annual report 2000

THE ROAD AHEAD

KEIHIN CORPORATION

Profile

The Company was established in December 1956 as Keihin Seiki Manufacturing Co., Ltd. Its successor, Keihin Corporation, was formed through the April 1997 merger of Keihin Seiki with two other Honda Motor Co., Ltd.-affiliated auto parts makers. The merger enabled Keihin to move from the production of individual parts to the comprehensive manufacture of fuel supply and air-conditioning systems, and to produce higher value-added products by fusing mechanical and electronics technologies. Keihin is one of Honda's main suppliers as well as a top name in motorcycle fuel supply parts, most notably carburetors. Next generation technologies such as those pertaining to environmental preservation, systemization and modularization are another area where Keihin has made much progress. Keihin is also active in the construction of new overseas operating bases, a prerequisite for keeping up with the rapidly globalizing auto industry.

Competition in the auto parts industry will become all the stiffer in times to come. Providing products of high added value, Keihin will stride forth with its own globalization with the goal of becoming a globally respected brand.

Forward-looking Statements

This annual report contains predictions and forecasts concerning Keihin's future plans, strategies and results. These predictions and forecasts are not historical facts, but represent judgments formed by management based on information available at the time they were formed. As such, actual results may differ significantly due to factors including, but not limited to, economic trends, changes in the automobile and automobile component industries, market demand, foreign exchange rates and tax systems.

Contents

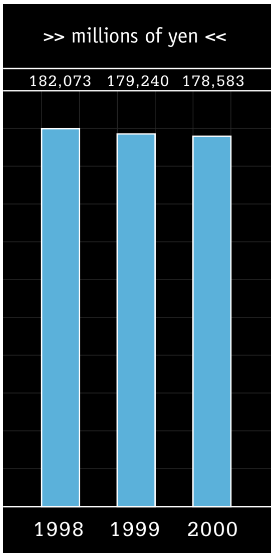
financial highlights

Keihin Corporation and Consolidated Subsidiaries Years ended March 31, 2000 and 1999

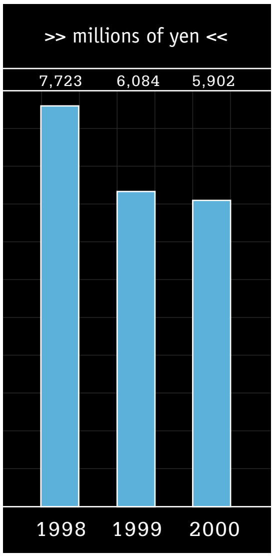
	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Operating Results:			
Net sales	¥178,583	¥179,240	$1,682,363
Operating income	12,675	12,379	119,406
Income before income taxes and minority interests	11,497	12,223	108,310
Net income	5,902	6,084	55,598
Per Share of Common Stock (yen and dollars):			
Net income	¥ 95.72	¥ 98.68	$ 0.90
Cash dividends	14.00	14.00	0.13
Financial Position:			
Total assets	¥112,616	¥104,315	$1,060,911
Shareholders' equity	63,882	57,412	601,808
Long-term debt, excluding current installments	1	147	12

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106.15=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2000.

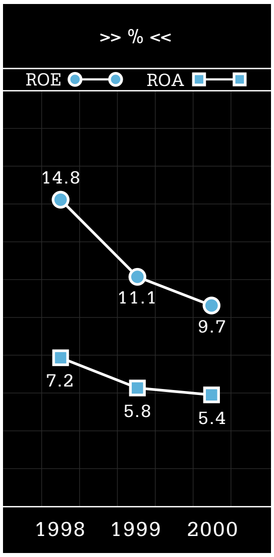
net sales



net income



return on assets, return on equity



Note: Ratios are calculated based on average figures.

to our *shareholders*

In the fiscal year ended March 2000, consolidated net sales dropped 0.4% over the previous year, coming to ¥178,583 million (US$1,682 million). U.S. sales expanded on a dollar basis, supported by the stability and strength of the U.S. economy. However, foreign exchange movements resulted in a net 0.9% fall in U.S. sales on a yen basis. Domestically, sales of automobiles suffered, but the consolidation of three subsidiaries caused sales to rise 0.7% over the previous year. In Asia, the recovery of the Thai economy and growth in exports to Japan and China combined with the consolidation of a further three Asian subsidiaries, brought about a 41.3% rise in sales. Europe too saw a broadening of operations, with Keihin Europe Limited becoming a fully consolidated subsidiary.

Consolidated net income could not shake off the effects of the strong yen, despite extensive cost-reduction measures in all processes from development to distribution. It fell 3.0% to ¥5,902 million (US$56 million).

Hiroyuki Shimojima, President & CEO

The First Fiscal Year of Keihin's Seventh Medium-Term Management Plan

Keihin's Seventh Medium-Term Management Plan, having commenced in April 1999, was devised to ensure that Keihin remained a company of drive and vigor in the rapidly changing business environment of the 21st century. With strategies concentrating on product groups and global business, the plan was instrumental in bringing about the following four achievements:

1) Development and preparations for production of parts for new models at Honda

Preparations were made for the commencement of mass production of new models. These included the establishment of new production facilities in both Japan and the U.S., the expansion of current facilities and the reorganization of production lines.

2) Expansion of sales to customers other than Honda

Sales of high-performance carburetors and fuel supply systems for motorcycles and stationary engines saw expansion. Domestic and overseas motorcycle manufacturers and outboard marine engine manufacturers were among the customers ordering greater volume of these products.

3) Global expansion

Keihin founded KARE Inc., a joint venture company, with the German company Siemens AG. Located in Kakuda City, Miyagi Prefecture, the new company will be responsible for the production of electronic control systems for airbags. In the U.S., Keihin established Keihin Aircon North America, Inc. to manufacture air-conditioning equipment. This new company has already commenced production activities. In Asia, India, being an extremely large motorcycle market in global terms, was the ideal site for the establishment of Keihin FIE Private Limited. This company is due to commence operations in September 2000 and will play a key role in Keihin's future corporate growth.

4) Reforms in management structure

The Board of Directors has seen major reforms, accompanied by the introduction of the corporate executive officer system. These changes were implemented to speed up decision-making processes and to ensure that operations are managed effectively.

Additionally, in March 2000, the amount of stock in the market was increased to raise the liquidity of that stock, and a 1:1.2 stock split was carried out to show the Company's gratitude toward its shareholders.

Outlook for the Fiscal Year Ending March 2001

Net sales are expected to see steady growth. Expansion in sales to customers releasing new models, predominantly in the U.S., will be one factor. The full-scale start of activities on the part of our new Indian production subsidiary will be another. In income, the "Total Cost Reform Program," due to see progress in procurement, manufacturing and indirect costs, will help to ensure that actual income does not sink below levels attained in the year under review. However, ¥12,900 million (US$122 million) is to be used to cover a shortfall in the reserve for accrued retirement benefits, brought on by changes in accounting standards. Accordingly, though net sales are predicted to climb 1.9% to ¥182,000 million, net income is expected to drop, yielding a net loss of ¥2,300 million. Management is of the opinion that Keihin's retained earnings are sufficient to prevent financial stability being endangered by this charge. It will be treated as a one-time charge, making possible renewed improvements in ROE in following years.

Targets set for ROE and ROA for the fiscal year ending March 2002, the final year of the Seventh Medium-Term Management Plan, are 10% and 5%, respectively.

The Road Ahead—Aiming to Become a Globally Respected Company

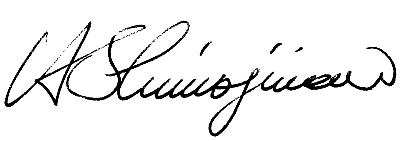
In the midst of the mega-competition currently enveloping the auto parts industry, Keihin will:

- >> Provide state-of-the-art environmental preservation technology through its automobile fuel supply systems.
- >> Maintain its position as a world leader in motorcycle fuel supply systems. This calls for the utilization of its position as a top manufacturer of motorcycle carburetors, and the expansion of its original motorcycle fuel injection system.
- >> Expand its business activities on a consolidated basis, with a focus on global development.
- >> Strengthen its profit structure.

Keihin has committed itself to pursuing these vital themes in order to achieve its goal of becoming a globally respected brand.

I would like to ask all of our shareholders for their continued support and understanding.

August 2000



Hiroyuki Shimojima
President & CEO

outline of business

Motorcycle and Stationary Engine Fuel Supply Systems

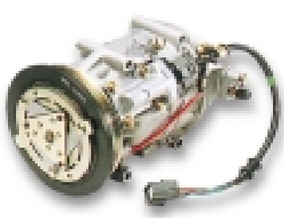
The main products in this category are carburetors and fuel injection systems for use in motorcycles and other equipment. Keihin is the world leader in motorcycle carburetors. Keihin also aims to be the leading supplier of motorcycle fuel supply systems.
Keihin's main strategy in this business area is to raise its overseas market share in carburetors, just as it has succeeded in doing in Japan. Keihin intends to lead the market in other areas too on the basis of the expertise it has gained in the carburetor business.

Motor Vehicle Fuel Supply Systems

The main products in this category are fuel injection systems, consisting of Electronic Control Units (ECU), intake manifolds, injectors and other related products.
The basic policy of this business is to strengthen system development. This will allow new expansion in sales to automobile manufacturers other than Honda.
Fuel efficiency and environmental impact are two more areas due to see improvements as Keihin creates more state of the art, value-added products. Supporting Honda's expanding North American sales, Keihin is taking steps toward commencing deliveries to the "Big 3."

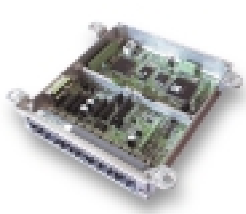
Electric Actuating Devices and Engine Peripherals

The main products in this category are fuel feed pumps (FFP), exhaust gas re-circulation (EGR) valves, solenoid valves and a variety of pumps and sensors.
The basic policies of this business are to expand sales of those products which possess strong competitive advantages and to supply more modular products.
The main strategies in this segment are to achieve sales growth in products such as EGR valves and solenoid valves for automatic transmissions (AT), areas in which Keihin is particularly competitive, and to develop modular hydraulic systems.



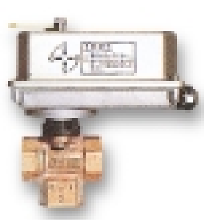
Air-Conditioning Systems

This category's main products are cooler units, heater units, components and compressors. Basic policies call for the strengthening of system development, aimed at new expansion in sales. Also, by continuing to work toward the adoption of newly developed systems and compressors, Keihin will continue to strengthen the foundation of its business in this area. Operations have already commenced at Keihin's new North American production base, and Keihin will be pursuing further strengthening of global strategies and expansion in overseas sales in this business sector.



Electronic Control Units

The main products here are electronic control systems, primarily for use in automobile applications such as ABS and SRS. ECUs are another area with many applications.
Basic policies call for the application of proprietary technologies developed to date and the furthering of Keihin's competitive edge. Main strategies are increasing the number of product areas in which Keihin operates.
Major initiatives in this business include those aimed at total control systems consisting of both power train and body control products and the development of next generation layout-free ECUs.



Non-Automotive Products

The main products in this business area are industrial valves, a wide variety of measuring instruments, and measuring and data software.
The basic policy in this category is to find new applications for existing products and to develop entirely new products.
Specific strategies include entry into the market for components for household and everyday products, such as hot water supply systems for bathrooms. This move will be accompanied by entry into the market for power-related electronic components, such as those used in electricity generators.

net sales ratio	results
20.7%	Domestic sales of motorcycles fell for the third consecutive year. However, due to strong demand in U.S. and European markets, expanded sales activities for fuel injection systems for motorcycles and outboard marine engines, and an increase in consolidated subsidiaries, sales rose 14.5% to ¥37,040 million (US$349 million).
47.4%	Domestic sales of fuel supply systems for use in minivehicles were healthy, and the year saw growth in the number of consolidated subsidiaries. However, exports and the total number of new domestic automobile registrations both fell, as did the number of models making use of Keihin products at Keihin's customers. Foreign exchange fluctuations also contributed to taking sales down 1.0% to ¥84,604 million (US$797 million).
7.5%	The year saw falling domestic registrations of new automobiles and shrinking exports on the part of Keihin's main customers. Combined with the lower number of customer models making use of Keihin products, these factors took sales down 3.4% to ¥13,367 million (US$126 million).
19.9%	Though the number of consolidated subsidiaries increased, sales of dealer installed air-conditioners at U.S. and European markets decreased, as did the number of models making use of Keihin products on the part of customers. These factors came together to bring sales down 7.6% to ¥35,570 million (US$335 million).
3.3%	The year saw falling domestic registrations of new automobiles and shrinking exports. Combined with the lower number of customer models making use of Keihin products, these factors took sales down 13.7% to ¥5,911 million (US$56 million).
1.2%	Sales of industrial valves and measuring instruments suffered due to the continuing weakness of demand centered on industrial facilities, office buildings and air-conditioner equipment. Total sales fell 7.4% to ¥2,090 million (US$20 million) as a result.

management's discussion and *analysis*

Of Keihin's 18 subsidiaries, 13 are consolidated. Major subsidiaries are Taiwan Keihin Carburetor Co., Ltd. (Taiwan), Indiana Precision Technology, Inc. (U.S.), Carolina System Technology, Inc. (U.S.), Keihin (Thailand) Co., Ltd. (Thailand) and Hadsys Philippines Corporation (Philippines). Seven of the 13 consolidated subsidiaries were consolidated this year for the first time due to their increased importance within the Keihin Group. The equity method is not applied to Keihin's three unconsolidated subsidiaries and two affiliates. Appreciation of the yen at the end of the fiscal year under review took last year's ¥120.55 to US$1 down ¥14.40 to ¥106.15. Average yen-dollar exchange rates were ¥110.70 for fiscal 2000, the fiscal year ended March 31, 2000, and ¥128.76 for fiscal 1999.

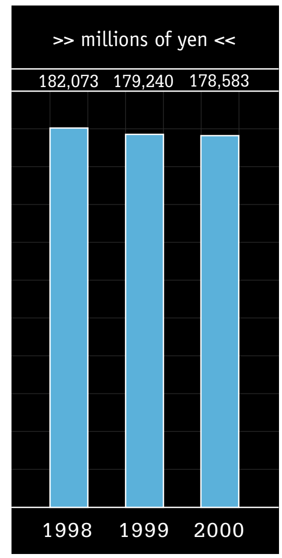
BUSINESS RESULTS

- **SALES**

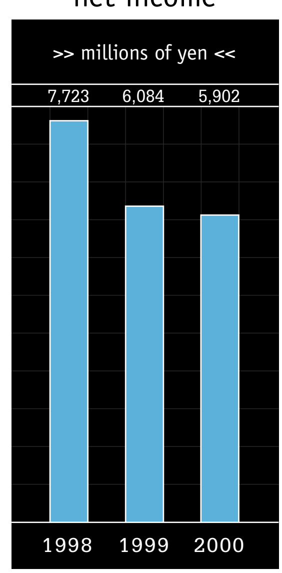
Consolidated net sales for the year ended March 31, 2000 decreased 0.4% to ¥178,583 million (US$1,682 million). By geographical segment, domestic sales of products for four-wheeled vehicles were lower. However, total domestic sales increased 0.7% due to the addition of three new consolidated subsidiaries.

U.S. sales painted a somewhat brighter picture, buoyed by the continuing dynamism of the U.S. economy. Sales on a U.S. dollar basis expanded, but exchange rate fluctuations brought sales down 0.9% after translation into yen.

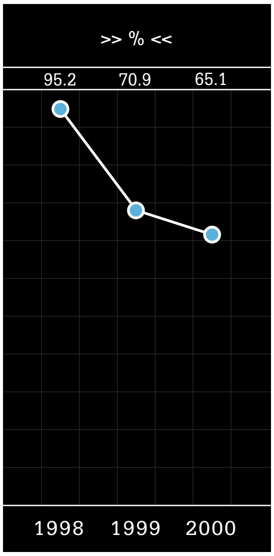
net sales



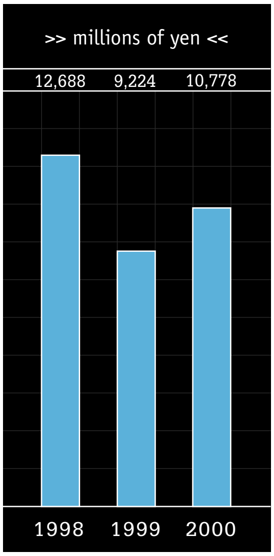
net income



debt-equity ratio



capital expenditures



In Asia, the steady recovery of the Thai economy and increases in exports to Japan and China combined with the addition of three consolidated subsidiaries to boost sales 41.3%.

Keihin reported consolidated sales for Europe for the first time following the consolidation of Keihin Europe Limited.

Total overseas sales rose 2.0% to ¥72,134 million (US$680 million), and accounted for 40.4% of total sales, compared to 39.5% in the previous year.

• STATEMENTS OF INCOME

The cost of sales declined 0.1% to ¥156,157 million (US$1,471 million). Selling, general and administrative expenses dropped 7.5%, coming to ¥9,751 million (US$92 million). Accordingly, operating income rose 2.4% to ¥12,675 million (US$119 million). Operating income in Japan, before intersegment eliminations, climbed 7.1% to ¥8,001 million (US$75 million). In the U.S., operating income dropped 22.9% to ¥3,002 million (US$28 million), but Asian operating income rose 20.1%, coming to ¥1,444 million (US$14 million). Europe recorded operating income of ¥11 million (US$0.1 million).

Net financial expenses increased from the ¥232 million of the previous year to ¥325 million (US$3 million). Foreign exchange losses rose from ¥271 million to ¥1,117 million (US$11 million). As a result of these factors, income before income taxes and minority interests fell 5.9% to ¥11,497 million (US$108 million).

Net income decreased 3.0% over the previous year to ¥5,902 million (US$56 million). Net income per share declined from ¥98.68 to ¥95.72 (US$0.90).

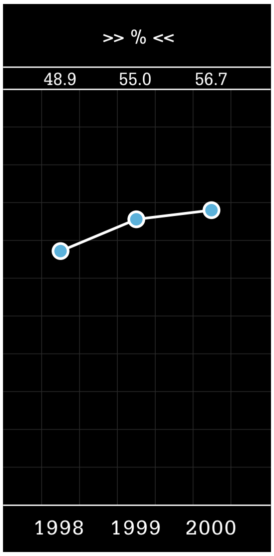
R&D EXPENSES

R&D expenses for the fiscal year under review was ¥640 million (US$6 million). The Keihin Group's R&D activities are intimately linked with the business strategies relating to each of its product groups, and are conducted in line with market demands and environmental considerations. Current focus areas include cost reductions, the pursuit of higher performance, fuel expense standards, and tightening regulations concerning exhaust gas emissions.

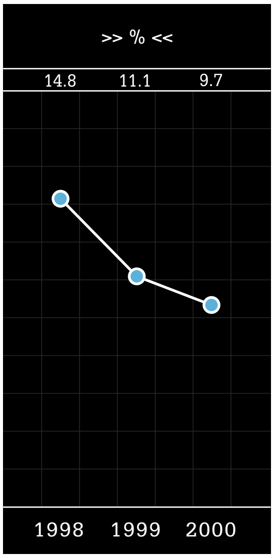
CAPITAL EXPENDITURES

Capital expenditures for the fiscal year under review increased 16.8% to ¥10,778 million (US$102 million). Motorcycle and stationary engine production facilities accounted for ¥1,528 million (US$14 million) of this total, four-wheeled vehicle production facilities for ¥4,027 million (US$38 million) and electronic control unit production facilities for ¥1,638 million (US$15 million). Depreciation was ¥8,622 million (US$81 million).

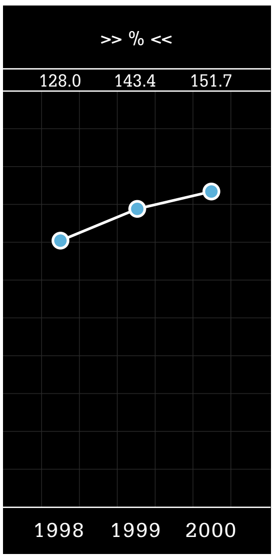
equity ratio



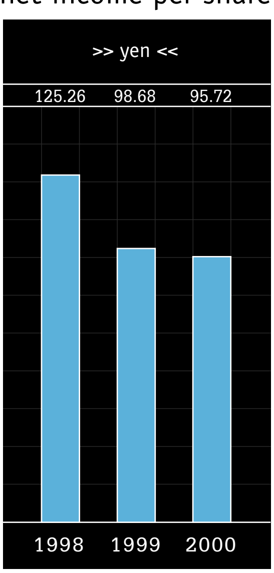
return on average equity



current ratio



net income per share



CASH FLOWS

Cash and cash equivalents rose ¥1,312 million, or 32.8%, to ¥9,403 million (US$89 million). Net cash provided by operating activities was ¥14,877 million (US$140 million). This increase was primarily due to growth in income before income taxes and minority interests and depreciation. Net cash used in investing activities totaled ¥11,369 million (US$107 million) due largely to acquisition of property, plant and equipment. Net cash used in financing activities came to ¥2,038 million (US$19 million). Cash was used primarily for the repayment of short- and long-term loans.

FINANCIAL CONDITION

Total assets at the end of March 2000 were ¥112,616 million (US$1,061 million), 8.0% higher than one year earlier. Current assets increased 9.5% to ¥57,869 million (US$545 million). Cash and cash equivalents* increased ¥2,459 million to ¥9,685 million (US$91 million). In fixed assets, property, plant and equipment increased ¥676 million to ¥45,290 million (US$427 million). Current liabilities rose 3.5% to ¥38,158 million (US$359 million), primarily as a result of increased accrued expenses and income taxes payable. Long-term liabilities were down 10.8% to ¥3,453 million (US$33 million).

Shareholders' equity climbed 11.3% over the previous year to ¥63,882 million (US$602 million). Shareholders' equity per share rose ¥104.94 to ¥1,036.13 (US$9.8). The equity ratio rose 1.7 points to 56.7%.

**See Note 6 of the accompanying notes to the consolidated financial statements.*

consolidated **balance sheets**

Keihin Corporation and Consolidated Subsidiaries   As of March 31, 2000 and 1999

ASSETS	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 3) 2000
Current assets:			
Cash and cash equivalents (Note 6)	¥ 9,685	¥ 7,226	$ 91,234
Marketable securities (Note 2 (3))	1,332	1,184	12,547
Notes and accounts receivable—trade			
Outside customers	27,299	26,804	257,181
Unconsolidated subsidiaries and affiliates	129	693	1,216
	27,428	27,497	258,397
Less: Allowance for doubtful accounts (Note 2 (11))	(106)	(140)	(995)
Inventories (Note 2 (2))	15,464	14,535	145,686
Deferred income taxes (Note 5)	1,715	–	16,153
Other current assets	2,351	2,543	22,139
Total current assets	57,869	52,845	545,161
Investments and advances:			
Investment securities (Note 2 (3))	1,399	1,369	13,187
Unconsolidated subsidiaries and affiliates (Note 2 (4))	1,018	1,496	9,592
Long-term loans to affiliated companies	–	120	–
Long-term loans to employees	537	568	5,061
	2,954	3,553	27,840
Property, plant and equipment (Note 2 (5)):			
Buildings and structures	23,264	22,842	219,163
Machinery and equipment	72,040	70,803	678,658
Furniture and tools	14,689	13,689	138,380
	109,993	107,334	1,036,201
Less: Accumulated depreciation	(73,417)	(69,847)	(691,638)
	36,576	37,487	344,563
Land	5,970	5,894	56,245
Construction in progress	2,744	1,233	25,852
	45,290	44,614	426,660
Other assets	1,772	1,223	16,683
Adjustments on foreign currency statement translation	4,731	2,080	44,567
Total assets	¥112,616	¥104,315	$1,060,911

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 3) 2000
Current liabilities:			
Short-term bank loans	¥ 8,385	¥ 8,223	$ 78,992
Current portion of long-term debt	127	174	1,192
Notes and accounts payable—trade			
Outside suppliers	19,899	19,730	187,464
Unconsolidated subsidiaries and affiliates	–	204	–
	19,899	19,934	187,464
Accrued expenses	5,445	5,036	51,295
Income taxes payable	1,870	1,386	17,617
Other current liabilities	2,432	2,109	22,908
	38,158	36,862	359,468
Long-term debt after one year	1	147	12
Accrued retirement benefits (Note 2 (12))**:**			
Directors and statutory auditors	462	590	4,350
Employees	1,831	2,066	17,248
Other non-current liabilities	1,159	1,068	10,919
Minority interests	7,123	6,170	67,106
Contingent liabilities			
Shareholders' equity:			
Common stock, par value ¥50 per share:			
Authorized:			
1999 and 2000—240,000,000 shares			
Issued:			
1999 and 2000—61,654,372 shares	6,932	6,932	65,307
Additional paid-in capital	7,941	7,941	74,807
Retained earnings (Note 2 (13))	49,009	42,539	461,696
	63,882	57,412	601,810
Less: Treasury common stock, at cost:	0	(0)	(2)
Total shareholders' equity	63,882	57,412	601,808
Total liabilities and shareholders' equity	¥112,616	¥104,315	$1,060,911

The accompanying notes are an integral part of these financial statements.

consolidated statements of income

Keihin Corporation and Consolidated Subsidiaries   For the years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2000	1999	2000
Net sales (Note 10)	¥178,583	¥179,240	$1,682,363
Cost of sales (Note 10)	156,157	156,315	1,471,099
Gross profit	22,426	22,925	211,264
Selling, general and administrative expenses (Note 10)	9,751	10,546	91,858
Operating income	12,675	12,379	119,406
Other income (expenses):			
Interest and dividend income	221	357	2,108
Interest expense	(545)	(589)	(5,165)
Foreign exchange loss	(1,117)	(271)	(10,521)
Reversal of accrued retirement benefits	340	340	3,201
Other, net	(77)	7	(719)
Income before income taxes and minority interests	11,497	12,223	108,310
Income taxes (Note 2 (10))			
Current	4,536	5,122	42,737
Deferred (Note 5)	221	–	2,078
Minority interests	838	1,017	7,897
Net income	¥ 5,902	¥ 6,084	$ 55,598

	Yen		U.S. dollars (Note 3)
Per share of common stock (Note 2 (14)):			
Net income	¥95.72	¥98.68	$0.90
Cash dividends	14.00	14.00	$0.13

The accompanying notes are an integral part of these financial statements.

consolidated **statements of shareholders' equity**

Keihin Corporation and Consolidated Subsidiaries   For the years ended March 31, 2000 and 1999

	Number of shares of common stock	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1998	61,654,372	¥ 6,932	¥ 7,941	¥ 37,391
Net income				6,084
Cash dividends paid (Note 2 (13))				(925)
Bonuses to directors and statutory auditors (Note 2 (13))				(102)
Increase due to additional consolidation of subsidiaries				91
Balance at March 31, 1999	61,654,372	6,932	7,941	42,539
Net income				5,902
Cash dividends paid (Note 2 (13))				(863)
Bonuses to directors and statutory auditors (Note 2 (13))				(89)
Increase due to additional consolidation of subsidiaries				371
Prior years' adjustment due to application of deferred tax accounting				1,149
Balance at March 31, 2000	61,654,372	¥6,932	¥7,941	¥49,009

	Thousands of U.S. dollars (Note 3)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1999	$ 65,307	$ 74,807	$ 400,743
Net income			55,598
Cash dividends paid (Note 2 (13))			(8,131)
Bonuses to directors and statutory auditors (Note 2 (13))			(834)
Increase due to additional consolidation of subsidiaries			3,491
Prior years' adjustment due to application of deferred tax accounting			10,829
Balance at March 31, 2000	$65,307	$74,807	$461,696

The accompanying notes are an integral part of these financial statements.

consolidated statement of cash flows

Keihin Corporation and Consolidated Subsidiaries   For the year ended March 31, 2000

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2000	2000
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 11,497	$ 108,310
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,622	81,227
Loss on disposal of property and equipment	112	1,059
Decrease in doubtful receivables	(37)	(351)
Decrease in accrued retirement benefits	(411)	(3,873)
Interest and dividend income	(221)	(2,108)
Interest expense	545	5,165
Decrease in trade notes and accounts receivable	1,763	16,611
Increase in inventories	(630)	(5,940)
Decrease in trade notes and accounts payable	(512)	(4,824)
Repayments of directors' bonuses	(106)	(995)
Other, net	(154)	(1,446)
Subtotal	20,468	192,835
Proceeds from interest and dividend income	221	2,108
Payments of interest expense	(545)	(5,165)
Payments of income taxes	(5,267)	(49,623)
Net cash provided by operating activities	14,877	140,155
Cash flows from investing activities:		
Payments for purchase of marketable securities	(166)	(1,566)
Payments for purchase of property, plant and equipment and intangible assets	(10,950)	(103,175)
Proceeds from sale of property, plant and equipment	350	3,302
Payments for purchase of investment securities	(811)	(7,643)
Proceeds from sale of investment securities	42	404
Proceeds from collection on loans	201	1,895
Other, net	(35)	(327)
Net cash used in investing activities	(11,369)	(107,110)
Cash flows from financing activities:		
Decrease in short-term loans, net	(680)	(6,403)
Decrease in long-term loans payable	(194)	(1,826)
Payments for parent company of cash dividends	(863)	(8,131)
Payments for minority interest of cash dividends	(334)	(3,147)
Other, net	33	309
Net cash used in financing activities	(2,038)	(19,198)
Effect of exchange rate changes on cash and cash equivalents	(158)	(1,486)
Net change in cash and cash equivalents	1,312	12,361
Cash and cash equivalents at beginning of year	7,079	66,690
Increase in cash and cash equivalents for additional consolidation of subsidiaries	1,012	9,532
Cash and cash equivalents at end of year	¥ 9,403	$ 88,583

The accompanying notes are an integral part of these financial statements.

notes to the consolidated *financial statements*

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Keihin Corporation (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The consolidated statement of cash flows has been required to be prepared with effect for the year ended March 31, 2000, in accordance with a new accounting standard.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Assets and liabilities of newly consolidated subsidiaries in the current year are revalued by fair value. The excess of the cost over the underlying net equity in consolidated subsidiaries is expensed at the date of acquisition due to immateriality.

The scope of consolidated subsidiaries has been changed in compliance with the regulations of the consolidated financial statements, which have been recently changed.

(2) Inventories

Inventories are generally stated at cost, cost being determined by the first-in first-out method.

(3) Valuation of Securities

Securities with quoted market value are valued at the lower of cost or market, cost being determined by the moving average method. Other securities are valued at cost, which is determined by the moving average method. Appropriate write-downs, if any, are recorded for securities in cases where their fair value has declined substantially and such impairments of value are considered to be permanent.

(4) Investments in Unconsolidated Subsidiaries and Affiliates

Investments in the remaining unconsolidated subsidiaries and affiliates (15 per cent to 40 per cent owned companies) are stated at cost, because the application of the equity method to account for these investments would not have material effects on the consolidated financial statements.

(5) Property, Plant and Equipment

Depreciation is computed on the declining-balance method at rates based on the estimated useful lives of assets, which are prescribed by the Japanese income tax laws.

The cost of property and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts and the resulting gain or loss is reflected in income.

(6) Research and Development

Research and development expenditure is charged to income when incurred.

Effective April 1, 1999, they adopted the "Accounting Standards for Research and Development Cost, etc.," which was issued by the Business Accounting Deliberation Council of Japan.

(7) Amortization of Intangible Assets

Amortization of intangible assets is computed on the straight-line method.

(8) Foreign Currency Translation

Foreign currencies, short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rate prevailing at the respective balance sheet dates. Resulting translation gains or losses are included in the determination of net income for the year.

Long-term receivables and payables denominated in foreign currencies, including investments in overseas subsidiaries, are translated at the historical rates prevailing at the transaction dates.

Exceptionally, accounts denominated in foreign currencies which are hedged by forward exchange contracts are translated into yen at the contracted rate of exchange.

(9) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries)

The translation of foreign currency financial statements of overseas consolidated subsidiaries into Japanese yen is made by the method of translation prescribed by the standard issued by the Business Accounting Council (BAC) of Japan.

(10) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

In the year ended March 31, 2000, the Company and its consolidated subsidiaries adopted deferred tax accounting in accordance with amendments to regulations for preparation of consolidated financial statements. Deferred income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements. The cumulative effect of adopting deferred tax accounting at April 1, 1999 was charged to retained earnings.

In the year ended March 31, 1999, income taxes of the Company and its domestic subsidiaries were provided for at an amount currently payable based on tax returns filed with tax authorities. Also, certain consolidated overseas subsidiaries accounted for income taxes on the basis of interperiod allocation whereby tax effects on temporary differences between tax and financial reporting were recognized.

(11) Allowance for Doubtful Accounts

Allowance for doubtful accounts was provided for on the basis of the amount allowed to be deducted by the tax laws.

(12) Accrued Retirement Benefits

The Company has both funded and unfunded retirement benefit plans for employees.

For the funded plan, the Company recognizes pension expenses when the Company makes contributions to the plan (i.e. on a cash basis). Therefore, no liabilities are recognized for this plan in the accompanying consolidated balance sheets. As of July 31, 1998 (April 30, 1998 for certain portion of the plan assets), the most recent valuation date, the total balance of plan assets amounted to ¥7,833 million. Unfunded prior service costs are being amortized over 8 years, 30 years and 6 years for the 3 different portions of the plan.

For the unfunded plan, "accrued retirement benefits for employees" is recognized in the accompanying consolidated balance sheets at the total amount that would be paid if all the eligible employees voluntarily terminated their employment at the respective balance sheet dates.

Effective April 1, 1997, the Company amended its retirement benefit policy whereby a certain portion of benefits that used to be payable under the unfunded plan became payable under the funded plan. As a result of its amendment, ¥2,633 million of "accrued retirement benefits for employees" became excessive, and are being reversed to income over 7 years.

As is customary practice in Japan, the Company and certain consolidated subsidiaries pay lump-sum retirement benefits to their directors and statutory auditors. In the accompanying consolidated balance sheets, "accrued retirement benefits for directors and statutory auditors" is stated at the total amount that would be paid in accordance with the Company's and consolidated subsidiaries' policies if all the directors and statutory auditors terminated at the respective balance sheet dates.

(13) Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the plan for appropriation of retained earnings (including year-end cash dividend payments) proposed by the Board of Directors should be approved at the shareholders' meeting which must be held within 3 months after the end of each financial year.

The appropriation of retained earnings reflected in the accompanying consolidated financial statements represents appropriations which are applicable to the immediately preceding financial year but were approved at the shareholders' meeting and disposed of during that year. Year-end cash dividends are paid to shareholders on the shareholders' register at the end of each financial year.

As is customary practice in Japan, the payment of bonuses to directors and statutory auditors is made out of retained earnings instead of being charged to income for the year, and constitutes a part of appropriations cited above.

The Japanese Commercial Code provides that interim cash dividends may be distributed upon approval of the Board of Directors. The Company has paid such interim cash dividends to shareholders of record as at September 30th each year.

(14) Net Income and Dividends per Share
Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year. Cash dividends per share shown for each year in the consolidated statements of income represent dividends declared as applicable to the respective period.

As there is no dilutive effect of convertible bonds and bonds with warrants on net income per share, such information is not required to be disclosed.

(15) Consumption Tax
Consumption tax is imposed at the flat rate of 5 per cent, on all domestic consumption of goods and services (with certain exemptions).

The consumption tax withheld upon sale is not included in "net sales" in the accompanying consolidated statements of income, but is recorded as a liability. The balances of "consumption tax withheld" and "consumption tax paid" (an asset item), which is borne by the Company and its consolidated subsidiaries on purchases of goods and services, are not included in revenue and expenses in the consolidated statements of income, but are offset, and the net balance is included in "other current assets" or "notes and accounts payable-other" in the consolidated balance sheets at March 31, 1999 and 2000.

(16) Accounting for Leases
Finance leases, other than those under which the ownership of the leased assets is deemed to be transferred to lessees, are accounted for by the method that is applicable to ordinary operating leases.

(17) Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statement of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

3. U.S. Dollar Amounts
The consolidated financial statements are prepared in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥106.15=U.S.$1, the approximate rate of exchange prevailing at March 31, 2000. The inclusion of such dollar amounts is solely for the convenience of readers and is not intended to imply that yen amounts have been or could be converted, realized or settled in dollars at ¥106.15=U.S.$1 or at any other rate.

4. Research and Development Expenses
Research and development expenses for the years ended March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Research and development expenses	¥640	¥120	$6,029

5. Income Tax
The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2000 was 41.0%

At March 31, 2000, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen 2000	Thousands of U.S. dollars 2000
Current		
Deferred tax assets:		
Unrealized earnings of inventories	¥ 425	$ 4,004
Bonus payment reserve	350	3,297
Accrued enterprise taxes	155	1,460
Accrued expenses payable	498	4,691
Other	300	2,823
Total deferred tax assets	1,728	16,275
Deferred tax liabilities:		
Allowance for doubtful accounts	13	122
Total deferred tax liabilities	13	$122
Net deferred tax assets	¥1,715	$16,153
Non-Current		
Deferred tax assets:		
Accrued retirement benefits		
Directors and statutory auditors	¥ 189	$ 1,780
Employees	112	1,055
Unrealized earnings of depreciable assets	186	1,752
Other	45	423
Total deferred tax assets	532	5,010
Deferred tax liabilities:		
Depreciation of overseas subsidiaries	1,156	10,890
Other	332	3,127
Total deferred tax liabilities	1,488	14,017
Net deferred tax assets	199	1,874
Net deferred tax liabilities	¥1,156	$10,890

6. Cash and Cash Equivalents

Cash and cash equivalents consisted of:

	Millions of yen 2000	Thousands of U.S. dollars 2000
Cash and bank deposits	¥9,685	$91,234
Time deposits with deposit term of over 3 months	(281)	(2,647)
Cash and cash equivalents	¥9,404	$88,587

7. Market Value Information of Securities

	Millions of yen 2000	Thousands of U.S. dollars 2000
Marketable securities:		
Listed corporate stocks:		
Market value	¥ 13	$ 129
Book value	10	102
Unrealized gain	3	27
Others:		
Market value	957	9,023
Book value	1,019	9,608
Unrealized loss	62	586
Investment securities:		
Listed corporate stocks:		
Market value	3,975	37,449
Book value	948	8,933
Unrealized gain	3,026	28,516

8. Derivative Transactions

The Company's policy is to enter into derivative transactions such as foreign exchange forward contracts only for hedging, rather than for speculative purposes.

All counterparties are financial institutions with a high credit rating; accordingly, the credit risk through potential default is considered to be very low.

These derivative transactions are entered into in compliance with the Company's internal procedures, which include a requirement for reporting to the financial director and to the Board of Directors, where appropriate.

9. Contingencies

At March 31, 2000, the Company was contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
As a guarantor of indebtedness of:		
Employee	¥629	$5,929

10. Segment Information

(1) Geographical areas

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 1999 and 2000 by geographic area were as follows:

	Year ended March 31, 2000						
	Domestic (in Japan)	Asia	North America	Europe	Total	Elimination and/or Corporate Assets	Consolidated
	(Millions of yen)						
Sales							
Outside customers	¥110,620	¥10,098	¥56,572	¥1,291	¥178,583	–	¥178,583
Intersegment	28,189	1,544	162	23	29,919	¥(29,919)	–
Total	138,810	11,642	56,734	1,315	208,502	(29,919)	178,583
Operating costs and expenses	130,808	10,197	53,731	1,303	196,042	(30,134)	165,908
Operating income	¥ 8,001	¥ 1,444	¥ 3,002	¥ 11	¥ 12,460	¥ 214	¥ 12,674
Identifiable assets	¥ 77,047	¥ 8,107	¥28,029	¥ 471	¥113,656	¥ (1,040)	¥112,615

	Year ended March 31, 1999					
	Domestic (in Japan)	Asia	North America	Total	Elimination and/or Corporate Assets	Consolidated
	(Millions of yen)					
Sales						
Outside customers	¥115,257	¥7,052	¥56,931	¥179,240	–	¥179,240
Intersegment	22,605	1,187	323	24,115	¥(24,115)	–
Total	137,862	8,239	57,254	203,356	(24,115)	179,240
Operating costs and expenses	130,393	7,037	53,358	190,788	(23,927)	166,861
Operating income	¥ 7,469	¥1,202	¥ 3,895	¥ 12,567	¥ (188)	¥ 12,379
Identifiable assets	¥ 72,658	¥5,487	¥28,885	¥107,031	¥ (2,716)	¥104,315

	Year ended March 31, 2000						
	Domestic (in Japan)	Asia	North America	Europe	Total	Elimination and/or Corporate Assets	Consolidated
	(Thousands of U.S. dollars) (Note 3)						
Sales							
Outside customers	$1,042,119	$ 95,130	$532,943	$12,171	$1,682,363	–	$1,682,363
Intersegment	265,568	14,545	1,526	217	281,856	$(281,856)	–
Total	1,307,687	109,675	534,469	12,388	1,964,219	(281,856)	1,682,363
Operating costs and expenses	1,232,302	96,072	506,179	12,285	1,846,838	(283,881)	1,562,957
Operating income	$ 75,385	$ 13,603	$ 28,290	$ 103	$ 117,381	$ 2,025	$ 119,406
Identifiable assets	$ 725,840	$ 76,381	$264,051	$ 4,447	$1,070,719	$ (9,808)	$1,060,911

(2) Overseas sales

Overseas sales, which include export sales of the Company and sales (other than exports to Japan) of its foreign consolidated subsidiaries for the years ended March 31, 1999 and 2000 were as follows:

	Year ended March 31, 2000				
	Asia	North America	Europe	Others	Consolidated
	(Millions of yen)				
Overseas sales	¥12,014	¥56,920	¥3,094	¥105	¥ 72,134
Consolidated net sales	–	–	–	–	¥178,583
Ratio of overseas sales to consolidated sales	6.7%	31.9%	1.7%	0.1%	40.4%

	Year ended March 31, 1999				
	Asia	North America	Europe	Others	Consolidated
	(Millions of yen)				
Overseas sales	¥10,273	¥57,898	¥2,412	¥127	¥ 70,710
Consolidated net sales	–	–	–	–	¥179,240
Ratio of overseas sales to consolidated sales	5.7%	32.4%	1.3%	0.1%	39.5%

	Year ended March 31, 2000				
	Asia	North America	Europe	Others	Consolidated
	(Thousands of U.S. dollars) (Note 3)				
Overseas sales	$113,179	$536,222	$29,147	$989	$ 679,537
Consolidated net sales	–	–	–	–	$1,682,363
Ratio of overseas sales to consolidated sales	6.7%	31.9%	1.7%	0.1%	40.4%

11. Lease Transactions

The Company and consolidated subsidiaries lease certain machinery and equipment, and furniture and tools. Pro forma information relating to acquisition costs, accumulated depreciation and future minimum lease payments for property held under finance leases which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2000 and 1999, is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2000			1999			2000		
	Machinery and Equipment	Furniture and Tools	Total	Machinery and Equipment	Furniture and Tools	Total	Machinery and Equipment	Furniture and Tools	Total
Acquisition costs	¥83	¥490	¥574	¥94	¥686	¥781	$791	$4,624	$5,415
Accumulated depreciation	56	388	445	57	498	556	536	3,658	4,194
Net leased property	¥26	¥102	¥129	¥36	¥188	¥ 224	$254	$ 966	$1,220

Future minimum lease payments under finance leases as of March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Due within one year	¥ 72	¥ 93	$ 686
Due after one year	56	131	534
Total	¥129	¥224	$1,220

The acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method and zero residual value, would have been ¥95 million ($897 thousand) for the year ended March 31, 2000.

Lease expenses on finance lease contracts without ownership-transfer for the years ended March 31, 2000 and 1999 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Lease expenses	¥95	¥118	$897

12. Subsequent Events

The appropriations of retained earnings in respect of the year ended March 31, 2000 proposed by the Board of Directors and approved at the shareholders' meeting held on 29th June, 2000 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2 (13))
Cash dividends (¥7 per share)	¥ 431	$ 4,060
Directors' bonuses	63	593
Transfer to legal reserve	49	462
Transfer to voluntary reserves, net	2,876	27,094
Total appropriations	¥3,420	$32,209

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

The Board of Directors
Keihin Corporation

We have audited the accompanying consolidated balance sheets of Keihin Corporation and its consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, and shareholders' equity for the years then ended, and the statement of cash flows for the year ended March 31, 2000, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Keihin Corporation and its consolidated subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations for the years then ended and their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

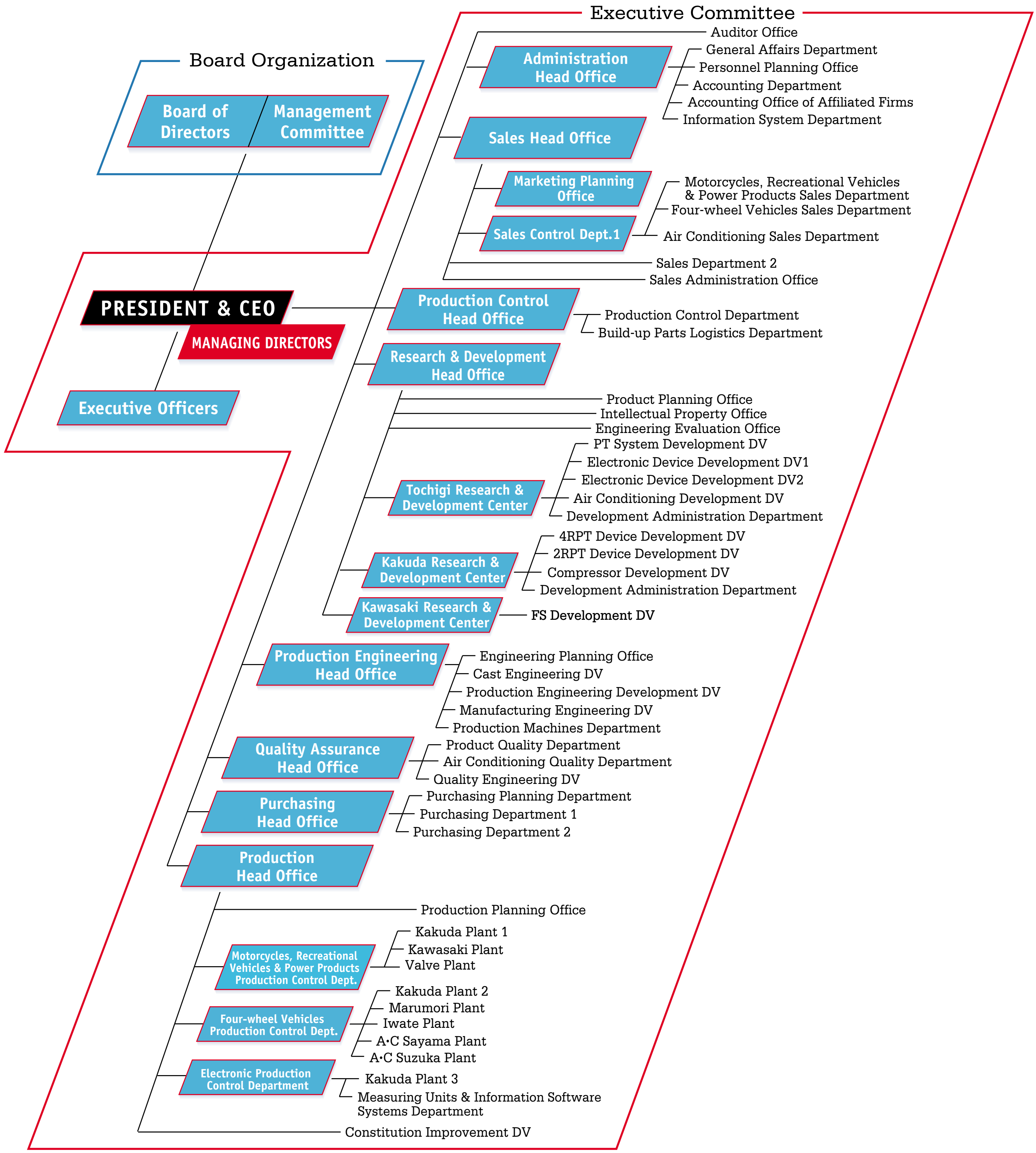
As described in Notes 2 (1), (6) and (10), effective for the year ended March 31, 2000, Keihin Corporation and its consolidated subsidiaries have adopted new Japanese accounting standards for preparation of consolidated financial statements, research and development expenses and income taxes.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

Tokyo, Japan
June 29, 2000

organizational structure



Strengthening the Group and the Consolidated Operating Base

Keihin's strategy of basing its business on product groups and global regions will be fused to create a business with 24 segments. This will enable Keihin to achieve higher profit. By strengthening the synergies and links among different production bases around the world, Keihin will drive growth in every company in the group. Keihin also intends to reform the Board of Directors and reinforce the executive function through creation of an executive committee with powers delegated by the board.

President & CEO

Hiroyuki Shimojima

Senior Managing Directors

Yoshikatsu Nakano

Satoshi Kawana

Naoji Orimo

Kaoru Yamada

Managing Directors

Akira Yoshio

Akihiro Yamato

Hirotoshi Suzuki

Takayoshi Nishiki

Takao Ishii

Yoshitada Sato

Makoto Furuhata

Kanji Fujikawa

Directors

Rikio Otomo

Masaru Hatano

Eiji Yamamoto

Auditors

Takashi Yamazaki

Katsuaki Kurihara

Masahiro Ishiwada

Tamiyuki Tanaka

(As of June 29, 2000)

corporate **data**

Date Established	December 19, 1956		
Capital	¥6,932,340,000		
Network	Head Office	HK Shinjuku Bldg., 4-3-17 Shinjuku Shinjuku-ku, Tokyo 160-0022, Japan	
	Divisions	9	
	Research Centers	3	
	Offices	2	
	Subsidiaries	Japan: 5	
		U.S.A.: 4	
		Asia: 8	
		Europe: 1	(As of August 31, 2000)
Number of Employees	4,062		
Independent Auditors	ChuoAoyama Audit Corporation		
Common Stock	Authorized: 240,000,000 shares Issued: 61,654,372 shares		
Number of Shareholders	4,604		
Stock Listing	Tokyo		
Transfer Agent	The Mitsubishi Trust and Banking Corporation 2-11-1, Nagata-cho, Chiyoda-ku, Tokyo 100-8212, Japan		

Principal Shareholders

	Number of shares held	Percentage of total shares outstanding (%)
Honda Motor Co., Ltd.	25,484,263	41.33
Oki Electric Industry Co., Ltd.	2,622,000	4.25
The Bank of Tokyo-Mitsubishi, Ltd.	1,659,598	2.69
The Bank of Yokohama Co., Ltd.	1,657,287	2.69
The Mitsubishi Trust and Banking Corporation	1,625,000	2.64
The Dai-ichi Kangyo Fuji Trust & Banking Co., Ltd. Trust Account	1,489,000	2.42
The Sanwa Bank, Ltd.	1,228,204	1.99
The Mitsubishi Trust and Banking Corporation Trust Account	1,203,000	1.95
The Daiwa Bank, Ltd. Trust Account "G"	1,165,000	1.89
The Dai-ichi Kangyo Fuji Trust & Banking Co., Ltd. Pension Trust Account	1,089,000	1.77

Stock Price

	FY 1998		FY 1999		**FY 2000**	
	High	Low	High	Low	High	Low
First Quarter	1,710	1,200	1,810	1,470	**1,750**	**1,470**
Second Quarter	1,620	1,400	1,900	1,554	**2,140**	**1,514**
Third Quarter	2,060	1,480	1,690	1,081	**1,798**	**1,111**
Fourth Quarter	2,040	1,510	1,700	1,393	**1,160**	**784**

http://www.keihin-corp.co.jp

(As of March 31, 2000)

KEIHIN

annual report 2000

THE ROAD AHEAD

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