

KOYO FRANCE S.A.

—KF—

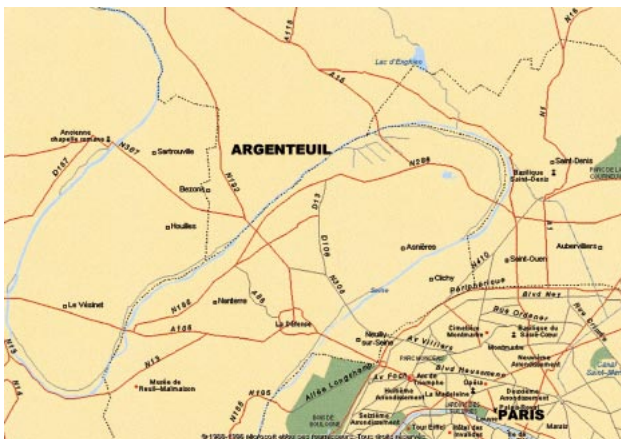
1. Company Profile

Name	: Koyo France S.A.
Location	: Argenteuil, Val d'Oise, France
Established	: 1975
Capital	: 33 055 000 French francs
No. of employees	: 34
Business	: Bearing sales

2. Introduction of Surrounding Region

Koyo France, or KF, is located on the outskirts of Paris in the city of Argenteuil, which is part of the French prefecture of Val d'Oise and the sub-seat of this prefecture's government.

Val d'Oise, located directly north of Paris, is part of the Ile-de-France region of France, which encompasses Paris and its outlying areas. The suburbs of Paris are divided into major suburbs and minor suburbs, and Val d'Oise is a major suburb. Although Paris itself is considered by many to be a city of elegance and fine taste, its suburbs are viewed by many as noisy, filled with migrant laborers, and somewhat dangerous. To others, however, the suburbs of Paris are a place of dynamism and youthful energy. But in recent years many of the surrounding areas have ceased being satisfied to be merely suburbs of Paris and have been trying to forge their own identities. Val d'Oise in particular has worked hard to develop independent cultural and economic links with Japan.



Map of Argenteuil

Val d'Oise spreads out from the Paris basin and encompasses the national park Vexin Francais. Flowing down the center of the prefecture is the Oise river, on which is located the town Auvers-sur-Oise, where Van Gogh is said to have drawn 100 drawings in the 100 days prior to his suicide. The prefecture is also home to the rich Montmorency and L'Isle-Adam forests.

The northwest region of Val d'Oise is relatively

undeveloped and is used mainly for grain production, while mainly potatoes and sugar beets are grown in the northern region. Industrial activity flourishes throughout the prefecture, but particularly in its eastern section, where the Bourget and Roissy airports are located. Thanks to a well-developed transportation infrastructure that includes a rapid railway system, roads A1 and A15, and the recently completed superhighway A16, the prefecture is well suited to urban activity, especially in the commercially active southeast section of the prefecture and in the Cergy-Pontoise area.

Argenteuil is an industrial city and home to many companies in the heavy equipment, electrical appliance, rubber and chemical industries. It is also a residential area where many working in Paris and its suburbs live.

The city began in the 7th century as a small community surrounding the Argenteuil convent and grew from that time. There is a famous 12th century story about a woman named Héloïse who entered this convent after being forbidden to marry her suitor, Abélard, who likewise entered a monastery, and about how the two continued to exchange love letters thereafter.



Héloïse and Abélard

In the 19th century Val d'Oise was home to many vegetable farmers who supplied vegetables to the kitchens of Paris. The city is also famous as the home of numerous impressionist painters of the 1870s, including Monet, Manet and Degas. Monet in particular used this city as the backdrop for some 160 paintings, including the famous *Argenteuil Bridge* on display at the Musée d'Orsay museum in Paris. Manet, who often stayed at Monet's home, also left many wonderful paintings, such as the *Seine River of Argenteuil*.

According to a census taken in 1990, Argenteuil, with a population of 94 162 and land size of more than 17 square kilometers, is the fourth largest city in the Ile-de-France region.

Next, let's consider some points of interest regarding France.

Despite the fact that almost all French people long ago traded in their traditional berets for baseball caps, the Japanese language textbooks in French all depict French people wearing such berets and similarly outmoded apparel, in the same way that such books in Japan might show women in kimonos despite their near nonuse in everyday life.

In regard to industries, France is strong in the aerospace industry and in the production of IC chips implanted in telephone cards and credit cards (such chips were invented by the French).

But if you are wondering whether the French have abandoned things traditional, such is not the case. Just ask companies like McDonald's and Coca Cola, who find the French market perhaps the most difficult in the world to penetrate. Despite the existence of much high technology in France, in many ways its people hold to traditional tastes and conventional ways. Such is often referred to as the "French paradox."

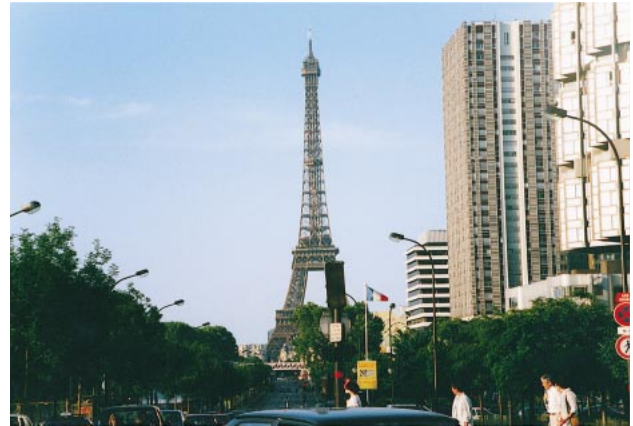


Place of Bastille

In recent years France has come to excel in team sports in the international arena. Of particular note was France's victory in the 1998 World Cup soccer tournament and after that its lopsided victory over the All Blacks in rugby. The French tend to be very individualistic, and therefore their recent successes in team sports are also viewed as somewhat of a paradox.

Legislation went into effect in January 2000 to reduce the workweek to 35 hours. Called simply the "35-hour law," this law is designed not only to reduce the workweek but to reduce unemployment and raise productivity. Although there are companies in which this law is being effectively implemented and the workers are happy, it is not being applied effectively in all companies.

Another typical example of the French paradox is the "cohabitation," as it were, of President Chirac and Prime Minister Jospin. This refers to the fact that, although Chirac belongs to the conservative RPR party and Jospin to the socialist PR party, they have successfully led the government and foreign relations together for over 2 years. While public support was low when both the president and prime minister were of the RPR party, it is now above 50%.



The Eiffel Tower

The French use the term "marriage" in many situations. For clothing, this term means colors that match well, although the colors themselves may be quite different. And a marriage in which the partners are alike is not viewed as necessarily ideal. In any case, there seem to be many "paradoxical" situations in France where contrasting ways of thinking coexist successfully, whether that be in business, sports, the political arena or fashion.



Street scene at Montmartre

3. Introduction of Koyo France

Koyo began selling bearings in the French and African markets in the early 1970s. The present office and warehouse of KF were established in April 1975 through joint investment by Koyo Seiko and the trading company Marubeni.

Argenteuil was chosen as the location for KF not only because of its convenient location 15 minutes from Paris but also because of the city's rich tradition. Although there are now numerous Japanese businesses and other companies in this area, 25 years ago the area was still undeveloped and lacked road signs, an information board for companies at the industrial area entrance, and even streets with proper sidewalks. One veteran employee of KF recalls sitting cross-legged on the floor and typing on a manual typewriter placed on stairs in the first years after KF was established.

In 1983 KF became a wholly owned subsidiary of Koyo

Seiko, and in 1986 the company moved into a new office with 450 m² of floor space—twice that of the previous office—and increased its warehouse size to 3 000 m².

In 1991 the company began importing power steering systems, the popularization of which had been somewhat delayed in Europe, from Japan and supplying these to Renault. But soon thereafter Koyo began financial participation in, and the provision of technical assistance to, Societe de Mecanique d'Irigny (SMI), a company located on the outskirts of Lyon that had been a wholly owned subsidiary of Renault, and made this company its European base for the development, production and sale of steering systems.



Member of Koyo France S. A.

Although KF had to give up the sale of steering systems because of SMI's entrance into the Koyo Group, it did not stick solely to the sale of bearings but instead strove aggressively to expand its range of products to include automotive unit products, such as tensioners and idlers. Also, it sought to expand sales to nonautomotive companies, such as makers of agricultural, steel, medical and general industrial equipment.

Globalization has been a worldwide trend since the early 1990s, and in line with this trend KF began procuring products from a new Koyo plant established in England. Currently slightly more than 30 percent of KF's products come from this plant, but it plans to increase its ratio of European-manufactured products in the future.

Presently, approximately 60 percent of KF's sales are to the automotive industry, 10 percent to the steel industry, and the remainder for export and the aftermarket. Because KF's share of the French bearing market is still small, many opportunities for growth exist, and the company intends to work hard in order to increase this share.

While the staff of KF is engaged on a daily basis in various sales activities that include discussions with customers on product development, production timing, price and delivery, KF considers itself not only the intermediary between customers in France and Koyo in Japan but also the link between the cultures of these two countries.

4. Future Outlook

As stated above, many opportunities for the expansion of sales exist in the French market, and KF intends to work in close cooperation with not only Koyo Seiko in Japan but also the other Koyo Group affiliates in Europe to take advantage of these opportunities.

(Contributed by Hisako COURANTON of Koyo France S.A.)