)		16,867	10.8
Operating income	1,120	1.5	2,455	3.3	(1,335)	(54.4)	5,886	3.8
Non-operating income (expenses)								
Non-operating income	1,279		1,301		(22)		2,508	
Interest and dividend income	(471)		(662)		(△ 191)		(1,108)	
Other	(808)		(638)		(170)		(1,399)	
Non-operating expenses	39		26		13		59	
Interest expenses	(3)		(3)		(0)		(6)	
Other	(35)		(22)		(13)		(52)	
Recurring profit	2,360	3.2	3,730	5.0	(1,370)	(36.7)	8,335	5.4
(Non-Recurring Items)								
Extraordinary gains	60		—		60		236	
Gain on revision of prior period income	(—)		(—)		(—)		(236)	
Gains on sales of investment securities	(60)		(—)		(60)		(—)	
Extraordinary losses	92		819		(727)		1,465	
Transitional obligation for retirement benefits	(—)		(466)		(△ 466)		(933)	
Revaluation of golf club membership	(—)		(138)		(△ 138)		(155)	
Reserve for losses on overseas investments	(—)		(100)		(△ 100)		(100)	
Losses on sales and disposal of property, plant and equipment	(92)		(114)		(△ 22)		(276)	
Income before income taxes	2,328	3.1	2,911	3.9	(583)	(20.0)	7,106	4.6
Income taxes-current	1,399		1,759		(360)		3,797	
Income taxes-deferred	(420)		(595)		175		△ 955	
Total income taxes	978		1,164		(186)		2,842	
Net income	1,350	1.8	1,746	2.4	(396)	(22.7)	4,264	2.7
Retained earnings b/fwd.	1,468		1,391		77		1,391	
Interim dividend	—		—		—		643	
Unappropriated retained earnings	2,818		3,138		(320)		5,013	

Breakdown of Non-Consolidated Net Sales

(¥ millions)

	Six months ended Sept. 30, 2001		Six months ended Sept. 30, 2000		Y-o-Y Change		Year ended March 31, 2001	
		%		%		%		%
Automobile Lighting Equipment	70,257	94.4	69,945	94.6	312	0.4	146,958	94.6
Aircraft Lights	1,513	2.0	1,302	1.8	211	16.2	2,933	1.9
Others	2,649	3.6	2,658	3.6	△ 9	△ 0.3	5,457	3.5
Total	74,419	100.0	73,907	100.0	512	0.7	155,349	100.0
(Portion accounted for by exports)	(4,830)	(6.5)	(6,046)	(8.2)	(△ 1,216)	(△ 20.1)	(12,682)	(8.2)

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

1. Inventories

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

2. 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.

3. Derivatives — Stated at market value

4. Money trusts — Stated at market value

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 (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.

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.

①Hedging 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.

②Hedging 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.

③Evaluation 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.

Notes

(¥ millions)

	As of Sept. 30, 2001	As of Sept. 30, 2000	Year ended March 31, 2001
1. Cumulative depreciation of property, plant and equipment	91,762	92,712	93,853
2. Guarantees	11,033	11,038	11,036
3. Treasury stock included in current assets	—	0	0
	(— shares)	(877 shares)	(495 shares)

Effective from the six-month period ended September 30, 2001, treasury stock will be transferred from other current assets to shareholders' equity as prescribed by revised guidelines on the terminology, format and preparation of interim financial statements, based on attached Article 3 of the Cabinet Order to amend certain Cabinet orders pertaining to the transactions and guarantees defined by Article 161-2 of the Securities Exchange Law.

4. 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, 2001	As of Sept. 30, 2000)	As of March 31, 2001
Notes receivable – trade	236	312	207

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, 2001	Six months ended Sept. 30, 2000	Year ended March 31, 2001
Acquisition cost equivalents	Machinery and transportation equipment	459	459	459
	Tools and equipment	459	104	104
	Total	678	563	563
Accumulated depreciation equivalents	Machinery and transportation equipment	102	51	51
	Tools and equipment	98	49	57
	Total	200	100	108
Balance equivalents	Machinery and transportation equipment	357	408	408
	Tools and equipment	121	55	47
	Total	478	463	47

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, 2001	Six months ended Sept. 30, 2000	Year ended March 31, 2001
Within one year	99	70	70
More than one year	378	392	384
Total	478	463	455

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, 2001	Six months ended Sept. 30, 2000	Year ended March 31, 2001
Lease charge payable	91	63	70
Depreciation equivalents	91	63	70

(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, 2001	Six months ended Sept. 30, 2000	Year Ended March 31, 2001
Within one year	35	37	—
More than one year	—	—	—
Total	35	37	—

Marketable Securities

As of September 30, 2001
Shares held by subsidiaries and affiliated companies with market quotations

(¥ millions)

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

As of September 30, 2000
Shares held by subsidiaries and affiliated companies with market quotations

(¥ millions)

	Book Value	Market value	Gain (loss)
1. Subsidiary companies	7,370	6,134	(1,236)
2. Affiliated companies	1,332	1,597	265
Total	8,702	7,731	(971)

As of March 31, 2001
Shares held by subsidiaries and affiliated companies with market quotations

(¥ millions)

	Book Value	Market value	Gain (loss)
1. Subsidiaries	7,370	5,988	(1,382)
2. Affiliated companies	1,332	1,690	358
Total	8,702	7,678	(1,024)