

For Six Month Period Ending 16 Dec 1990

(Insert date)

Name of Registrant
Paul, Hastings, Janofsky & Walker

Registration No. 3763

Business Address of Registrant
Twelfth Floor
1050 Connecticut Ave., N.W.
Washington, D.C. 20036

I—REGISTRANT

1. Has there been a change in the information previously furnished in connection with the following:

(a) If an individual:

(1) Residence address	N/A	Yes ☐	No ☐
(2) Citizenship		Yes ☐	No ☐
(3) Occupation		Yes ☐	No ☐

(b) If an organization:

(1) Name		Yes ☐	No ☒
(2) Ownership or control		Yes ☒	No ☐
(3) Branch offices		Yes ☐	No ☒

2. Explain fully all changes, if any, indicated in item 1.

Changes in ownership are reported in Items 3 and 4 below.

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, and 5.

3. Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes ☒ No ☐

If yes, furnish the following information:

Name	Position	Date Connection Ended
David E. Sellinger	Partner	6/29/90
Richard E. Roeder	Partner	8/31/90

4. Have any persons become partners, officers, directors or similar officials during this 6 month reporting period?
 Yes ☒ No ☐

If yes, furnish the following information:

<i>Name</i>	<i>Residence Address</i>	<i>Citizenship</i>	<i>Position</i>	<i>Date Assumed</i>
Esteban A. Ferrer, III	33 Birch Road Darien, Connecticut	USA	Partner	9/6/90

5. Has any person named in Item 4 rendered services directly in furtherance of the interests of any foreign principal?
 Yes ☐ No ☒

If yes, identify each such person and describe his services.

N/A

6. Have any employees or individuals other than officials, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting period? Yes ☒ No ☐

If yes, furnish the following information:

<i>Name</i>	<i>Position or connection</i>	<i>Date terminated</i>
Karen E. Silverman	Associate	8/90
Thomas V. Reichert	Paralegal	7/90

7. During this 6 month reporting period, have any persons been hired as employees or in any other capacity by the registrant who rendered services to the registrant directly in furtherance of the interests of any foreign principal in other than a clerical or secretarial, or in a related or similar capacity? Yes ☐ No ☒

If yes, furnish the following information:

<i>Name</i>	<i>Residence Address</i>	<i>Position or connection</i>	<i>Date connection began</i>
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II—FOREIGN PRINCIPAL

(PAGE 3)

8. Has your connection with any foreign principal ended during this 6 month reporting period?

Yes ☐

No ☒

If yes, furnish the following information:

Name of foreign principal

Date of Termination

9. Have you acquired any new foreign principal¹ during this 6 month reporting period?

Yes ☐

No ☒

If yes, furnish following information:

Name and address of foreign principal

Date acquired

N/A

10. In addition to those named in Items 8 and 9, if any, list the foreign principals¹ whom you continued to represent during the 6 month reporting period.

Koito Manufacturing Company

III—ACTIVITIES

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 8, 9, and 10 of this statement? Yes ☒ No ☐

If yes, identify each such foreign principal and describe in full detail your activities and services:

See Attachment 1.

¹The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual or organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a)(9)).

A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those foreign principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity² as defined below?

Yes ☒ No ☐

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places of delivery, names of speakers and subject matter.

See Attachment 1.

Registrant prepared or assisted in the preparation of press releases, letters, and position papers. Registrant also had contact with various U.S. government officials and members of the media. Such materials and contacts were not with reference to the interests of any foreign government or the foreign policy of the U.S., but were with reference to the interests of a private foreign principal. Registrant is completing this Part V nevertheless.

13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals? Yes ☐ No ☒

If yes, describe fully.

N/A

²The term "political activities" means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policy of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

IV—FINANCIAL INFORMATION

14. (a) RECEIPTS—MONIES

During this 6 month reporting period, have you received from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise? Yes ☒ No ☐

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies.³

<i>Date</i>	<i>From Whom</i>	<i>Purpose</i>	<i>Amount</i>
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See Attachment 2.

Total

(b) RECEIPTS—THINGS OF VALUE

During this 6 month reporting period, have you received any thing of value⁴ other than money from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal? Yes ☐ No ☒

If yes, furnish the following information:

<i>Name of foreign principal</i>	<i>Date received</i>	<i>Description of thing of value</i>	<i>Purpose</i>
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N/A

³A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. See Rule 201(e).

⁴Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

15. (a) **DISBURSEMENTS—MONIES**

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 8, 9 and 10 of this statement? Yes ☒ No ☐

(2) transmitted monies to any such foreign principal? Yes ☐ No ☒

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

<i>Date</i>	<i>To Whom</i>	<i>Purpose</i>	<i>Amount</i>
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See Attachment 3.

Total

15. (b) DISBURSEMENTS—THINGS OF VALUE

During this 6 month reporting period, have you disposed of anything of value⁵ other than money in furtherance of or in connection with activities on behalf of any foreign principal named in items 8, 9 and 10 of this statement?

Yes ☐ No ☒

If yes, furnish the following information:

<i>Date disposed</i>	<i>Name of person to whom given</i>	<i>On behalf of what foreign principal</i>	<i>Description of thing of value</i>	<i>Purpose</i>
N/A				

(c) DISBURSEMENTS—POLITICAL CONTRIBUTIONS

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value⁵ in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office?

Yes ☒ No ☐

If yes, furnish the following information:

<i>Date</i>	<i>Amount or thing of value</i>	<i>Name of political organization</i>	<i>Name of candidate</i>
See Attachment 4.			

V—POLITICAL PROPAGANDA

(Section 1(j) of the Act defines "political propaganda" as including any oral, visual, graphic, written, pictorial, or other communication or expression by any person (1) which is reasonably adapted to, or which the person disseminating the same believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, or in any other way influence a recipient or any section of the public within the United States with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party or with reference to the foreign policies of the United States or promote in the United States racial, religious, or social dissensions, or (2) which advocates, advises, instigates, or promotes any racial, social, political, or religious disorder, civil riot, or other conflict involving the use of force or violence in any other American republic or the overthrow of any government or political subdivision of any other American republic by any means involving the use of force or violence.)

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any political propaganda as defined above? Yes ☒ No ☐ Registrant prepared or assisted in the preparation of press releases, letters and position papers.

IF YES, RESPOND TO THE REMAINING ITEMS IN THIS SECTION V. Registrant also had contact with various U.S. government officials and members of the media. Such materials and contacts were not with reference to the

17. Identify each such foreign principal. interests of any foreign policy of the U.S., but were with reference to the interests of a private foreign principal. Registrant is completing this Part V nevertheless.

⁵Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating political propaganda? Yes ☐ No ☒

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

N/A

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of political propaganda include the use of any of the following:

☐ Radio or TV broadcasts ☒ Magazine or newspaper articles * ☐ Motion picture films ☐ Letters or telegrams
☐ Advertising campaigns ☒ Press releases ☐ Pamphlets or other publications ☐ Lectures or speeches

☒ Other (specify) Position papers

* Registrant was contacted by media for general comment from time to time.

20. During this 6 month reporting period, did you disseminate or cause to be disseminated political propaganda among any of the following groups:

☒ Public Officials ☒ Newspapers ☐ Libraries
☒ Legislators ☒ Editors ☐ Educational institutions
☒ Government agencies ☐ Civic groups or associations ☐ Nationality groups
☐ Other (specify) _____

21. What language was used in this political propaganda:

☒ English ☐ Other (specify) _____

22. Did you file with the Registration Section, U.S. Department of Justice, two copies of each item of political propaganda material disseminated or caused to be disseminated during this 6 month reporting period? Yes ☐ No ☒

23. Did you label each item of such political propaganda material with the statement required by Section 4(b) of the Act? Yes ☒ No ☐

24. Did you file with the Registration Section, U.S. Department of Justice, a Dissemination Report for each item of such political propaganda material as required by Rule 401 under the Act? Yes ☐ No ☒

VI—EXHIBITS AND ATTACHMENTS

25. EXHIBITS A AND B

- (a) Have you filed for each of the newly acquired foreign principals in Item 9 the following:

Exhibit A⁶ Yes ☐ No ☐ N/A
Exhibit B⁷ Yes ☐ No ☐

If no, please attach the required exhibit.

- (b) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period? Yes ☐ No ☒

If yes, have you filed an amendment to these exhibits? Yes ☐ No ☐

If no, please attach the required amendment.

N/A

⁶The Exhibit A, which is filed on Form CRM-157 (Formerly OBD-67) sets forth the information required to be disclosed concerning each foreign principal.

⁷The Exhibit B, which is filed on Form CRM-155 (Formerly OBD-65) sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

26. EXHIBIT C

If you have previously filed an Exhibit C⁸, state whether any changes therein have occurred during this 6 month reporting period. Yes ☐ No ☐

If yes, have you filed an amendment to the Exhibit C? Yes ☐ No ☐

If no, please attach the required amendment. N/A

27. SHORT FORM REGISTRATION STATEMENT

Have short form registration statements been filed by all of the persons named in Items 5 and 7 of the supplemental statement? Yes ☒ No ☐

If no, list names of persons who have not filed the required statement.

The undersigned swear(s) or affirm(s) that he has (they have) read the information set forth in this registration statement and the attached exhibits and that he is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in attached Short Form Registration Statement, if any, insofar as such information is not within his (their) personal knowledge.

(Type or print name under each signature)

(Both copies of this statement shall be signed and sworn to before a notary public or other person authorized to administer oaths by the agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions who are in the United States, if the registrant is an organization.)


G. Hamilton Loeb

Subscribed and sworn to before me at Washington DC

this 16th day of January, 19 91

My Commission Expires
August 14, 1995


(Signature of notary or other officer)

⁸The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, constitution, and bylaws of a registrant that is an organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, Criminal Division, Internal Security Section, U.S. Department of Justice, Washington, D.C. 20530.)

ATTACHMENT 1
(Item 11)

- (a) Koito Manufacturing Co. Registrant has arranged and attended meetings or telephone conferences with executive and legislative branch personnel as set forth below. In each meeting, Registrant has explained the position of Koito in response to the efforts of a Koito shareholder to obtain executive or legislative assistance in a private dispute with Koito and to make the Company a specific subject of U.S. trade initiatives or legislation. Registrant has explained in such discussions why the dispute between Koito and the shareholder is not a legitimate test case of U.S. investment opportunities in Japan, and does not belong on the agenda of U.S. negotiators or legislative committees. Registrant has not opposed any legislation or current U.S. negotiating initiative on behalf of Koito.

In the course of such meetings and otherwise, Registrant has distributed, by hand or private messenger, Koito position papers, prepared by Registrant (a copy of each is attached), as well as copies of newspaper articles published on the topic (a copy of each is attached). Registrant has also rendered private corporate and legal advice to Koito, including advice on United States corporate laws and customs.

Registrant has also, on occasion, been contacted by members of the media for comment on articles and other coverage of this matter.

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
<u>Office of the</u> <u>U.S. Trade Representative</u>		
USTR Carla A. Hills	September 14, 1990 October 3, 1990 December 5, 1990	Letter Phone call Letter
Deputy USTR S. Linn Williams (cc: William Piez--6/18/90, 9/13/90)	June 18, 1990 July 9, 1990 September 13, 1990 October 3, 1990 October 5, 1990 December 5, 1990	Letter Phone call Letter Phone call Letter Letter

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Merit E. Janow, Deputy Assistant USTR for Japan Affairs	October 1, 1990 October 11, 1990 December 5, 1990	Phone call Meeting Letter
William Piez, Staff	September 28, 1990	Phone call
<u>U.S. Department of Commerce</u>		
Wayne Berman, Counsellor to the Secretary	September 14, 1990	Letter
J. Michael Farren, Under Secretary for International Trade	September 14, 1990 October 3, 1990 December 5, 1990	Letter Meeting Letter
Maureen Smith, Deputy Assistant Secretary for Japan	September 14, 1990	Letter
Robert Francis, Acting Deputy Assistant Secretary for Japan	December 5, 1990	Letter
<u>U.S. Department of the Treasury</u>		
John E. Robson, Deputy Secretary	September 14, 1990 December 5, 1990	Letter Letter
William E. Barreda, Director Office of Trade and Investment Policy	October 4, 1990 December 5, 1990	Meeting Letter
Stephen J. Canner, Director Office of International Investment	October 4, 1990 December 5, 1990	Meeting Letter
John M. Niehuss, Deputy Assistant Secretary for International Policy (cc: Stephen Canner and Matthew Goodman)	September 14, 1990	Letter
Roger W. Wallace, Deputy Under Secretary for International Trade	December 5, 1990	Letter

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Greg Christopulos, Office of International Affairs	October 4, 1990 October 5, 1990 October 5, 1990	Meeting Letter Phone call
<u>U.S. Department of State</u>		
Robert M. Kimmitt, Under Secretary for Political Affairs	September 14, 1990 December 5, 1990	Letter Letter
Richard T. McCormack, Under Secretary for Economic Affairs (cc: Eugene McAllister--6/18/90, 9/14/90)	June 18, 1990 July 25, 1990 September 14, 1990 October 9, 1990 December 5, 1990	Letter Phone call Letter Meeting Letter
Eugene McAllister, Assistant Secretary for Economic and Business	December 5, 1990	Letter
<u>U.S. Department of Justice</u>		
Charles S. Stark, Chief Foreign Commerce Section	December 5, 1990	Letter
<u>Legislators: Members of the U.S. Senate</u>		
Brock Adams (Ann Badgley)	October 2, 1990	Letter
Daniel K. Akaka	October 2, 1990	Letter
William L. Armstrong (J.D. Foster)	September 28, 1990	Letter
Max Baucus (Greg Mastel)	September 28, 1990	Letter
Lloyd Bentsen (Janet Milne)	September 28, 1990	Letter
Joseph R. Biden, Jr. (Jerred Kotler)	October 2, 1990	Letter

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Jeff Bingaman (Rebecca Newbecker)	September 28, 1990	Letter
Christopher S. Bond (Brent Franzel)	October 2, 1990	Letter
David L. Boren (Rebecca Cooper)	October 2, 1990	Letter
Rudy Boschwitz (Pete Coyle)	September 28, 1990	Letter
Bill Bradley (Peter Chase)	October 2, 1990	Letter
John B. Breaux (Thomas Moore)	September 28, 1990	Letter
Richard H. Bryan (Andrew Vermilye)	July 19, 1990 September 28, 1990	Letter Letter
Dale Bumpers (Chuck Ludlam)	October 2, 1990	Letter
Quentin N. Burdick (Vicki Hicks)	September 28, 1990	Letter
Conrad Burns (Tom Folton)	October 2, 1990	Letter
Robert C. Byrd (Jan Himenger)	October 2, 1990	Letter
John H. Chafee (Michael Platner)	October 2, 1990	Letter
Dan R. Coats (Luis Cid)	October 2, 1990	Letter
Thad Cochran (Forest Thigpen)	October 2, 1990	Letter
William S. Cohen (John Veroneau)	September 28, 1990	Letter

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Kent Conrad (Joan Timoney)	September 28, 1990	Letter
Alan Cranston (Scott McDonald and Carmen Lowrey)	October 2, 1990	Letter
Alfonse D'Amato (Pam Ray-Strunk)	September 28, 1990	Letter
John C. Danforth (Kevin Dempsey)	October 2, 1990	Letter
Thomas A. Daschle (Mark Ulven)	October 2, 1990	Letter
Dennis DeConcini (Chip Walgren)	October 2, 1990	Letter
Alan J. Dixon (Sandy Chiu)	October 2, 1990	Letter
Christopher J. Dodd (Kathleen Harrington)	October 2, 1990	Letter
Robert Dole (James Wholey and Carolyn Seely)	October 2, 1990 December 5, 1990	Letter Phone call
Pete V. Domenici (Denise Ramones)	October 2, 1990	Letter
Dave Durenberger (Alexander Polinsky)	October 2, 1990	Letter
J. James Exon (Christopher McClean)	September 28, 1990	Letter
Wendell H. Ford (Martha Moloney)	July 19, 1990 October 2, 1990	Letter Letter
Wyche Fowler, Jr. (Mark Schwartz)	October 2, 1990	Letter

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Jake Garn (Jackie Clegg)	October 2, 1990	Letter
John Glenn (Laura Tregesar)	October 2, 1990	Letter
Albert Gore, Jr. (Carol Browner)	July 19, 1990 October 2, 1990	Letter Letter
Slade Gorton (Terri Claffey)	July 19, 1990 September 28, 1990	Letter Letter
Bob Graham (Juliana Walsh)	October 2, 1990	Letter
Phil Gramm (Wayne Abernathy)	October 2, 1990	Letter
Charles E. Grassley (Bob Ludwiczak)	October 2, 1990	Letter
Tom Harkin (Richard Bender)	October 2, 1990	Letter
Orrin G. Hatch (Evan Liddiard)	June 28, 1990 September 28, 1990	Meeting Letter
Mark O. Hatfield (Jim Fitzhenry)	October 2, 1990	Letter
Howell Heflin (Mary Stansel)	September 28, 1990	Letter
John Heinz (Bill Reinsch)	September 28, 1990 October 3, 1990	Letter Phone call
Jesse Helms (Steve Phillips)	September 28, 1990	Letter
Ernest F. Hollings (Loretta Dunn)	September 28, 1990	Letter
Gordon J. Humphrey (Lynick Wallwork)	October 2, 1990	Letter

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Daniel Inouye (Eric Scheinkopf)	September 28, 1990	Letter
James M. Jeffords (Laurie Schultz)	October 2, 1990	Letter
J. Bennett Johnston (Laura Hudson)	October 2, 1990	Letter
Nancy Landon Kassebaum (Lori Esposito Murray)	October 2, 1990	Letter
Robert W. Kasten, Jr. (Jim Morhard)	July 18, 1990 July 19, 1990 October 2, 1990	Letter Letter Letter
Edward M. Kennedy (Kevin Winston)	October 2, 1990	Letter
J. Robert Kerrey (Tim Galvin)	October 2, 1990	Letter
John F. Kerry (Dick McCall)	October 2, 1990	Letter
Herbert H. Kohl (Cris Coffin)	October 2, 1990	Letter
Frank R. Lautenberg (Sharon Waxman)	October 2, 1990	Letter
Patrick J. Leahy (Suzanne Smith)	October 2, 1990	Letter
Carl Levin (Pauline Abernathy)	October 2, 1990	Letter
Joseph I. Lieberman (William Danvers)	October 2, 1990	Letter
Trent Lott (Mark Formby)	September 28, 1990	Letter
Richard G. Lugar	October 2, 1990	Letter

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Connie Mack (Robert Mottice)	September 28, 1990	Letter
John McCain (Gwendolyn van Paaschen and Marta Aguirre)	July 19, 1990 October 2, 1990	Letter Letter
James A. McClure (Jack Gerard)	October 2, 1990	Letter
Mitch McConnell (Keith Smith)	October 2, 1990	Letter
Howard M. Metzenbaum (Kenneth Handelman)	October 2, 1990	Letter
Barbara Mikulski	October 2, 1990	Letter
George J. Mitchell (Robert Rosen)	October 2, 1990	Letter
Daniel Patrick Moynihan (Andres Samet)	October 2, 1990	Letter
Frank H. Murkowski (Jaimie Boucher)	September 28, 1990	Letter
Don Nickles (Mike Converse)	September 28, 1990 October 2, 1990	Letter Meeting
Sam Nunn (John Pope)	October 2, 1990	Letter
Bob Packwood (Rolf Lundberg)	September 28, 1990	Letter
Claiborne Pell (Laura Brandon)	October 2, 1990	Letter
Larry Pressler (Lynn Tjeerdsma)	October 2, 1990	Letter
David Pryor (Ed Quick)	October 2, 1990	Letter

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Harry Reid (Jim Goode)	September 28, 1990	Letter
Donald W. Riegler, Jr. (Rick Samans)	October 2, 1990	Letter
Charles S. Robb (Jay Winik and Patricia Spurlock)	July 18, 1990 July 19, 1990 September 28, 1990	Letter Letter Letter
John D. Rockefeller, IV (Bruce Gray)	September 28, 1990	Letter
William V. Roth, Jr. (Carl Delfeld)	October 2, 1990	Letter
Warren B. Rudman (Christine Ciccone)	October 2, 1990	Letter
Terry Sanford (Jennifer Hillman)	October 2, 1990	Letter
Paul S. Sarbanes (Walter Jones)	October 2, 1990	Letter
Jim Sasser (Rosemary Warren)	October 2, 1990	Letter
Richard C. Shelby (Phyllis Hallmon)	September 28, 1990	Letter
Paul Simon (John Weinberger)	October 2, 1990	Letter
Alan K. Simpson (Katherine Brunette)	October 2, 1990	Letter
Arlen Specter (Bill Todd)	October 2, 1990	Letter
Ted Stevens (John Aravois)	September 28, 1990	Letter
Steve Symms (Jeff Kummer)	September 28, 1990	Letter

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Strom Thurmond (Alfred Bundick)	September 28, 1990	Letter
Malcolm Wallop (Jim Gulley)	September 28, 1990 October 2, 1990	Letter Phone call
John William Warner (Andrew Hyde)	October 2, 1990	Letter
Pete Wilson (Steve Arthur)	October 2, 1990	Letter
Timothy E. Wirth (Jeff Seabright)	October 2, 1990	Letter
 <u>Staff to Members of the Senate</u>		
Office of Jeff Bingaman (Rebecca Newbecker)	October 2, 1990 October 11, 1990	Phone call Phone call
Office of Lloyd Bentsen (Janet Milne)	July 24, 1990 July 24, 1990	Letter Phone call
Office of Joseph Biden (Jerred Kotler)	August 13, 1990	Letter
Office of Tom Daschle (Mark Ulven)	December 5, 1990	Phone call
Office of Christopher Dodd (Kathleen Harrington)	September 17, 1990	Letter
Office of Wendell H. Ford (Martha Moloney)	July 17, 1990	Letter
Office of John Glenn (Laura Tragesar)	July 24, 1990	Letter
Office of Orrin Hatch (Evan Liddard and Steve Brown)	July 23, 1990 July 23, 1990 October 2, 1990 October 3, 1990 October 3, 1990	Letter Phone call Phone call Letter Phone call

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Office of John Heinz (Bill Reinsch)	October 2, 1990	Phone call
Office of Jesse Helms (Steve Phillips)	July 23, 1990 July 23, 1990	Letter Phone call
Office of Daniel Inouye (Eric Scheinkopf)	July 23, 1990	Letter
Office of Carl Levin (Pauline Abernathy)	September 5, 1990	Phone call
Office of Joseph Lieberman (William Danvers)	September 5, 1990	Phone call
Office of Connie Mack (Robert Mottice)	September 7, 1990	Phone call
Office of John McCain (Gwendolyn van Paasschen and Marta Aguirre)	July 18, 1990 July 18, 1990	Letter Meeting
Office of Sam Nunn (Russell Porter)	September 10, 1990	Phone call
Office of Don Riegle (Rick Samans)	September 7, 1990	Phone call
Office of Charles Robb (Jay Winik and Patricia Spurlock)	October 2, 1990 October 11, 1990 December 5, 1990	Phone call Phone call Phone call
Office of Richard Shelby (Phyllis Hallmon)	September 7, 1990	Phone call
Office of Paul Simon (Don Weinberger)	September 7, 1990	Phone call
Office of Alan K. Simpson (Katherine Brunette)	September 7, 1990 October 2, 1990 October 10, 1990 October 11, 1990 October 29, 1990	Phone call Phone call Phone call Letter Phone call
Office of Steve Symms (Jeff Kummer)	October 2, 1990 December 5, 1990	Phone call Phone call

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Office of Strom Thurmond (Alfred Bundick)	October 3, 1990	Phone call
Senate Finance International Trade Subcommittee (Robert Kyle)	October 31, 1990	Meeting
Senate Commerce Consumer Subcommittee (Linda Lance, Moses Boyd and Sherman Joyce)	July 17, 1990 July 18, 1990 July 18, 1990 July 19, 1990	Meeting Meeting Letter Letter
<u>Members of the U.S. House of Representatives</u>		
Norman D. Shumway (cc: Tracey Smith)	December 10, 1990	Letter
<u>Staff to Members of the U.S. House of Representatives</u>		
Office of Richard Armey (Teresa Jacoby)	August 14, 1990	Meeting
Office of Richard Baker (Dorena Bertussi)	August 14, 1990	Meeting
Office of Helen Bentley (Pat Wait and Laura Fennell)	August 16, 1990	Meeting
Office of Tom J. Campbell (Thomas Gann)	December 5, 1990	Letter
Office of David Drier (Doug Riggs)	August 13, 1990	Letter
Office of Mel Hancock (Duncan Haggart)	August 16, 1990	Meeting
Office of John Kasich (Greg Hampton)	August 14, 1990	Meeting

<u>OFFICIAL</u>	<u>DATE</u>	<u>TYPE OF CONTACT</u>
Office of Bob Livingston (Dean Sackett)	August 16, 1990	Meeting
Office of Robert C. Smith (Tom Hodson)	August 14, 1990	Meeting
 <u>MEDIA</u>		
John Bolt, Reporter, Associated Press	June 27-29, 1990	Meeting
Mary Foley, Editor, Bureau of National Affairs	October 2, 1990	Letter
Kathryn Graven, Reporter, <u>Wall Street Journal</u>	June 27-29, 1990	Meeting
Claudia MachLachlan, Reporter, <u>National Law Journal</u>	December 5, 1990	Phone call
Marilyn Werber, Reporter, <u>American Metal Markets</u>	August 9, 1990	Meeting

ATTACHMENT 2
(Item 14)

Receipts

June 29, 1990	\$ 125,660.00 (fees)
	11,455.95 (costs)
August 2, 1990	\$ 129,525.00 (fees)
	16,136.54 (costs)
September 28, 1990	\$ 320,325.00 (fees)
	14,607.81 (costs)
October 31, 1990	\$ 105,425.00 (fees)
	39,250.20 (costs)
December 3, 1990	\$ 96,000.00 (fees)
	16,317.55 (costs)
	\$ 57,900.00 (fees)
	5,096.18 (costs)
Total:	\$ 937,699.23

ATTACHMENT 3
(Item 14)

Receipts

June 29, 1990	\$ 125,660.00 (fees)
	11,455.95 (costs)
August 2, 1990	\$ 129,525.00 (fees)
	16,136.54 (costs)
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	16,317.55 (costs)
	\$ 57,900.00 (fees)
	5,096.18 (costs)
Total:	\$ 937,699.23

ATTACHMENT 4
(Item 15)

Disbursements

"Miscellaneous" category includes word processing, secretarial overtime, night secretarial services, document retrieval, and publications.

June, 1990^{1/}

Lexis/On Line Search	\$ 1,041.53
Telex/Telecopier/Telegrams	2,390.51
Long Distance Telephone Charges	317.54
Photocopy Charges	2504.47
Courier Service/Attorney Service	208.19
Taxi/Ground Transportation	103.50
Parking	1.12
Messenger	248.36
Meals	483.39
Miscellaneous/Word Processing	3137.57

July, 1990

Lexis/On Line Search	\$ 6,204.74
Long Distance Telephone Charges	1,160.18
Photocopy Charges	2,455.24
Telex/Telecopier/Telegrams	3,438.29
Courier Service/Attorney Service	479.36
Taxi/Ground Transportation	579.08
Airfare ^{2/}	9,579.00
Airport Tax	40.64
Meals	208.06
Parking	5.00
Miscellaneous/Word Processing	2,236.77
Lodging and Related Hotel expenses	11,076.48
Messenger	85.41
Postage/Express Mail	6.82
CT Corp. Searches	1,107.00
Dow Jones News Retrieval	588.13

^{1/} Pro rata allocation from June 17, 1990 (the beginning of the reporting period) of total expenses for month.

^{2/} Round trip from U.S. to Tokyo for K. Suzuki, S. Hazen, H. Loeb and J. Tabata in connection with Annual General Meeting of Shareholders. No U.S. Government officials or media representatives were guests.

August, 1990

Lexis/On Line Search	\$ 1,817.70
Telex/Telecopier/Telegrams	9,151.48
Long Distance Telephone Charges	208.58
Photocopy Charges	1,897.61
Meals	61.14
Courier Service/Attorney Service	193.90
Taxi/Ground Transportation	171.00
Postage/Express Mail	40.79
Parking	9.00
Translation Services	1,686.32
Miscellaneous/Word Processing	1,080.03

September, 1990

Lexis/On Line Search	\$ 1,634.24
Long Distance Telephone Charges	68.42
Messenger	14.40
Photocopy Charges	440.42
Courier Service/Attorney Service	77.62
Taxi/Ground Transportation	5.00
Telex/Telecopier/Telegrams	2,334.30
Miscellaneous/Word Processing	521.78

October, 1990

Lexis/On Line Search	\$ 2,029.60
Long Distance Telephone Charges	160.54
Photocopy Charges	1,734.75
Telex/Telecopier/Telegrams	1,969.91
Courier Service/Attorney Service	262.86
Taxi/Ground Transportation	42.00
Messenger	20.00
Postage/Express Mail	72.35
Meals	5.00
Miscellaneous/Word Processing	810.96

November, 1990

Lexis/On Line Search	\$ 2,658.46
Long Distance Telephone Charges	23.68
Photocopy Charges	462.68
Telex/Telecopier/Telegrams	762.91
Courier Service/Attorney Service	214.41
Taxi/Ground Transportation	78.00
Miscellaneous/Word Processing	1,408.76

December, 1990^{3/}

Lexis/On Line Search	\$ 1,014.89
Long Distance Telephone Charges	37.75
Photocopy Charges	1,288.88
Messenger	32.33
Telex/Telecopier/Telegrams	294.09
Lodging	333.00
Airfare ^{4/}	2,007.00
Meals	111.99
Courier Service/Attorney Service	14.63
Taxi/Ground Transportation	166.95
Parking	17.60
Postage/Express Mail	1.70
Miscellaneous/Word Processing	941.02

Total:

\$ 90,078.81

3/ Pro rata allocation through December 16, 1990 (the end of the reporting period) of total expenses for month.

4/ Round Trip airfare to attend Los Angeles press conference. Round trip airfare to New York for meeting with Business Week. No U.S. Government or media representatives were guests.

Attachment 4
(Item 15(c))

Disbursements - Political Contributions

Political Contributions Made by Richard M. Fairbanks:

June 25, 1990	Republican Party of Kentucky/Victory '90	\$100.00
June 27, 1990	Pete Wilson for Governor - '90	500.00
October 2	Turner for Mayor (D.C.)	100.00
October 11, 1990	Pete Wilson for Governor	100.00

Political Contributions Made by Judith Richards Hope:

July 3, 1990	Ray for Mayor	\$1,000.00
August 3, 1990	Pete Wilson for Governor	\$1,000.00
August 3, 1990	Claudine Schneider for Senate	\$2,000.00

Political Contributions Made by Paul, Hastings, Janofsky & Walker PAC:

October 19, 1990	Ben Jones for Congress	\$ 500.00
October 25, 1990	California Republican Party	5,000.00

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TELECOPIER: (202) 452-8149

October 2, 1990

****THIS LETTER WAS SENT TO THE 68
SENATORS LISTED AS HAVING RECIEVED
A LETTER ON OCTOBER 2.**

WRITER'S DIRECT DIAL NUMBER
457-9435

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MINATO-KU, TOKYO 106
TELEPHONE (03) 507-0730

OUR FILE NO.

Hon. John F. Kerry
United States Senate
Russell Senate Office Building
Room 421
Washington, DC 20510

Re: T. Boone Pickens/Koito

Dear Sen. Kerry:

In light of the continuing effort by T. Boone Pickens to enlist government support in his battle with Koito Manufacturing Co., we thought the attached articles from last Friday's major newspapers should be brought to your attention.

The articles report the following:

- ▶ The SEC filed suit a week ago against Mr. Pickens for making "false and misleading statements" that concealed his true intent to sell the shares of Homestake Mining he acquired in 1988. Mr. Pickens entered into a consent decree and "agreed to disgorge \$2.3 million in profits" from the raid. The SEC acted in response to a complaint from the New York Stock Exchange.
- ▶ Mr. Pickens agreed last week to pay nearly \$5 million to shareholders of Phillips Petroleum to settle a securities fraud suit arising from his 1985 Phillips raid. The shareholders asserted that Pickens intended from the start to force a greenmail payment from Phillips, despite his repeated claims to the press and in SEC filings that he would never accept greenmail. Mr. Pickens realized a profit of \$89 million on the Phillips raid.

October 2, 1990
Page 2

These are only the most recent instances in which Mr. Pickens' public statements in conducting corporate raids have been found false and misleading. For example:

- ▶ In another securities fraud suit during his 1985 raid on Unocal, the federal court in Los Angeles found that Mr. Pickens knowingly misrepresented his intent to greenmail or take over Unocal. The court noted: "The fact that Mesa executives systematically destroyed notes and other documents, together with the habitual inability of Mesa executives to recall discussions concerning the subject of intent, strongly suggest a studied effort by Mesa to conceal its true intent."
- ▶ The Delaware Supreme Court has described Mr. Pickens as a "corporate raider with a national reputation as a 'greenmailer'." In one of the leading decisions in the takeover area, the court held that Unocal's unusual defensive tactics were justified in the face of the "threat" Mr. Pickens posed.

Mr. Pickens' history of greenmail and concealed intent has not been lost on the American targets against which he has launched raids. These include some of America's most prominent companies -- Gulf Oil, Unocal, Phillips Petroleum, Diamond Shamrock, KN Energy, and several others. Not one of them ever put him on their board.

Koito has said repeatedly that it has rejected Mr. Pickens not because he is an American, but because his record demonstrates that he cannot be believed when he professes to be a long-term investor and not interested in greenmail. All the facts surrounding his Koito raid -- including his persistent refusal to disclose his ongoing financial relationship with the notorious Japanese greenmailer, Kitaro Watanabe, from whom he received the Koito shares -- suggest that Watanabe still controls the shares, that Mr. Pickens is the owner in name only, and the two of them are colluding in an attempt to extort a greenmail profit from Koito or other Koito shareholders.

Last week's securities fraud settlements by Mr. Pickens -- which came only days after he quietly circulated a letter

PAUL, HASTINGS, JANOFSKY & WALKER

October 2, 1990
Page 3

seeking the endorsement of Senators for his Koito scheme -- reinforce the reasonableness of the decision of Koito's shareholders not to put him on its board. They also further demonstrate why the Koito-Pickens affair is a private battle that has no bearing on U.S.-Japanese economic relations. Mr. Pickens' effort to couch his Koito scheme as a trade issue is irresponsible and entirely irrelevant to the important issues addressed in the SII process.

Sincerely,

A handwritten signature in dark ink, appearing to read "Hamilton Loeb", written in a cursive style.

Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
under Foreign Agent Registration Act.

CC: Dick McCaall

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September 28, 1990

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CHARLES M. WALKER

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TELEPHONE (03) 507-0730

WRITER'S DIRECT DIAL NUMBER

457-9435

OUR FILE NO

**THIS LETTER WAS SENT TO THE 32
SENATORS LISTED AS HAVING RECEIVED
A LETTER ON SEPTEMBER 28. (Attachment 2)

Hon. Lloyd Bentsen
United States Senate
Hart Senate Office Building
Room 703
Washington, DC 20510

Re: T. Boone Pickens/Koito

Dear Senator Bentsen:

In light of the letter circulated earlier this week in the Senate referring to T. Boone Pickens' battle with Koito Manufacturing Co., we thought the attached articles from today's major newspapers should be brought to your attention.

The articles report the following:

- ▶ The SEC filed suit yesterday against Mr. Pickens for making "false and misleading statements" that concealed his true intent to sell the shares of Homestake Mining he acquired in 1988. Mr. Pickens entered into a consent decree and "agreed to disgorge \$2.3 million in profits" from the raid. The SEC acted in response to a complaint from the New York Stock Exchange.
- ▶ Mr. Pickens agreed yesterday to pay nearly \$5 million to shareholders of Phillips Petroleum to settle a securities fraud suit arising from his 1985 Phillips raid. The shareholders asserted that Pickens intended from the start to force a greenmail payment from Phillips, despite his repeated claims to the press and in SEC filings that he would never accept greenmail. Mr. Pickens realized a pre-tax profit of \$89 million on the Phillips raid.

September 28, 1990
Page 2

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- ▶ In another securities fraud suit during his 1985 raid on Unocal, the federal court in Los Angeles found that Mr. Pickens knowingly misrepresented his intent to greenmail or take over Unocal. The court noted: "The fact that Mesa executives systematically destroyed notes and other documents, together with the habitual inability of Mesa executives to recall discussions concerning the subject of intent, strongly suggest a studied effort by Mesa to conceal its true intent."
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Yesterday's securities fraud settlements by Mr. Pickens -- which came only days after he circulated the letter

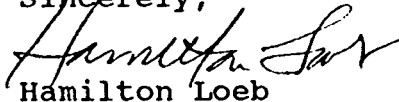
PAUL, HASTINGS, JANOFSKY & WALKER

September 28, 1990

Page 3

seeking the endorsement of Senators for his Koito scheme -- reinforce the reasonableness of the decision of Koito's shareholders not to put him on its board. They also further demonstrate why the Koito-Pickens affair is a private battle that has no bearing on U.S.-Japanese economic relations. Mr. Pickens' effort to couch his Koito scheme as a trade issue is irresponsible and entirely irrelevant to the important issues addressed in the SII process.

Sincerely,

A handwritten signature in cursive script, appearing to read "Hamilton Loeb".

Hamilton Loeb

of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
under Foreign Agent Registration Act.

CC: Janet Milne

THE WALL STREET JOURNAL

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★★

EASTERN EDITION

FRIDAY, SEPTEMBER 28, 1990

What's News—

* * *

Business and Finance

BUDGET NEGOTIATORS neared a compromise that would limit tax deductions for the rich and lower the levy on capital gains less than Bush had sought. The package would also tax more of the Social Security benefits paid to middle-income and wealthy recipients, and raise the gasoline tax by eight cents a gallon.

(Story on Page A3)

T. Boone Pickens agreed to disgorge \$2.3 million of profit from his 1988 sale of Homestake Mining stock, as part of a settlement of SEC charges that he misled investors.

(Story on Page A3)

* * *

T. Boone Pickens Jr. Settles SEC Charge Of Misleading Investors in 1988 Deal

By KEVIN G. SALWEN
And CHRISTI HARLAN

Staff Reporters of THE WALL STREET JOURNAL

T. Boone Pickens Jr., one of the best-known corporate raiders of the 1980s, settled charges that he misled investors in 1988 by announcing that Mesa Petroleum L.P. was bidding for Homestake Mining Co. and then selling Mesa's holding after the stock jumped.

Mr. Pickens, who bills himself publicly as a defender of the small investor and until last week headed a shareholder-rights group, agreed to the SEC complaint without admitting or denying guilt. As part of the settlement, Mr. Pickens agreed to not violate securities law in the future. Mesa, the Dallas limited partnership of which Mr. Pickens is chairman, also agreed to disgorge \$2.3 million of profit from the Homestake deal. It also neither admitted nor denied wrongdoing.

Mr. Pickens and Mesa also announced settlement of a class-action suit related to Mr. Pickens's 1981 bid to acquire Phillips Petroleum Co. Mesa will contribute almost \$5 million, and the other defendants, including Phillips, will contribute a total of about \$1.7 million for payments to shareholders who bought Phillips stock during the two weeks that Mr. Pickens's takeover bid was pending. Mesa and the other defendants said they aren't admitting wrongdoing.

The shareholders, in a suit in Delaware federal court, claimed that they relied on Mr. Pickens's statements at the time that he wouldn't sell any of his Phillips stock back to Phillips "except on an equal basis with all other shareholders." The holders claimed that Mr. Pickens received cash for his stock plus reimbursement for his expenses that was worth more than the security.

Please Turn to Page A5, Column 3

T. Boone Pickens Jr. Settles SEC Charge Concerning 1988 Deal

Continued From Page A3

rities and notes offered other holders.

Mesa financial adviser Sidney Tassin said the partnership's share of both settlements will be paid from cash reserves and isn't expected to have an impact on the company's earnings.

A spokesman for Mr. Pickens said there was little connection between the two cases. "The only link is these are two outstanding legal issues he wants to get rid of," the spokesman said. "He wants to put all his energies into the energy business."

But both cases clearly raise questions involving statements—or lack of statements—about Mr. Pickens's intentions regarding stock he controlled. In both cases,

smaller investors followed Mr. Pickens in buying the companies' shares and, in both cases, allegedly suffered losses.

In the SEC's case against Mr. Pickens, the agency alleged that Mesa and partners acquired 3.8% of Homestake, or 3.5 million common shares in 1987 and 1988. Mr. Pickens and others at Mesa decided on Feb. 28, 1988, to issue a news release disclosing the stake and announcing an acquisition bid for Homestake, the SEC said.

At the same meeting, Mr. Pickens and the others discussed a strategy where they might sell part of the Homestake holding after the news of the Mesa acquisition bid was disseminated, the SEC alleged.

The next morning, Mesa announced that it was launching a \$20-a-share bid for Homestake. Homestake shares jumped on the news, rising to more than \$18 a share from about \$14 a share. But just hours later, Mesa sold 107,300 shares of Homestake and more than 2,000 of the mining company's call options, which become more valuable when the common stock rises, the agency charged.

Over the next week, without issuing any other news release, Mesa sold more than a million Homestake shares and 1,200 more options contracts, the SEC contended. In the days after Homestake publicly announced that it had rejected Mesa's bid on March 7, Mesa sold an additional 2,158,600 Homestake shares, the SEC said.

Spokesmen for Mr. Pickens and Mesa said they agreed to settle the charges "to avoid the time, distraction and expense of protracted litigation."

The case is a bit of a departure for the SEC because Mesa didn't own more than 5% of Homestake stock and, therefore, wasn't required to file any disclosure documents with the SEC. But once Mesa decided to issue the news release, SEC enforcement officials said, it made a false and misleading public statement.

"Once you choose to speak and decide to make statements to the market that may affect a market for a security, you have an obligation to disclose things accurately and completely," said SEC enforcement director William McLucas.

T. Boone Pickens to Pay \$2.3 Million Settlement to Investors



T. BOONE PICKENS
... also settled Phillips suit

By Stan Hinden
Washington Post Staff Writer

Texas oilman T. Boone Pickens Jr. likes to describe himself as the "champion of the small stockholder." But that self-portrait may not sit too well with the shareholders of Homestake Mining Co.

Yesterday, Pickens agreed to pay \$2.3 million to settle a government lawsuit that accused him of manipulating the price of Homestake stock. The government accused Pickens of announcing that he wanted to buy Homestake and then—when the company's shares rose—quickly selling his stock.

The \$2.3 million, the Securities and Exchange Commission said, would go to Homestake investors

who were harmed financially by the actions of Pickens and his investment group, Mesa Limited Partnership. Pickens also is head of Mesa Petroleum Co.

In agreeing to the settlement with the SEC, Pickens and Mesa Limited Partnership neither admitted to nor denied the allegations, as is customary in such cases.

Pickens, 62, was a freewheeling corporate raider who made millions of dollars for Mesa stockholders during the 1980s by making takeover bids for other oil companies and then selling out his shares once the stock climbed.

Since 1986, Pickens has been the chairman of the United Shareholders Association (USA) of Washington, a group he founded to

lobby for shareholders rights—especially to prevent legislation that would interfere with takeovers.

On Monday, Pickens will be succeeded as head of USA by Charles Cox, a former SEC commissioner. USA said it has 64,000 members nationwide.

Harry M. Conger, chairman of Homestake, a San Francisco gold mining company, said he essentially agreed with the SEC action, although he questioned whether the \$2.3 million was a sufficient amount.

The SEC said Mesa announced on Feb. 29, 1988, that it wanted to negotiate a \$20-a-share purchase of Homestake Mining. Mesa disclosed then that it owned 3.5 million

See PICKENS, F4, Col. 1

PICKENS, From F1

million shares of Homestake, a 3.8 percent stake. After the announcement, the stock price rose \$4 to about \$18 a share.

The SEC alleged that on the same morning, Mesa sold 107,300 shares as well as 2,131 call options, which investors use to bet that a stock will rise.

From March 1 to March 11, 1988, Mesa sold another 3.2 million shares plus 1,200 call options, the SEC said.

The SEC said the Mesa press release on Homestake was "false and misleading" because it did not reveal Mesa intended to sell its shares.

Mesa said it had agreed to settle the SEC action "to avoid the time, distraction and expense of a protracted litigation."

Meanwhile, Mesa said it agreed to pay \$4.9 million to settle a class-action suit brought by Phillips Petroleum Co. shareholders against Mesa and Phillips.

Mesa, Phillips and other defendants agreed to pay a total \$6.7 million to settle the suit. In a Phillips-Mesa deal, Mesa sold back its shares to Phillips at a pretax profit of \$89 million.

Pickens settlements total \$7.2M

The Securities and Exchange Commission charged T. Boone Pickens on Thursday with stock manipulation stemming from his 1988 play for Homestake Mining.

Without admitting or denying guilt, the Texas oil baron and ex-corporate raider and his company, Mesa L.P., agreed to settle the charges by repaying \$2.3 million in profits to various investors.

At issue is a Mesa press release issued Feb. 29, 1988. It disclosed that Pickens, through Mesa, had acquired a 3.8% stake in Homestake and declared Pickens' intent to try a takeover of the gold-mining company. Homestake stock shot up 4 to \$18,

or 28.6%. That same day, however, Mesa began unloading its Homestake shares. In the next 12 days, it sold 3.3 million shares and 3,331 Homestake call options.

The SEC says Pickens should have issued another press release declaring his new resolve to sell rather than buy. Mesa officials say it is unclear just what legal burden the company was under to update its release.

Pickens did not return calls. He said in a written statement that he settled to "avoid the time, distraction and expense of protracted litigation."

Meanwhile, Mesa also announced that it had settled a class-action lawsuit, brought by shareholders, relat-

ed to Pickens' celebrated 1984 attempt to buy Phillips Petroleum.

That attempt failed but resulted in Phillips buying back Pickens' stock at a special premium — which brought charges of greenmail and triggered the lawsuit. Mesa will contribute \$4.9 million to a \$6.7 million fund that will be used to compensate Phillips investors.

Will this hurt Pickens' long-rebuffed efforts to get a board seat at Koito, a Japanese company of which he bought 26%? A.G. Edwards analyst Ron Londe says it can't hurt Pickens' credibility in Japan simply because "he doesn't have any."

— James K/im

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June 18, 1990

COLLST.
LEE G. PAUL
ROBERT P. HASTINGS
LEONARD S. JANOFSKY
CHARLES M. WALKER

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MINATO-KU, TOKYO 105
TELEPHONE 103: 507-0730

WRITERS DIRECT DIAL NUMBER

(202) 457-9477

OUR FILE NO.

Honorable S. Linn Williams
Deputy U.S. Trade Representative
Office of the U.S. Trade Representative
600 - 17th Street, N.W.
Washington, D.C. 20506

Re: Koito/Pickens

Dear Ambassador Williams:

I enclose some items regarding Koito Manufacturing Co. and the Japanese auto industry that I thought would be of interest to you. They respond to certain recent allegations made by Mr. T. Boone Pickens regarding his ongoing dispute with Koito.

The first item is a set of charts summarizing recent financial results for the three major auto lighting companies in Japan.

The data come from published reports on year-end results. The figures show that Koito has consistently had the highest operating margins and strongest growth of the three companies. Koito could not outperform its competitors if, as Mr. Pickens persistently contends, Koito were somehow being forced to give improper discounts to Toyota, its largest customer.

Moreover, Koito sells nearly as many auto products to other Japanese manufacturers (including Nissan, Mazda, Mitsubishi and Isuzu) as to Toyota. These buyers would hardly pay premium prices to Koito, yet that would be the only way Koito could maintain its profit record if large discounts were being given to Toyota.

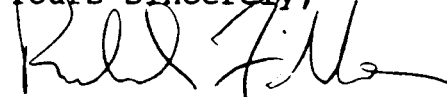
Honorable S. Linn Williams
June 18, 1990
Page 2

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I hope these materials are helpful. Please let me know if you have any questions.

Yours sincerely,



Richard Fairbanks
of PAUL, HASTINGS, JANOFSKY & WALKER

(Registered Agent for Koito Mfg. Co.)

Enclosures
cc: Mr. William Piez

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PAUL, HASTINGS, JANOFSKY & WALKER

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OUR FILE NO

Honorable Richard T. McCormack
Under Secretary for Economic Affairs
E - Room 7256
U.S. Department of State
Washington, D.C. 20520

Re: Koito/Pickens

Dear Secretary McCormack:

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Honorable Richard T. McCormack
June 18, 1990
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Yours sincerely,



Richard Fairbanks
of PAUL, HASTINGS, JANOFSKY & WALKER

(Registered Agent for Koito Mfg. Co.)

Enclosures
cc: Honorable Eugene J. McAllister

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October 5, 1990

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WRITERS DIRECT DIAL NUMBER

OUR FILE NO.

457-9435

BY FACSIMILE

Hon. S. Linn Williams
Deputy United States Trade Representative
Office of the United States Trade Representative
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Re: Koito-Pickens

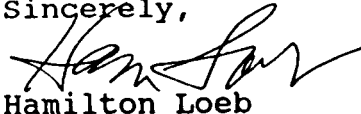
Dear Ambassador Williams:

I thought you might be interested in the attached memorandum, which we provided in response to an inquiry from Greg Christopolus in the Office of International Affairs at the Treasury Department, concerning foreign nationals on the boards of directors of Japanese companies.

Mr. Christopolus was following up on discussions we had yesterday with him, Bill Barreda and Steve Canner.

Please do not hesitate to contact me if you have questions.

Sincerely,



Hamilton Loeb

of PAUL, HASTINGS, JANOFSKY & WALKER

Attachment

cc: Mr. William Piez
Ms. Merritt Jano

PAUL. HASTINGS. JANOFSKY & WALKER

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

MEMORANDUM

TO: Greg Christopulos
Office of International Affairs
U.S. Department of the Treasury

FROM: Scott M. Flicker *SA*

SUBJECT: Non-Japanese on the Boards of Japanese Companies

DATE: October 5, 1990

FILE NO:

COPIES TO: HLoeb

In response to your question this morning about the number of Americans on the boards of Japanese companies in Japan, I have located the attached list of 48 companies listed on the First and Second Sections of the Tokyo Stock Exchange which have non-Japanese members on their board of directors. This list was assembled in May of this year by a colleague in Japan and is by no means a systematic or comprehensive analysis. The numbers are nonetheless substantial. The list does not specify the nationalities of the non-Japanese board members. (We have been advised that Sony, which lists two foreign nationals, has at least one American on its board. We do not know this directly, however.)

Many of the firms listed are obviously joint venture companies between Japanese and foreign businesses. While Mr. Pickens is fond of referring to many examples of Japanese nationals on the boards of U.S. companies, he neglects to note that most of those U.S. examples arise in a similar context -- joint venture companies, acquired companies, or those situations when a friendly investor acquires a substantial shareholding (and frequently enters into a technology or marketing exchange agreement with the U.S. firm).

In addition to the companies listed, Japan's number one securities firm, Nomura Securities Co., recently named Max Chapman, who heads Nomura's U.S. operations, to its board of directors in Japan. Attached is a copy of an article from the April 25, 1990 edition of the Wall Street Journal reporting Mr. Chapman's nomination. He was confirmed in late June.

To put this information and the Pickens charges in context, it is important to remember that unlike U.S. companies, Japanese boards are not ordinarily populated

TO: Greg Christopulos
October 5, 1990
Page 2

by outside luminaries, but rather by officers and directors who participate in the everyday operation of the business. Thus the phenomenon and role of what we in the U.S. would call "outside" directors is fundamentally different in Japan.

The Koito board is composed almost entirely of "inside" directors. (We stress that there is no outside Toyota nominee on Koito's 20-member board. Three former Toyota executives who have been with Koito for between 12 and 20 years do serve on the board, but they are "inside" directors, have no connection with Toyota and do not represent Toyota's interests on the board.)

Regarding your question this morning on whether the filings under the impending Japanese disclosure law will be available publicly, we are checking with colleagues in Japan and hope to learn more shortly.

If you have any questions about this or any other aspect of this matter, do not hesitate to call me or Ham Loeb in this office.

- 1) Prima Meat Packers Ltd. (プリマハム ㈱)
- 2) Japan Maize Products Co., Ltd. (日本食品加工 ㈱)
- 3) Japan Vilene Co., Ltd. (日本バイリーン ㈱)
- 4) Teisan K.K. (テイサン ㈱)
- 5) Daido Oxygen Co., Ltd. (大同酸素 ㈱)
- 6) Hoxan Corp. (協はくさん)
- 7) Osaka Sanso Kogyo Ltd, (大阪酸素工業 ㈱)
- 8) Mitsubishi Petrochemical Co., Ltd. (三菱油化 ㈱)
- 9) Banyu Pharmaceutical Co., Ltd. (萬有製薬 ㈱)
- 10) Takasago Perfumery Co., Ltd. (高砂香料工業 ㈱)
- 11) SHOWA SHELL SEKIYU K.K. (昭和シェル石油 ㈱)
- 12) Tonen Corporation (東燃 ㈱)
- 13) Koa Oil Co., Ltd. (興亜石油 ㈱)
- 14) General Sekiyu K.K. (ゼネラル石油 ㈱)
- 15) Iwaki Glass Company, Limited (岩城硝子 ㈱)
- 16) Nippon Light Metal Company Ltd. (日本軽金属 ㈱)
- 17) Shimura Kako Co., Ltd. (志村加工 ㈱)
- 18) Toyo Aluminium K.K. (東洋アルミニウム ㈱)

E.E.Jarrel

W.F.Cody

W.Haas

H.Wollgiehn, P.D.Delaroche /Others

R.W.Revis

E.A.Kampoucis

G.A.Scott, S.Waldman

A.J.C.Black, M.D.Church

B.O.Wright, C.P.Taeush

A.E.Griffith

A.J.C.Black

L.K.Stroll, K.A.Beyreis, D.Towers

R.F.Johnson, S.S.Miller /Others

T.E.Young, C.H.Marker,
S.B.L.Penrose /Others

C.P.W.Booth, G.F.DiCicco

A.A.Hodgson, C.W.Birkett /Others

K.H.Belcher

C.W.Birkett, S.B.Heister

19)	Diesel Kiki Co., Ltd. (ディーゼル機器㈱)	H. Eisele
20)	SMC CORPORATION (エスエムシー㈱)	P. G. Driver, M. W. Licka
21)	Uchida Oil Hydraulics Mfg. Co., Ltd. (内田油圧機器工業㈱)	H. D. Klingenberg
22)	SANDEN CORPORATION (サンデン㈱)	R. W. Jones
23)	Max Co., Ltd. (マックス㈱)	D. M. Hadlow, C. C. Schuler, H. A. Brown
24)	Eagle Industry Co., Ltd. (イーグル工業㈱)	J. M. Kahasky / Others 1
25)	Fuji Electric Co., Ltd. (富士電機㈱)	R. Ernst
26)	Sony Corporation (ソニー㈱)	J. J. Schmuckli, M. P. Schulhof
27)	KENWOOD CORPORATION (ケンウッド)	I. Hupperts
28)	Sansui Electric Co., Ltd. (山水電気㈱)	N. R. Wirsching, D. S. Fawcus / Others 5
29)	Marantz Japan Inc. (日本マランツ㈱)	J. C. Breen, H. Th. Hoksbergen / Others 5
30)	Yamatake-Honeywell Co., Ltd. (山武ハネウェル㈱)	M. R. Bonsignore, L. W. Knovlauch
31)	Nippon Avionics Co., Ltd. (日本アビオニクス㈱)	M. T. Smith
32)	NCR Japan, Ltd. (日本エヌ・シー・アール㈱)	W. A. Castray, A. K. Gujadhur, N. P. Hudd / Others 9
33)	KYOCERA CORPORATION (京セラ㈱)	R. N. Lanthorne / Others 1
34)	Nihon Inter Electronics Corporation (日本インター㈱)	E. Ridoh
35)	Isuzu Motors Ltd. (いすゞ自動車㈱)	R. R. Johnson / Others 4
36)	Mazda Motor Corporation (マツダ㈱)	W. L. Kath, / Others 2

37)	Tokyo Koki Seizosho Ltd. (株式会社衛機製造所)	H. Rasinger, A. Xingas
38)	Tokyo Keiki Co., Ltd. (株式会社計器)	Otto P. Langosch
39)	Oval Engineering Co., Ltd. (オーバル機器工業株式会社)	L. H. Gilby
41)	Chinon Industries Inc. (チノン株式会社)	J. R. Mills
42)	SEGA ENTERPRISES, LTD. (セガ・エンタープライゼス)	D. Rosen
43)	Miroku Firearms Manufacturing Co., Ltd. (株式会社ミロク製作所)	D. Gobel
44)	C. ITOH & Co., Ltd. (伊藤忠商事株式会社)	J. W. Chai
45)	R. K. Mizuno Sporting Goods Co., Ltd. (ミズノ株式会社)	Jack Curran
46)	Nihon Unisys, Ltd. (日本ユニシス株式会社)	R. M. Fisher, H. L. Liebergod / Others 6
47)	Tokyu Hotel Chain Co., Ltd. (株式会社東急ホテルチェーン)	Karl Hoermann
48)	ASATSU INC. (株式会社旭通信社)	A. Rosenshine

Chapman to Be Nominated To Spot on Nomura Board

By a WALL STREET JOURNAL Staff Reporter

NEW YORK—Max C. Chapman Jr., co-chairman of the U.S. unit of Nomura Securities Co., will be nominated to the board of the parent company in a vote Wednesday in Tokyo, according to sources close to Nomura.

Before joining the 40-member board of the world's largest investment bank, Mr. Chapman must be approved at another board meeting in mid-May and by shareholders at the annual meeting June 29.

If Mr. Chapman joins the board, as is expected, he will be the first non-Japanese ever chosen to serve in that group. The former president of Kidder, Peabody & Co. joined the U.S. unit Oct. 2, after being passed over for the chief executive's job at the broker-dealer's holding company, a unit of General Electric Co.

P.J. Johnson, a Nomura spokesman in New York, said that Mr. Chapman is one of several candidates for the board and that election shouldn't be taken for granted. Nevertheless, a ranking board member in Tokyo said that Mr. Chapman "clearly deserves membership on the board, and his hiring indicates our commitment to expanding Nomura's global presence."

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September 14, 1990

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(202) 457-9477

OUR FILE NO

BY HAND

Hon. Carla Hills
United States Trade Representative
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Re: Koito-Pickens Dispute

Dear Ambassador Hills:

I am writing to provide you further information in light of the continued effort by T. Boone Pickens -- most recently evidenced by a set of newspaper ads -- to distort the facts surrounding his attack on Koito Manufacturing Co. and to ensnare the U.S. government in what Koito believes is a pure greenmail scheme.

Mr. Pickens' current campaign is based on a series of distortions and falsehoods about the Koito shareholder meeting last June. I have enclosed a Fact Sheet on the shareholder meeting that sets the record straight. In short, the facts are:

- The meeting was conducted exactly according to the procedures Mr. Pickens and his legal representatives had agreed to in advance. It dealt fully with his proposals, and was no sham.
- All of Mr. Pickens' questions and complaints were answered on the public record at the meeting.
- The Pickens group was treated by Koito no differently than Japanese shareholders and, indeed, was specially accommodated to assure their ability to participate.

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OUR FILE NO.

BY HAND

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Deputy United States Trade Representatives
600 Seventeenth Street, N.W.
Washington, D.C. 20506

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Hon. S. Linn Williams
September 14, 1990
Page 2

- Any insults directed at Mr. Pickens' group during the meeting were shouted by professional hecklers (sokaiya), not ordinary Japanese shareholders. These hecklers insulted Koito as frequently as they did Mr. Pickens.

It is regrettable that, as is common at Japanese shareholder meetings, professional underworld hecklers known as sokaiya sought to disrupt the meeting. The Japanese press has reported that the sokaiya who attended the meeting were under the control of Mr. Pickens' partner, Kitaro Watanabe, the greenmailer who transferred the Koito shares to Mr. Pickens after failing twice to coerce a greenmail payment from Koito. Koito has no way of establishing whether these press reports are true. It categorically denies, however, Mr. Pickens' false and malicious assertion that the hecklers were controlled, supported, or paid by Koito.

Mr. Pickens would like U.S. officials to believe that the disruption at the meeting came from ordinary Japanese shareholders. His blatant (and knowing) mischaracterization of the sokaiya conduct is a further shameless effort to exploit and exacerbate popular tensions for his personal gain. We believe that Mr. Pickens' tactics in these times of sensitive U.S.-Japan relations are highly irresponsible.

Please do not hesitate to contact me if you have questions.

Sincerely,



Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER

cc: Mr. William Piez

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OUR FILE NO

BY HAND

Hon. Wayne Berman
Counselor to the Secretary
Department of Commerce
Washington, DC 20230

Re: Koito-Pickens Dispute

Dear Mr. Berman:

I am writing to provide you further information in light of the continued effort by T. Boone Pickens -- most recently evidenced by a set of newspaper ads -- to distort the facts surrounding his attack on Koito Manufacturing Co. and to ensnare the U.S. government in what Koito believes is a pure greenmail scheme.

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WRITERS DIRECT DIAL NUMBER
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OUR FILE NO.

BY HAND

Hon. Michael J. Farren
Under Secretary for International Trade
Department of Commerce
Herbert C. Hoover Building, Room 3850
14th Street & Constitution Avenue, N.W.
Washington, DC 20230

Dear Mr. Farren:

I am writing to provide you further information in light of the continued effort by T. Boone Pickens -- most recently evidenced by a set of newspaper ads -- to distort the facts surrounding his attack on Koito Manufacturing Co. and to ensnare the U.S. government in what Koito believes is a pure greenmail scheme.

Mr. Pickens' current campaign is based on a series of distortions and falsehoods about the Koito shareholder meeting last June. I have enclosed a Fact Sheet on the shareholder meeting that sets the record straight. In short, the facts are:

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- All of Mr. Pickens' questions and complaints were answered on the public record at the meeting.
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✓

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PAUL, HASTINGS, JANOFSKY & WALKER

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OUR FILE NO

BY HAND

Hon. Maureen Smith
Deputy Assistant Secretary for Japan
Department of Commerce
Herbert C. Hoover Building, Room 2318
14th Street & Constitution Avenue, N.W.
Washington, DC 20230

Dear Ms. Smith:

I am writing to provide you further information in light of the continued effort by T. Boone Pickens -- most recently evidenced by a set of newspaper ads -- to distort the facts surrounding his attack on Koito Manufacturing Co. and to ensnare the U.S. government in what Koito believes is a pure greenmail scheme.

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OUR FILE NO

BY HAND

Hon. John Robson
Deputy Secretary
Department of Treasury
1500 Pennsylvania Avenue, N.W.
Room 3326
Washington, D.C. 20220

Re: Koito-Pickens Dispute

Dear Mr. Robson:

I am writing to provide you further information in light of the continued effort by T. Boone Pickens -- most recently evidenced by a set of newspaper ads -- to distort the facts surrounding his attack on Koito Manufacturing Co. and to ensnare the U.S. government in what Koito believes is a pure greenmail scheme.

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OUR FILE NO.

BY HAND

Hon. John M. Niehuss
Deputy Assistant Secretary for
International Economic Policy
Department of Treasury
1500 Pennsylvania Avenue, N.W.
Room 3221
Washington, DC 20220

Dear Mr. Niehuss:

I am writing to provide you further information in light of the continued effort by T. Boone Pickens -- most recently evidenced by a set of newspaper ads -- to distort the facts surrounding his attack on Koito Manufacturing Co. and to ensnare the U.S. government in what Koito believes is a pure greenmail scheme.

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Hon. John M. Niehuss
September 14, 1990
Page 2

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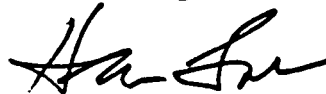
- Any insults directed at Mr. Pickens' group during the meeting were shouted by professional hecklers (sokaiya), not ordinary Japanese shareholders. These hecklers insulted Koito as frequently as they did Mr. Pickens.

It is regrettable that, as is common at Japanese shareholder meetings, professional underworld hecklers known as sokaiya sought to disrupt the meeting. The Japanese press has reported that the sokaiya who attended the meeting were under the control of Mr. Pickens' partner, Kitaro Watanabe, the greenmailer who transferred the Koito shares to Mr. Pickens after failing twice to coerce a greenmail payment from Koito. Koito has no way of establishing whether these press reports are true. It categorically denies, however, Mr. Pickens' false and malicious assertion that the hecklers were controlled, supported, or paid by Koito.

Mr. Pickens would like U.S. officials to believe that the disruption at the meeting came from ordinary Japanese shareholders. His blatant (and knowing) mischaracterization of the sokaiya conduct is a further shameless effort to exploit and exacerbate popular tensions for his personal gain. We believe that Mr. Pickens' tactics in these times of sensitive U.S.-Japan relations are highly irresponsible.

Please do not hesitate to contact me if you have questions.

Sincerely,



Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER

Enclosure

cc: Mr. Stephen J. Canner
Mr. Matthew Goodman

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WRITERS DIRECT DIAL NUMBER

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OUR FILE NO.

BY HAND

Hon. Robert M. Kimmitt
Under Secretary for Political Affairs
Department of State
Room 7208
Washington, DC 20520

Dear Mr. *BA* Kimmitt:

I am writing to provide you further information in light of the continued effort by T. Boone Pickens -- most recently evidenced by a set of newspaper ads -- to distort the facts surrounding his attack on Koito Manufacturing Co. and to ensnare the U.S. government in what Koito believes is a pure greenmail scheme.

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WRITER'S DIRECT DIAL NUMBER

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OUR FILE NO

BY HAND

Hon. Richard T. McCormack
Under Secretary for Economic Affairs
Department of State
Room 7256
Washington, DC 20520

Re: Koito-Pickens Dispute

Dear Ambassador McCormack:

I am writing to provide you further information in light of the continued effort by T. Boone Pickens -- most recently evidenced by a set of newspaper ads -- to distort the facts surrounding his attack on Koito Manufacturing Co. and to ensnare the U.S. government in what Koito believes is a pure greenmail scheme.

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Hon. Richard T. McCormack
September 14, 1990
Page 2

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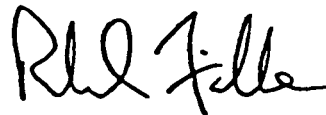
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Please do not hesitate to contact me if you have questions.

Sincerely,



Richard Fairbanks
of PAUL, HASTINGS, JANOFSKY & WALKER

Enclosure

cc: Mr. Eugene J. McAllister

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PAUL, HASTINGS, JANOFSKY & WALKER

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OUR FILE NO.

BY HAND

Mr. Charles S. Stark
Chief Foreign Commerce Section
U.S. Department of Justice
10th Street & Constitution Avenue, N.W.
Washington, D.C. 20530

Dear Mr. Stark:

I am writing to provide you further information in light of the continued effort by T. Boone Pickens -- most recently evidenced by a set of newspaper ads -- to distort the facts surrounding his attack on Koito Manufacturing Co. and to ensnare the U.S. government in what Koito believes is a pure greenmail scheme.

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Yakuza connection surfaces in Pickens' stock fight

By James Dooley
Advertiser Staff Writer

Japanese organized crime — yakuza — and a Tokyo financier with huge Hawaii holdings are major players in the bitter stock fight now being waged in Japan by American corporate raider T. Boone Pickens.

The financier is Kitaro Watanabe, president of Azabu USA, Inc., purchaser since 1987 of some \$500 million in Hawaii real properties.

The yakuza group is the Sumiyoshi Rengo-kai, Tokyo's largest criminal confederation, controller of a right-wing political organization called Nihon Seishinsha that surfaced last week in the middle of the Pickens financial fray in Tokyo.

The executive director of Nihon Seishinsha, Toyohisa Etoh, delivered a "rambling discourse" at Thursday's tumultuous annual meeting of the Japanese corporation that Pickens was targeted for an apparent takeover attempt, according to wire service accounts of the meeting.

Pickens, a Texas oilman, acquired a 20.2 percent interest in the corporation, auto parts and manufacturer Koito Manufacturing Co. in March from Watanabe.

In a series of stories published last August concerning yakuza connections to the golf and vacation resort industries in Japan and this country, The Advertiser reported that Watanabe "confers regularly" in Tokyo with Etoh of the Nihon Seishinsha.

The Advertiser and the CBS news program "60 Minutes" profiled the leader of the Nihon Seishinsha, Kusuo Kobayashi, a high-level Sumiyoshi Rengo-kai executive with ties to Hawaii and Southern California.

Watanabe is a onetime Toyota used car dealer who amassed a large personal fortune through speculation in the Japanese real estate and stock markets. In 1987-88, Watanabe's Azabu USA, Inc., spent some \$500 million acquiring six major Hawaii hotels. The company now controls 4,420 hotel rooms in the islands, the third-largest block of rooms under single ownership (Outrigger Hotels with more than 5,000 rooms, is the "largest" and business leaders that is remarkable by American standards. Many yakuza gangs openly operate right-wing political organizations that stage public rallies and dispatch caravans of quasi-military vehicles through city streets, broadcast-

Osano himself had excellent connections to the yakuza, through city streets, broadcast-



Kitaro Watanabe
Firm has big Isle holdings

connections to the yakuza, through another right-wing political organization called Dai Nippon Heiwa Kai (Greater Japan Peace Organization), as reported by The Advertiser in 1980.

The yakuza enjoy access to influential Japanese political and business leaders that is remarkable by American standards. Many yakuza gangs openly operate right-wing political organizations that stage public rallies and dispatch caravans of quasi-military vehicles through city streets, broadcast-



T. Boone Pickens
First I've heard of it

ing anti-communist and nationalist slogans through roof-mounted loudspeakers. The groups demand and receive "political donations" from Japanese corporations, but police say the political trappings disguise nothing more than corporate extortion.

A 1985 Tokyo police report singled out Kusuo Kobayashi and the Nihon Seishinsha (Japanese Youth Company) group for criticism, saying they practice "blackmailing of enterprises through tactics of pretended right-wing activity."

Watanabe's Hawaii attorney Jon Miho, whose other clients have included the Japanese Consulate here, told The Advertiser last year that the yakuza exert no influence over Azabu's business activities in Hawaii.

But he added that connections between the yakuza and Japanese businesses, large and small, "are a fact of life in Japan."

Miho said that "many, many, many large corporations, especially those that deal with the public, have to deal with these guys."

Miho acknowledged that an Azabu property here, the "Ala Moana Hotel," had purchased furniture from a Hawaii company headed by the son of Sumiyoshi Rengo executive Kusuo Kobayashi and longtime Kobayashi associate Teisuo "Leo" Orii, but he said the business relationship was "not a significant one."

Now Pickens' foray into Japanese corporate circles may have bought him more than he bargained for: ties to the yakuza.

Advisers to his takeover target, Koito Manufacturing, told journalists in Tokyo last week that the firm was reeling from criticism, saying they practice "blackmailing of enterprises through tactics of pretended right-wing activity."

"Mr. Pickens' ties to the Japanese underworld," according to the Wall Street Journal.

The Koito advisers "hinted" that Watanabe "is tied to crime syndicates," the Journal said.

Pickens told the newspaper he was unaware of such ties, saying, "It's the first I've heard of it."

On Thursday, Pickens' effort to place three representatives on the Koito board of directors was soundly defeated by a stockholders' vote.

Pickens wondered in an address to the Koito board if the reason for the snub "is because I'm not Japanese."

"You invest freely in my country, the United States, yet I invest in Japan and am excluded," he said.

At a press conference later, Pickens would not answer questions about his financial arrangements with Watanabe.

Koito has accused Watanabe of twice attempting to "greenmail" the company last year. Greenmail involves the purchase of a large block of corporate stock as part of a takeover bid and then reselling it to the company at a higher price.

Pickens' acquisition of the Koito shares this year is likewise perceived in Japan as a greenmail effort.

KOITO 1990 SHAREHOLDER MEETING

On June 28, Koito held its 1990 annual shareholder meeting. The meeting lasted roughly three hours. The shareholders considered eight proposals, seven of which were made by Pickens' private company, Boone Co.

At Pickens' request, and well in advance of the meeting, the Tokyo court appointed a meeting inspector to ensure that the meeting was run fairly and that orderly procedures were established for debating and voting on the various resolutions. Specific agreements about the meeting procedures and agenda were worked out in several meetings between the inspector and representatives of Koito and Pickens in the weeks before the meeting.

Pickens publicly acknowledged in advance of the meeting that his campaign to collect proxies obtained support from less than 2% of the other shareholders, and therefore he expected his proposals to lose at the meeting. Under these circumstances, Koito had no interest in altering the format of the meeting or placing Boone Co. at a disadvantage.

Since the meeting, Boone Pickens has engaged in a series of fabrications, falsehoods, and distortions designed to malign Koito's conduct of the meeting. Among these falsehoods are charges that Koito paid for or controlled the sokaiya (gangster-related shareholders) who attempted to disrupt the meeting and to heckle those attending, that Koito discriminated against the Pickens group and treated them rudely, that Koito would not answer Pickens' questions, and that the meeting was a sham. The facts are as follows:

- ▶ The professional hecklers (sokaiya) insulted Koito as frequently as they did Pickens. They were not paid or controlled by Koito; if anyone paid them, it was Watanabe, Pickens' partner.
- As is regrettably common at Japanese shareholder meetings, gangster-related sokaiya shareholders

Prepared by Paul, Hastings, Janofsky & Walker, 1050 Connecticut Avenue, N.W., Washington, D.C. 20036, which is registered under 22 U.S.C. §§ 661 et seq. with the Department of Justice, Washington, D.C., as a representative of Koito Mfg. Co., 4-8-3, Takanawa, Minato-ku, Tokyo, Japan. Pursuant to the Act, the registration statement is available for inspection at, and copies of this document are being filed with the Department of Justice. Registration with the Department of Justice does not indicate approval or disapproval by the United States Government of the contents of this document.

tried to disrupt the meeting with rude remarks.^{1/} They shouted at the Koito management with the same hostility as they shouted at Pickens. The company did not provide the sokaiya with microphones or interpret their remarks into English, thereby sparing all attending the meeting, including the American shareholders, from the brunt of the comments.

- Contrary to Pickens' false and malicious charge, the sokaiya were not paid by Koito. It is illegal under Japanese law for a company to pay sokaiya in connection with its annual meeting, and Koito did not pay or control the hecklers at its meeting in any way.
- The informed speculation in the Japanese press, in fact, is that the sokaiya were controlled by Mr. Pickens' acknowledged partner, Japanese greenmailer Kitaro Watanabe, with instructions to embarrass Koito. (See attached article.)
- ▶ All of Pickens' questions and complaints were answered.
 - Pickens submitted seven proposals for shareholder consideration. His arguments for each of them were reprinted in Koito's meeting notice to all shareholders (he also sent his own proxy statement) and Koito responded in writing to each proposal in the notice.
 - Pickens submitted seven specific questions in writing in advance of the meeting, pursuant to a procedure agreed to by Pickens in the pre-meeting negotiations. This procedure, whereby a portion of the meeting is spent responding to written questions submitted in advance, is a common practice at Japanese shareholder meetings and is

^{1/} The State Department describes sokaiya as "thugs attending as shareholders who attempt to intimidate boards of directors by threatening to be obstreperous, ask hard questions, or more directly threaten the physical safety of participants at shareholders' meetings." As disruptive as the sokaiya can be, it is ill-advised to attempt to eject them from a shareholder meeting because to do so creates an unreasonable risk of violence.

intended to avoid domination of the meeting by sokaiya and to permit a reasoned discussion of the issues. Responses to each of Pickens' questions were read by Koito officials during this portion of the meeting, which preceded the questions from the floor, as called for in the agreed-upon procedures. Over 26 written questions from other shareholders were also answered during this portion of the meeting. In all, Koito took about 40 minutes of meeting time to answer these written questions.

- The Pickens group was given a full opportunity to ask questions from the floor on the shareholder proposals under consideration. Where the questions were germane to the proposal under discussion, they were responded to. As stipulated in the pre-approved meeting procedures, where the questions were repetitive of questions addressed earlier, they were answered by reference to the earlier question.
- At the pre-meeting negotiations, Pickens agreed that initial floor questions would be limited to those addressing the first proposals to be discussed (the dividend proposals). But at the meeting, he and his affiliates repeatedly attempted to ask non-germane questions.
- The Pickens group was treated by Koito no differently than Japanese shareholders, and was specially accommodated to assure their ability to participate.
- Of 33 written questions responded to at the meeting, seven were from Pickens.
- Of the 12 shareholders who were recognized to ask questions from the floor on pending proposals, five were from the Pickens group. (These included his paid Washington lobbyists and PR agents, who claim to be shareholders.) During the negotiations prior to the meeting it was agreed that the chair would alternate between recognizing Japanese and non-Japanese questioners from the floor. Of the seven Japanese shareholders who asked questions, nearly every one of the Japanese questioners was told by the Koito chairman to get to the point or to stick to questions pertinent to

the proposal being debated, or was told that his question was repetitive. Those Pickens questioners who got the same treatment were not handled any differently.

- At Pickens' request, Koito agreed to set aside a block of seats for the Pickens group, which wanted to arrive en masse just before the meeting and yet have assurances they would be able to sit in the main meeting room. (Seating is first-come, and late-arriving shareholders are normally directed to spillover rooms to watch the proceedings by telecast.) Pickens' group was given the best possible seating location, in the front of the room. Koito further ensured that the group was seated among legitimate shareholders to protect them from sokaiya. Though this was done at Pickens' request, he now tries to complain that this seating accommodation indicated hostility toward him.
- Koito provided (at its expense) simultaneous translation of the proceedings for the Pickens group and special microphone arrangements for Pickens. It also agreed to permit the press to view the proceeding via television, which is essentially unprecedented in Japanese (or American) annual meeting practice.
- ▶ The meeting was conducted exactly according to the procedures Pickens had agreed to in advance. It dealt fully with his proposals, and was no sham.
- Each step of the meeting followed the agenda and procedures negotiated by the court-appointed inspector at Pickens' request.
- Pickens was given repeated opportunities to explain his proposals to the Koito shareholders, first in Koito's meeting notice, then in his own proxy statement, then on the floor of the meeting. He took full advantage of these procedures.
- According to the New York Times, Pickens' walkout was entirely staged and had been discussed beforehand. Pickens' walkout and feigned indignation was the only sham occurring at the meeting.

- Pickens' staged his walkout just before the voting on his proposals, to avoid the embarrassing fact that his long campaign against Koito had garnered the support of less than 2% of the other shareholders. Under Japanese law, a proposal that fails to get a 10% vote cannot be raised again for three years. As a result of Pickens' walkout, he has forfeited the right to raise the same proposals again for three years.

by KEN SZYMKOWIAK

Prime time for sokaiya



This past month has seen hundreds of Japanese companies hold their annual shareholder meetings. This is also the prime feeding season for sokaiya (literally shareholder meeting men).

In May the Tokyo Metropolitan Police Department (MPD) announced that it would mobilize a special task force with its own headquarters to protect companies from sokaiya. Some 2,800 police officers were dispatched to company headquarters throughout Tokyo to maintain order and attempt to prevent known sokaiya from entering the meetings.

The companies, for their part, had their own strategy to thwart the extortionists. They banded together to stage 771 shareholder meetings on a single day, June 28. It was hoped that this would reduce the threat of disruption by cutting the number of meetings the sokaiya can attend. The Tokyo police estimate there are 1,207 active sokaiya nationwide, and 900 of them are based in the capital. Brief is best.

For a Japanese company, the shorter the shareholder meeting the better. Brief meetings are a sign of an efficient and well-run organization. Stockholder democracy is an almost unknown ideal in Japan. Management makes decisions about general company policy elsewhere. The rubber stamp is the shareholder meeting. Since most shares are held by top company officers or by other companies in an interlocking network, the activity is icing on the corporate cake.

If a meeting lasts more than 20 minutes, it's unusual and a sign of trouble or dissent within the organization. It is the job of the sokaiya to cause trouble. It is one way they use to make money.

They earn money by threatening companies. They threaten to disrupt shareholder meetings with embarrassing questions about the peccadilloes of top managers. Or they threaten to print their information in their private publications. A company can avoid embarrassment by buying the entire press run. Even if the threats are hollow, many Japanese companies will pay millions of yen to the sokaiya to keep them quiet. A tainted public image can hurt a company deeply.

In the early 1980s the president of Mitsukoshi department store was found to have supported a mistress using company funds. Sokaiya descended on the company, first demanding hush money and then, when refused, demanding his resignation. They got their wish. But not before other sokaiya formed a pro-Mitsukoshi defense group to extract funds.

Only gangsters?

To Western eyes, the sokaiya are nothing more than extortionists and gangsters with just a touch more class than their brothers who are hard core yakuza. (Indeed, some members have affiliations with major organized crime groups such as Yamaguchi-gumi. Others seek cover in right-wing political organizations which are protected from police harassment by the Constitution.) The Mitsukoshi case, and others, shows that they are also necessary, if not always welcome, tools of management.

Most people know of the Minamata disease in which pollution from a chemical company entered the food chain and eventually lead to birth defects in the town where the company was located. The townspeople banded together to demand restitution from the company. The company resisted and,

at one point, hired sokaiya thugs to quash any protest at the firm's shareholder meeting.

Thus the sokaiya are more than just gangsters. They are also skilled players on Japanese cultural values and traditions. Most important of these may be the concepts of *ura* and *omote*. *Ura* might best be translated as those things that happen or are permitted to take place behind the scenes and without public scrutiny. *Omote* is the public face. Both are true elements of the individual, the town or, in this case, the company.

Company "A" will present itself to the public (*omote*) as an efficient and well-run organization of incomparable honesty and class. The behind-the-scenes truth (*ura*) is that it is a cutthroat organization with internal strife and bitter management debates and a few scandals. Hide and seek.

The sokaiya know that every Japanese company wants to protect its *omote* and hide its *ura*. Threaten the former with revelations of the latter and companies pay off. One sokaiya organization boasted to the media that it collected 6 billion yen from companies who felt it was better to pay than risk scandal. (Mitsukoshi took several years to recover its profit level following the scandal involving its president.)

Just as the sokaiya's tactics work well in Japan, they don't carry much weight in the West where *omote* and *ura* are unknown. Instead, corporate gadflies serve an entirely different and far more legal function. One Japanese group, the largest in Japan with 40 known members, set up shop in New York at a cost of a quarter-million dollars in order to raid the meetings of top U.S. multinationals such as Bank of America and

General Motors. At the Bank of America meeting, when they tried to get information on financial deals between the bank and Japanese borrowers, they were slapped down and finally sent packing. They tried the same thing in Europe with similar results.

However, the lesson learned overseas doesn't keep them out of fights with an international flavor. One of the places they've been turning up is the ongoing battle between T. Boone Pickens and Koito, the manufacturing company. The board of directors of Koito has denied Pickens a seat on the board in spite of his owning a majority share of stock. *

It was reported in Japanese media that sokaiya were hired in 1989 by Pickens' ally Kitaro Watanabe who sold the shares to Pickens in the first place. According to reports, Watanabe gave 1,000 shares to 15 sokaiya with ties to Sumiyoshi-Rengo, another major organized crime outfit. This gave added ammunition for the Pickens-Koito showdown that is still going on.

Although laws are on the books that make sokaiya activities illegal, the fact is that they are more closely viewed as a necessary evil in the Japanese business world. The sokaiya's own *omote*, as described in interviews with members, is that of watchdogs of shareholder rights. The *ura*, as demonstrated above, is something else entirely. A solution?

One solution has been suggested although hardly considered by most Japanese companies, perhaps because it comes from the West or because of the deep-seated fear of admitting mistakes before you have to.

This solution was raised by Yasuhiko Ushiba, a recognized expert in, of all things, risk management.

This involves the scientific analysis of risk and then recommending action to reduce that risk. For example, if a company is handling potentially dangerous or toxic materials, a risk manager can help the company reduce its chances of having an accident.

He wrote a book in 1982 that describes how company officials can successfully fend off sokaiya attacks by using risk management techniques. Some 30,000 copies were sold (He has penned nearly a dozen others on the broader topic of risk management).

In spite of sales, the problem remains. It might be blamed on the concepts of *ura* and *omote*. Risk management requires a company to examine itself—kind of a corporate inventory of flaws—and then take steps to change these flaws. This very seldom happens because Japanese companies, Ushiba and others have said, don't want to admit mistakes to outsiders. Even admitting the potential for mistakes is taboo. They will cover up at all costs. Thus, with this reluctance to take internal inventory of flaws within operations and among executives, an active and knowledgeable sokaiya can continue to reap benefits.

Some sokaiya are very able at this, particularly those who carry degrees in law, economics and accounting from some of the top universities in the land such as Waseda and Hitotsubashi.

Ken Szymkowiak is a writer, researcher and translator specializing in Japan's economy and modern history. He is now based in Honolulu after working in Tokyo from 1983 to 1988.

* Pickens is the holder of record of 26% of Koito stock—not a majority share

Pickens steps up fight with Japan

T. Boone Pickens wants to enlist millions of U.S. newspaper readers in his crusade against Japanese business.

Pickens's ads in daily newspapers in 18 U.S. cities urge readers to call his toll-free hot line to protest unfair Japanese trade practices. For each call, the Texas investor will send a "custom letter" to Japanese Ambassador Ryohei Murata, Toyota Motors USA President Yukiyasu Togo and U.S. Trade Representative Carla Hills.

Pickens plans to spend \$500,000 on the three-week ad campaign and \$6 a call for the hot line and letters. The first of the letters should be delivered today by Western Union. A Pickens ad appears today in USA TODAY.

"Corporate Japan doesn't want participation by Americans," insists Pickens. He singled out Toyota because it owns 19% of Koito Manufacturing Co., a headlight manufacturer in which he has a 26% stake worth about \$1.1 billion. Pickens contends that Toyota controls Koito, which rebuffed his attempt to gain a seat on the Koito board of directors earlier this year.

"This is a matter between him and Koito," says Toyota Motors USA spokesman Jim Olson. "It struck me as a pretty foolish ad."

Pickens's ads are misleading, says embassy spokesman Noriyuki Shikata. "The majority of American people understand this issue in a more balanced fashion."

— James Cox

DETROIT FREE PRESS SEP 13 1940

PICKENS' Japan-Business Conference: Texas oilman J.

Boone Pickens is continuing his crusade against Japan's corporate culture, this time with an advertisement in today's Detroit Free Press. The ad — on page 13D — asks Americans to register their frustrations with Japan's business practices by calling a toll-free number. Pickens has been trying to gain a seat on the board of Kosho



Pickens Manufacturing Co., an oil company supplier, which Pickens holds a 26 percent stake.

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BURRELLES

NEWSPAPER
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WRITER'S DIRECT DIAL NUMBER

OUR FILE NO.

(202) 457-9477

Hon. Carla Hills
United States Trade Representative
600 Seventeenth Street, N.W.
Washington, DC 20506

Dear Amb. Hills:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

The enclosed information includes: a fact sheet containing, among other things, background on Mr. Watanabe and a description of the new Japanese securities disclosure law, the implementation of which has finally compelled Mr. Pickens to reveal his secret relationship with Mr. Watanabe; press accounts of Mr. Pickens' admission that Mr. Watanabe is the real party in interest behind the campaign against Koito; and translations of two items that recently appeared in the Japanese press on Mr. Watanabe's precarious financial condition.

These items demonstrate, as we have contended all along, that the Pickens-Watanabe-Koito matter is a unique situation that does not belong on the agenda of U.S.-Japan trade relations. Now that Mr. Pickens' claims of unfair treatment have been exposed for what they are, perhaps this matter finally can be put to rest.

December 5, 1990
Page 2

Please do not hesitate to call me if you have questions.

Sincerely

A handwritten signature in dark ink, appearing to read "Rich Fairbanks". The signature is fluid and cursive, with the first name "Rich" and last name "Fairbanks" clearly distinguishable.

Richard Fairbanks
of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
under Foreign Agent Registration Act

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WRITER'S DIRECT DIAL NUMBER

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OUR FILE NO

Hon. S. Linn Williams
Deputy United States Trade Representative
600 Seventeenth Street, N.W.
Washington, DC 20506

Dear Amb. Williams:

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Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
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WRITER'S DIRECT DIAL NUMBER

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(202) 457-9435

Ms. Merit E. Janow
Deputy Assistant U.S. Trade Representative
for Japan and China
Office of the United States Trade Representative
600 Seventeenth Street, N.W.
Washington, DC 20506

Dear Ms. Janow:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

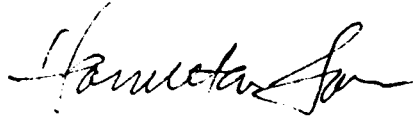
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of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
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(202) 457-9435

Hon. Michael J. Farren
Under Secretary for International Trade
Department of Commerce
Herbert C. Hoover Building, Room 3850
14th Street & Constitution Avenue, N.W.
Washington, DC 20230

Dear Secretary Farren:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

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Mr. Robert Francis
Deputy Assistant Secretary for Japan
Department of Commerce
Herbert C. Hoover Building, Room 2318
14th Street & Constitution Avenue, N.W.
Washington, DC 20230

Dear Mr. Francis:

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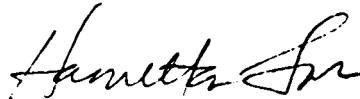
The enclosed information includes: a fact sheet containing, among other things, background on Mr. Watanabe and a description of the new Japanese securities disclosure law, the implementation of which has finally compelled Mr. Pickens to reveal his secret relationship with Mr. Watanabe; press accounts of Mr. Pickens' admission that Mr. Watanabe is the real party in interest behind the campaign against Koito; and translations of two items that recently appeared in the Japanese press on Mr. Watanabe's precarious financial condition.

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December 5, 1990
Page 2

Please do not hesitate to call me if you have
questions.

Sincerely

A handwritten signature in cursive script, appearing to read "Hamilton Loeb".

Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
under Foreign Agent Registration Act

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PAUL, HASTINGS, JANOFSKY & WALKER

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December 5, 1990

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WRITER'S DIRECT DIAL NUMBER

OUR FILE NO

(202) 457-9477

Hon. John Robson
Deputy Secretary
Department of Treasury
1500 Pennsylvania Avenue, N.W.
Room 3326
Washington, DC 20220

Dear Secretary Robson:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

The enclosed information includes: a fact sheet containing, among other things, background on Mr. Watanabe and a description of the new Japanese securities disclosure law, the implementation of which has finally compelled Mr. Pickens to reveal his secret relationship with Mr. Watanabe; press accounts of Mr. Pickens' admission that Mr. Watanabe is the real party in interest behind the campaign against Koito; and translations of two items that recently appeared in the Japanese press on Mr. Watanabe's precarious financial condition.

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December 5, 1990
Page 2

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Sincerely

A handwritten signature in cursive script, appearing to read "Rich Fairbanks".

Richard Fairbanks
of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
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December 5, 1990

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WRITER'S DIRECT DIAL NUMBER

(202) 457-9435

OUR FILE NO

Mr. William E. Barreda
Deputy Assistant Secretary for
Trade and Investment Policy
Department of Treasury
1500 Pennsylvania Avenue, N.W.
Room 3208
Washington, D.C. 20220

Dear Mr. Barreda:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

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December 5, 1990
Page 2

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Sincerely

A handwritten signature in dark ink, appearing to read "Ham Loeb", written in a cursive style.

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of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
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WRITER'S DIRECT DIAL NUMBER

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OUR FILE NO

Mr. Stephen J. Canner
Director, Office of
International Investment
Department of Treasury
1500 Pennsylvania Avenue, N.W.
Room 5100
Washington, DC 20220

Dear Mr. Canner:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

The enclosed information includes: a fact sheet containing, among other things, background on Mr. Watanabe and a description of the new Japanese securities disclosure law, the implementation of which has finally compelled Mr. Pickens to reveal his secret relationship with Mr. Watanabe; press accounts of Mr. Pickens' admission that Mr. Watanabe is the real party in interest behind the campaign against Koito; and translations of two items that recently appeared in the Japanese press on Mr. Watanabe's precarious financial condition.

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December 5, 1990
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Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
under Foreign Agent Registration Act

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WRITER'S DIRECT DIAL NUMBER

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OUR FILE NO

Mr. Roger W. Wallace
Deputy Under Secretary for International Trade
Department of Commerce
Herbert C. Hoover Building, Room 3840
14th Street & Constitution Avenue, N.W.
Washington, DC 20230

Dear Mr. Wallace:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

The enclosed information includes: a fact sheet containing, among other things, background on Mr. Watanabe and a description of the new Japanese securities disclosure law, the implementation of which has finally compelled Mr. Pickens to reveal his secret relationship with Mr. Watanabe; press accounts of Mr. Pickens' admission that Mr. Watanabe is the real party in interest behind the campaign against Koito; and translations of two items that recently appeared in the Japanese press on Mr. Watanabe's precarious financial condition.

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December 5, 1990
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Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
under Foreign Agent Registration Act

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July 24, 1990

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ROBERT F. HASTINGS
LEONARD S. JANOFSKY
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WRITER DIRECT DIAL NUMBER

457-9471

OUR FILE NO

VIA MESSENGER

Ms. Janet Milne
Office of Senator Lloyd Bentsen
703 Hart Senate Office Building
Washington, D.C. 20510

Re: Koito/Pickens

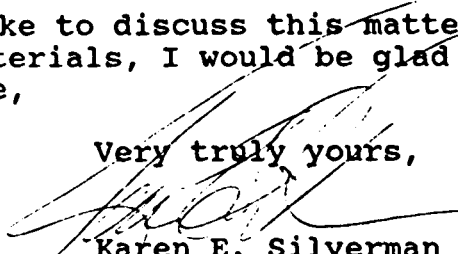
Dear Ms. Milne:

Thank you for taking the time to speak with me this morning. Enclosed please find the Pickens position paper entitled "Congressional Commentary on the Koito Affair." I have marked the second page where Senator Bentsen is quoted. As I explained, it is unclear when the Senators' remarks were made, and whether they were made in context.

Also enclosed are several recent press accounts of the corporate dispute between Koito Manufacturing Co. and Boone Pickens, as well as the Company's position papers and a letter from Koito's president to Mr. Pickens explaining the Company's dismay that Mr. Pickens found the June shareholders' meeting to be "unfair" after he and his lawyers took such time to agree with the Company upon a mutually acceptable agenda and procedures. Mr. Pickens' dramatic departure from the meeting, needless to say, was in disregard of this agreement.

If you would like to discuss this matter in greater depth after reviewing the materials, I would be glad to do so. Thank you again for your time,

Very truly yours,



Karen E. Silverman
for PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

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WRITER'S DIRECT DIAL NUMBER

457-9471

OUR FILE NO

VIA MESSENGER

Mr. Jerred Kotler
Office of Senator Biden
221 Russell Senate Office Building
Washington, D.C. 20510

Re: Koito/Pickens

Dear Mr. Kotler:

Thank you for taking the time to speak with me last week. Enclosed are several recent press accounts of the corporate dispute between Koito Manufacturing Co. and Boone Pickens, as well as the Company's position papers and a letter from Koito's president to Mr. Pickens explaining the Company's dismay that Mr. Pickens found the June shareholders' meeting to be "unfair" after he and his lawyers took such time to agree with the Company upon a mutually acceptable agenda and procedures. Mr. Pickens' dramatic departure from the meeting, needless to say, was in disregard of this agreement.

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Karen E. Silverman
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(Registered Agent for Koito Mfg. Co.)

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September 17, 1990

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WRITER'S DIRECT DIAL NUMBER
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OUR FILE NO

VIA MESSENGER

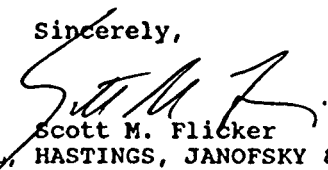
Kathleen Harrington
Office of Senator Christopher Dodd
Russell Senate Office Building
Room SR444
Washington, D.C. 20510

Dear Ms. Harrington:

This Firm is a registered agent for Koito Manufacturing Co., the Japanese company in which T. Boone Pickens allegedly maintains an investment. In light of the fact that Senator Dodd will be speaking today to the United Shareholders Association, Mr. Pickens' shareholders rights group, I thought you should have the enclosed information to brief the Senator. As you can see, Mr. Pickens' alleged investment raises a number of questions regarding the veracity and sincerity of his statements and intentions.

Please call me if you have any questions.

Sincerely,


Scott M. Flicker
for PAUL, HASTINGS, JANOFSKY & WALKER

SMF:ryh

Enclosures

Fact Sheet concerning stock acquisition by TRP
Fact Sheet on 1990 SA meeting
Fact Sheet on SoKanga
Wall Street Journal Editorial
Dallas Morning News "Numbers" piece
LA Times "Pickens Ducks Greenmail Investors"
New York Times, Pickens Ties Historic J Koito
Crain's Chicago Business

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July 17, 1990

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WRITER'S DIRECT DIAL NUMBER

(202) 457-9457

OUR FILE NO.

BY HAND

Ms. Martha Moloney
Executive Assistant
Office of Senator Wendell H. Ford
United States Senate
Washington, D.C. 20510

Re: Consumer Subcommittee Hearing on July 19

Dear Ms. Moloney:

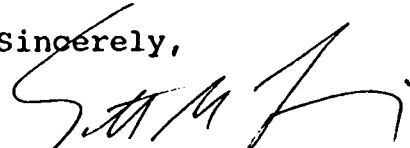
Thank you for taking the time to speak with me by telephone yesterday. I understand that the Consumer Subcommittee will be hearing from T. Boone Pickens on Thursday, July 19, following his return from the Koito Manufacturing Co. shareholders meeting in Tokyo last month. Senator Ford may be interested in the enclosed materials, including press stories covering this year's shareholders meeting. These materials describe the company's concern regarding the undisclosed financial relationship between Mr. Pickens and Japanese raider Kitaro Watanabe, and the company's belief that Mr. Pickens has been enlisted to help Mr. Watanabe extort a greenmail payment from Koito.

Mr. Pickens refuses to disclose the ongoing financial connection between him and Kitaro Watanabe, yet he continues to claim that Koito should overlook his secret Watanabe deal and his record as a greenmailer and put him on the board. Of course, so long as Mr. Pickens continues to act as a front for the greenmailing efforts of a Japanese corporate raider, his claims that Americans are being frozen out of corporate Japan are disingenuous and generate unwelcome friction between the U.S. and Japan.

Ms. Martha Moloney
July 17, 1990
Page 2

If you have any questions regarding these materials, I will be pleased to respond.

Sincerely,

A handwritten signature in dark ink, appearing to read "Scott M. Flicker". The signature is fluid and cursive, with the first name "Scott" being more prominent.

Scott M. Flicker
for PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

Enclosures

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WRITER'S DIRECT DIAL NUMBER

(202) 457-9457

OUR FILE NO.

BY HAND

Ms. Terri Claffey
Senior Legislative Assistant
Office of Senator Slade Gorton
United States Senate
Washington, D.C. 20510

Re: Consumer Subcommittee Hearing on July 19

Dear Ms. Claffey:

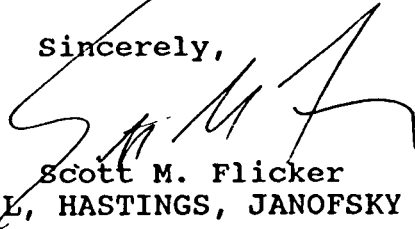
Thank you for taking the time to speak with me by telephone today. I understand that the Consumer Subcommittee will be hearing from T. Boone Pickens on Thursday, July 19, following his return from the Koito Manufacturing Co. shareholders meeting in Tokyo last month. Senator Gorton may be interested in the enclosed materials, including press stories covering this year's shareholders meeting. These materials describe the company's concern regarding the undisclosed financial relationship between Mr. Pickens and Japanese raider Kitaro Watanabe, and the company's belief that Mr. Pickens has been enlisted to help Mr. Watanabe extort a greenmail payment from Koito.

Mr. Pickens refuses to disclose the ongoing financial connection between him and Kitaro Watanabe, yet he continues to claim that Koito should overlook his secret Watanabe deal and his record as a greenmailer and put him on the board. Of course, so long as Mr. Pickens continues to act as a front for the greenmailing efforts of a Japanese corporate raider, his claims that Americans are being frozen out of corporate Japan are disingenuous and generate unwelcome friction between the U.S. and Japan.

Ms. Terri Claffey
July 17, 1990
Page 2

If you have any questions regarding these materials, I will be pleased to respond.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Scott M. Flicker', is written over the typed name.

Scott M. Flicker
for PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

Enclosures

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PAUL, HASTINGS, JANOFSKY & WALKER

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July 17, 1990

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WRITER'S DIRECT DIAL NUMBER

(202) 457-9457

OUR FILE NO

BY HAND

Ms. Carol Browner
Legislative Director
Office of Senator Albert Gore, Jr.
United States Senate
Washington, D.C. 20510

Re: Consumer Subcommittee Hearing on July 19

Dear Ms. Browner:

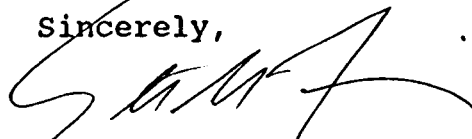
Thank you for taking the time to speak with me by telephone today. I understand that the Consumer Subcommittee will be hearing from T. Boone Pickens on Thursday, July 19, following his return from the Koito Manufacturing Co. shareholders meeting in Tokyo last month. Senator Gore may be interested in the enclosed materials, including press stories covering this year's shareholders meeting. These materials describe the company's concern regarding the undisclosed financial relationship between Mr. Pickens and Japanese raider Kitaro Watanabe, and the company's belief that Mr. Pickens has been enlisted to help Mr. Watanabe extort a greenmail payment from Koito.

Mr. Pickens refuses to disclose the ongoing financial connection between him and Kitaro Watanabe, yet he continues to claim that Koito should overlook his secret Watanabe deal and his record as a greenmailer and put him on the board. Of course, so long as Mr. Pickens continues to act as a front for the greenmailing efforts of a Japanese corporate raider, his claims that Americans are being frozen out of corporate Japan are disingenuous and generate unwelcome friction between the U.S. and Japan.

Ms. Carol Browner
July 17, 1990
Page 2

If you have any questions regarding these materials, I will be pleased to respond.

Sincerely,

A handwritten signature in black ink, appearing to read 'S M Flicker', written over the word 'Sincerely,'.

Scott M. Flicker
for PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

Enclosures

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WRITERS DIRECT DIAL NUMBER

457-9471

OUR FILE NO

VIA MESSENGER

Ms. Laura Tragesar
Office of Senator John Glenn
503 Hart Senate Office Building
Washington, D.C. 20510

Re: Koito/Pickens

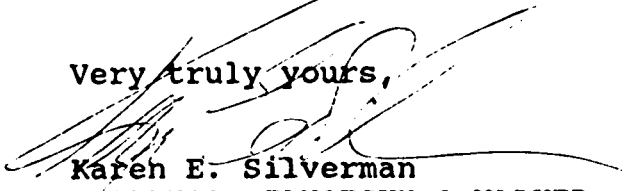
Dear Ms. Tragesar:

Thank you for taking the time to speak with me this morning. Enclosed please find the Pickens position paper entitled "Congressional Commentary on the Koito Affair." I have marked the second page where Senator Glenn is quoted. As I explained, it is unclear when the Senators' remarks were made, and whether they were made in context.

Also enclosed are several recent press accounts of the corporate dispute between Koito Manufacturing Co. and Boone Pickens, as well as the Company's position papers and a letter from Koito's president to Mr. Pickens explaining the Company's dismay that Mr. Pickens found the June shareholders' meeting to be "unfair" after he and his lawyers took such time to agree with the Company upon a mutually acceptable agenda and procedures. Mr. Pickens' dramatic departure from the meeting, needless to say, was in disregard of this agreement.

If you would like to discuss this matter in greater depth after reviewing the materials, I would be glad to do so. Thank you again for your time,

Very truly yours,


Karen E. Silverman
for PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

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July 23, 1990

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WRITER'S DIRECT DIAL NUMBER

457-9471

OUR FILE NO

VIA MESSENGER

Mr. Evan Liddiard
Office of Senator Orrin Hatch
135 Russell Senate Office Building
Washington, D.C. 20510

Re: Koito/Pickens

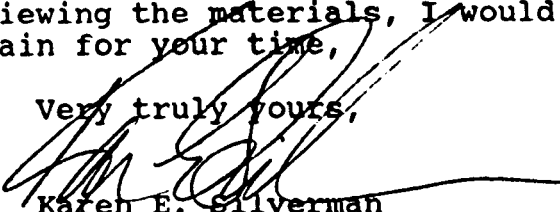
Dear Mr. Liddiard:

Thank you for taking the time to speak with me this morning. Enclosed please find the Pickens position paper entitled "Congressional Commentary on the Koito Affair." I have marked the second page where Senator Hatch is quoted. As I explained, it is unclear when the Senators' remarks were made, and whether they were made in context.

Also enclosed are several recent press accounts of the corporate dispute between Koito Manufacturing Co. and Boone Pickens, as well as a letter from Koito's president to Mr. Pickens explaining the Company's dismay that Mr. Pickens found the June shareholders' meeting to be "unfair" after he and his lawyers took such time to agree with the Company upon a mutually acceptable agenda and procedures. Mr. Pickens' dramatic departure from the meeting, needless to say, was in disregard of this agreement.

If you would like to discuss this matter in greater depth after reviewing the materials, I would be glad to do so. Thank you again for your time,

Very truly yours,


Karen E. Silverman

for PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

Enclosures

PAUL, HASTINGS, JANOFSKY & WALKER

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

MEMORANDUM

TO: Steve Brown
Office of Senator Orrin Hatch

DATE: October 3, 1990

FILE NO:

FROM: Judith R. Hope - WDC *JRH/smt*

COPIES TO:

SUBJECT: Pickens Media Alert

Attached is a copy of T. Boone Pickens' "media alert" on the letter sent to Carla Hills. I apologize for the poor quality of the copy. As you can see (and as we discussed), the "media alert" states that the Senators urged Ms. Hills in the letter to take specific action on the Koito-Pickens dispute.

We are also aware that the "media alert" falsely states that Senator Malcolm Wallop signed the letter. In fact, Senator Wallop explicitly refused to do so. We are following up with other Senate offices to determine if there are additional inaccuracies in the press release. Thanks again for speaking to me today.

Attachment

BOONE CO.

3001 WILL CROW CENTER
3001 BONE AVENUE
DALLAS TEXAS 75244

BOONE PICKENS
ROBERT L. FITZGERALD
SANDY L. TAYLOR

TELEPHONE (214) 904-2200
TELEFAX (214) 904-2222

September 26, 1990

MEDIA ALERT

Thirty-two U.S. Senators today sent a letter to U.S. Trade Representative Carla Hills urging action on the refusal of Keio Manufacturing to seat its largest investor, Boone Co., on its board of directors. The letter, which follows, states that many previous agreements with the Japanese have failed, and encourages the USTR to use her office to make certain the recently completed GATT talks don't also result in failure. The signers include the Chairman and ranking members of the Senate Finance Committee which has authority over all trade-related legislation.

Signers:

Sen. Lloyd Bentsen
Sen. Bob Packwood
Sen. Ted Stevens
Sen. Frank Murkowski
Sen. Max Baucus
Sen. John McCain
Sen. Daniel K. Inouye
Sen. Steve Symms
Sen. Richard Bryan
Sen. Richard Shelby
Sen. Fritz Hollings
Sen. Malcolm Wallop
Sen. Jim Exon
Sen. Quentin Burdick
Sen. John D. Rockefeller, IV
Sen. John Breaux

Sen. Trent Lott
Sen. Strom Thurmond
Sen. Don Nickles
Sen. Jesse Helms
Sen. Connie Mack
Sen. Bill Armstrong
Sen. Rudy Boschwitz
Sen. Chuck Mack
Sen. Orrin Hatch
Sen. Bill Cohen
Sen. Slade Gorton
Sen. Alfonse D'Amato
Sen. Harry Reid
Sen. Howell Heflin
Sen. Jeff Bingaman
Sen. Kent Conrad

CONTACT: Mark Helmke 202-457-6380
Andrew Littlefair 214-969-2200

U.S. SENATE
OFFICE OF THE CLERK
WASHINGTON, D.C. 20540
TELEPHONE 224-3121
FAX 224-3121
WWW.SENATE.GOV

United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

September 25, 1990

UNDER A SECURITY, THAT SUBJECTS ARE NOT COVERED
BY A SECURITY, SUBJECTS ARE NOT COVERED

The Honorable
Gale Mills
United States Trade Representative
Room 200, Winder Building
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Dear Madam Ambassador:

In a letter dated October 25, 1989, we requested that you place on the agenda for the Structural Impediments Initiative (SII) talks the refusal of the Board of Directors of Keito Manufacturing Company, Ltd. to provide board representation to Beema Company, Keito's largest shareholder. The Keito situation typified the inability of U.S. investors to exercise any meaningful rights in Japan, in sharp contrast to the wealth of opportunities afforded Japanese investors in the United States.

We understand that the Keito situation was considered, at least informally, in the SII talks. Moreover, we have reviewed the final report on the SII talks, particularly the references to the potential for anticompetitive practices inherent in the Japanese keiretsu system. As you monitor the implementation of the SII agreement, we ask that you pay close attention to the fulfillment of the Japanese promises to increase the enforcement of their antimonopoly laws and enhance shareholders' rights.

In the past, many of the promises of the Japanese Government have not resulted in appropriate, corrective action. We hope that the SII agreement will not fall into this category. The treatment of American investors in Japan is still of the utmost concern, because an increased acceptance of American investors will signal a welcome change in Japan's corporate policies. On the contrary, further hostility towards U.S. investors will indicate that Japan is not taking the SII agreement seriously.

Sincerely,

Bob Packwood

Lynd Bunker

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WRITERS DIRECT DIAL NUMBER
457-9471

OUR FILE NO

VIA MESSENGER

Mr. Steve Phillips
Office of Senator Jesse Helms
403 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Koito/Pickens

Dear Mr. Phillips:

Thank you for taking the time to speak with me this morning. Enclosed please find the Pickens position paper entitled "Congressional Commentary on the Koito Affair." I have marked the second page where Senator Helms is quoted. As I explained, it is unclear when the Senators' remarks were made, and whether they were made in context.

Also enclosed are several good press accounts of the corporate dispute between Koito Manufacturing Co. and Boone Pickens, as well as some Koito briefing material. As you will see, Koito believes first and foremost that Mr. Pickens' "acquisition" of Koito shares presents a classic example of a battle for corporate control and integrity (the likes of which Mr. Pickens perfected in the U.S. during the 1980's) and that it does not present an example of any trade barriers or impediments or discrimination. In fact, Koito has afforded Mr. Pickens his shareholder rights, and has treated him at least as well (and somewhat better) than any of Mr. Pickens' American target companies ever did.

Lastly, as the letter from Koito's president to Mr. Pickens explains, the Company is dismayed that Mr. Pickens found the June shareholders' meeting to be "unfair" after he and his lawyers took such time to agree with the

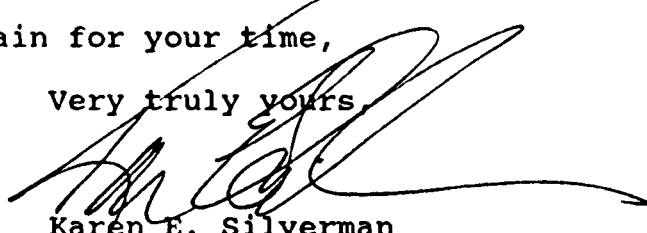
Mr. Steve Phillips
July 23, 1990
Page 2

Company upon a mutually acceptable agenda and procedures.
Mr. Pickens' dramatic departure from the meeting, needless
to say, was in disregard of this agreement.

Of course, if you would like to discuss this
matter in greater depth after reviewing the materials, I
would be glad to arrange a meeting.

Thank you again for your time,

Very truly yours,

A handwritten signature in black ink, appearing to be 'K. Silverman', written over the typed name.

Karen E. Silverman
for PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

enclosures

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WRITER'S DIRECT DIAL NUMBER

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OUR FILE NO

VIA MESSENGER

Mr. Eric Scheinkopf
Office of Senator Daniel Inouye
722 Hart Senate Office Building
Washington, D.C. 20510

Re: Koito/Pickens

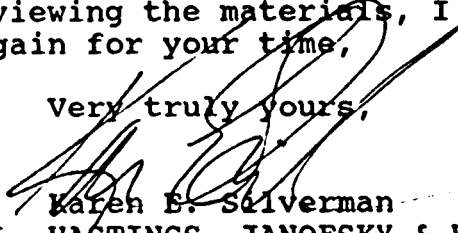
Dear Mr. Scheinkopf:

Thank you for taking the time to speak with me this morning. Enclosed please find the Pickens position paper entitled "Congressional Commentary on the Koito Affair." I have marked the second page where Senator Inouye is quoted. As I explained, it is unclear when the Senators' remarks were made, and whether they were made in context.

Also enclosed are several recent press accounts of the corporate dispute between Koito Manufacturing Co. and Boone Pickens, as well as a letter from Koito's president to Mr. Pickens explaining the Company's dismay that Mr. Pickens found the June shareholders' meeting to be "unfair" after he and his lawyers took such time to agree with the Company upon a mutually acceptable agenda and procedures. Mr. Pickens' dramatic departure from the meeting, needless to say, was in disregard of this agreement.

If you would like to discuss this matter in greater depth after reviewing the materials, I would be glad to do so. Thank you again for your time.

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(Registered Agent for Koito Mfg. Co.)

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July 18, 1990

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OUR FILE NO

VIA MESSENGER

Ms. Gwendolyn van Paasschen
Ms. Marta Aguirre
Office of Senator McCain
111 Russell Senate Office Building
Washington, D.C. 20510

Re: Koito/Pickens

Dear Ms. van Paasschen and Ms. Aguirre:

Thank you again for taking the time to speak with Hamilton Loeb and me this morning. As we discussed, I enclose copies of Mr. Pickens' oral and written remarks before the Senate Commerce Committee (July 11, 1989), the Senate Finance Committee (November 6, 1989), the Republican Research Committee Task Force on Transfers of Technology (March 21), the House Judiciary Subcommittee on Economic and Commercial Law (May 3, 1990), and the Republican Research Committee Task Force on Competitiveness (June 13, 1990).

Very truly yours,



Karen E. Silverman
for PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

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OUR FILE NO

VIA TELECOPY

Ms. Gwendolyn van Paasschen
Office of Senator McCain
111 Russell Senate Office Building
Washington, D.C. 20510

Re: Koito/Pickens

Dear Ms. van Paasschen:

Ham asked that I forward to you suggested questions for the hearing tomorrow. The second question follows your conversation with Ham about the fact that Mesa Limited Partnership has no board of directors. It is interesting, as you discussed, that Mr. Pickens did undertake to create a board of directors at Mesa. In 1987, the New York Times reported that "Mr. Pickens agreed to permit director elections this year, but it is not clear what issues those directors would be permitted to vote on . . ." (See page 3 of the article, attached). While Mr. Pickens did create a three-person "advisory" committee, this committee does not manage Mesa. Mesa's 1989 proxy statement specifically warns that the advisory committee is "not the equivalent of a board of directors." Instead, its described primary purpose is to review possible conflicts between Mesa management (Mr. Pickens) and the Partnership.

Transcripts of Mr. Pickens' several appearances before Congressional Committees and caucuses on the the Koito/Pickens matter should reach you under separate cover. Copies of Mr. Pickens' oral and written remarks before the Senate Commerce Committee (July 11, 1989), the Senate Finance Committee (November 6, 1989), the Republican Research Committee Task Force on Transfers of Technology

Ms. Gwendolyn van Paasschen
July 18, 1990
Page 2

(March 21), the House Judiciary Subcommittee on Economic and Commercial Law (May 3, 1990), and the Republican Research Committee Task Force on Competitiveness (June 13, 1990) should be hand-delivered this afternoon.

Should you have any further questions or comments, please do not hesitate to contact either Ham or me.

Very truly yours,



Karen E. Silverman
for PAUL, HASTINGS, JANOF SY & WALKER
(Registered Agent for Koito Mfg. Co.)

cc: Ms. Marta Aguirre
Hamilton Loeb, Esq.

Enclosures

PROPOSED QUESTIONS ON THE KOITO/PICKENS MATTER

Question 1:

I have read that the Japanese Government recently passed a law modeled Section 13(d) of our securities laws. The new law will require large shareholders of Japanese companies to disclose any agreements or arrangements they have relating to the stock, just as Section 13(d) requires those disclosures in the U.S. My understanding is that this law will become effective before the end of this year.

It seems to me that this disclosure law will help consumers and shareholders in Japan, since it will require additional disclosures about cross-shareholdings. This may address some of the keiretsu problems raised in the recent Structural Impediments talks.

It also seems to me that this law may apply to your Koito shares, thus requiring disclosure of any agreements or arrangements you have with Mr. Watanabe, who transferred the stock to you.

In light of this imminent disclosure requirement, would you care to comment now on whether you have any ongoing relationship with Mr. Watanabe that affects your Koito shares?

Question 2:

What kind of representation do the unitholders of Mesa get? From what I understand, Mesa, your company, does not have a board of directors. Instead, you alone run the company as its sole general partner. Accordingly, if I were a 26% shareholder in Mesa, there would be no board for me to join, and certainly no guarantee that I could participate in management, isn't that right? So you must agree that there is no entitlement to representation per se.

[Mr. Pickens might respond that he has created an elected three-person "advisory" committee.]

Your advisory committee, however, does not run the company. You describe it in official documents filed with the SEC as "not the equivalent of a board of directors." It's primary purpose is to review possible conflicts between management (you) and the partnership. So, even as a holder of a 26% stake in Mesa, there would be no representative board that I could seek to join by consensus with management (you) or by proxy battle. Is this better than the sort of representation you ask Koito to provide you?

[Mr. Pickens may attempt to respond by shifting the focus, by claiming that Japanese companies get representation on the boards of American companies in which they invest.]

But in the large majority of these instances, there is some joint venture agreement in place between the Japanese investor and the American company -- or the Japanese company has directly contributed large amounts of capital to the American company. That does not appear to be the case here, where you acquired the shares in a private transaction with another shareholder, and any money paid went to Mr. Watanabe, not to Koito. Haven't you on occasion remarked that yours is a situation very different from these joint venture models?

Question 3:

I have read that some U.S. auto parts manufacturers are critical of the treatment they receive from U.S. auto manufacturers -- that they feel they are constantly being pressured to cut costs. This complaint seems to me quite similar to the suggestion made by Mr. Pickens about Koito's relationship to Toyota. If so, is there anything remarkable about Mr. Pickens' experience in this regard? On are the cost pressures common to the auto industry in the U.S. and Europe, as well as Japan?

3RD STORY of Level 1 printed in FULL format.

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January 26, 1987, Monday, Late City Final Edition

SECTION: Section D; Page 1, Column 3; Financial Desk

LENGTH: 1696 words

HEADLINE: PICKENS ALL SET FOR NEW GAME

BYLINE: By THOMAS C. HAYES, Special to the New York Times

DATELINE: AMARILLO, Tex.

BODY:

T. Boone Pickens is not saying much about it, but when the last remnants of his Mesa Petroleum Company are transferred in early February to its successor, Mesa Limited Partners, it will open a door for the Texas oilman to pursue corporate takeovers outside the energy business.

In Wall Street's view, Mr. Pickens proved his financial prowess in Mesa's raids against Gulf Oil, Phillips Petroleum and Unocal in 1984 and 1985. Over all, he has generated more than \$400 million in after-tax profits for his independent oil company since 1981 with those takeover campaigns and other investments \$3 Billion Backing Estimated Some of his former associates and some Wall Street analysts say privately that Mr. Pickens has agreements to raise \$3 billion or more from investors to finance takeovers outside the oil industry. That, in theory, is enough to buy majority control of any but a handful of the largest American corporations.

For now, Mr. Pickens is keeping his own counsel. "People have all these images," he said during a recent interview in his office here.

Most of his activities, he said, including Mesa's current, hostile bid for a large stake in the Diamond Shamrock Corporation, are designed to increase Mesa's natural gas reserves. In his view, acquisitions - rather than exploration - will be the least costly way for independent energy companies to grow for several years.

Gas Reserves Doubled Since 1983

In fact, Mesa, one of the largest of the independents, has more than doubled its natural gas reserves since 1983, to 2 trillion cubic feet, with most of the increase coming from its friendly acquisition of the Pioneer Corporation last year.

It could add another 1.2 trillion cubic feet if it wins Diamond Shamrock. Typically, about 90 percent of Mesa's reserves and 60 percent of its revenues are derived from natural-gas sales. Mesa earned \$61.9 million in the first nine months of 1986, a sixfold increase from \$9.9 million in the same period of 1985.

Under agreements made when Mesa Petroleum was converted to a limited partnership in December 1985, Mr. Pickens, who is 58 years old, has not been permitted to initiate any takeover attempts through the partnership that were

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outside the energy field. A similar restriction has applied to his three key financial advisers, who were under contract to Mesa Petroleum.

New Roles at Booneco

Next month, however, after Mesa Petroleum is officially liquidated, the advisers will move into roles as takeover consultants for the partnership, where they will still be restricted to energy-related deals. But they also will be available to handle assignments for a new, unrelated business set up by Mr. Pickens, named Booneco.

"It's conceivable Booneco never does anything," if the Mesa partnership "stays busy with deals," Mr. Pickens said.

But David Batchelder, a takeover strategist at Mesa and one of the three Pickens advisers, said the unit was created by Mr. Pickens so he could independently pursue and finance takeovers in other industries.

"As long as there are undervalued assets and weak managements, we'll have an opportunity to make money," Mr. Batchelder said. "And there are still lots of opportunities both in and out of the oil and gas industry."

Higher Fees in New Concern

Mr. Batchelder, who is 37, and the two other minority partners in the new business - Andrew P. Craig, 36, and Sidney Tassin, 30 - essentially serve as Mr. Pickens's investment bankers. They split \$4 million in fees from Mesa's \$750 million friendly takeover of Pioneer last year. In Booneco, the fees could be much higher, Mr. Batchelder said, but still lower than most charged by Wall Street firms.

Two of Mr. Pickens's former associates, who asked not to be named, said the oilman probably sees Booneco as a way to add to his personal wealth more rapidly than he is likely to with Mesa. Prominent deal makers such as Michael Milken, the "junk bond" expert at Drexel Burnham Lambert Inc., and Carl C. Icahn, the New York investor who last year took control of Trans World Airlines Inc., were said by these former associates to be his models. Mr. Pickens rejected that comparison.

"I'm not trying to copy Mike Milken or Carl," he said. "All of us have our own style."

Some longtime Pickens followers agree. Rosario S. Ilacqua, an oil industry analyst with L. F. Rothschild, Unterberg, Towbin in New York, said he thinks Mr. Pickens still wants to run a major oil company despite his intoxicating past successes in financial deals.

Poker Player

At the same time, Mr. Ilacqua added, the cagey, poker-playing Mr. Pickens is hard to read. "He's always painting his trail," Mr. Ilacqua said, "and trying to confuse you, me and anyone else as to what he's going to do."

As it is, Mr. Pickens receives 4 percent of the value of any takeover as a fee for any acquisition he makes for Mesa; his \$2 billion bid to capture all

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of Diamond Shamrock last December would have earned him about \$40 million after taxes.

A new, \$300 million offer for part of Shamrock could give Mr. Pickens \$70 million before taxes if his investor group eventually wins all of the company. Analysts said he could take even bigger percentages for personal fees in independent takeovers.

Conflict-of-Interest Concerns

Some owners of Mesa's units are worried about conflicts of interest. Lewis Gilbert, the stockholder-rights advocate, said Mesa needs outside directors to make sure Mr. Pickens is not neglecting Mesa in devoting time to other ventures.

* Mr. Pickens agreed to permit director elections this year, but it is not clear what issues those directors would be permitted to vote on, said Warren Vieth, a Mesa spokesman. Partnerships, unlike corporations, typically do not have boards of directors. An annual meeting tentatively is set for May.

Mr. Batchelder said it would be self-defeating for the advisers to pursue deals that are bad for Mesa, even though he and the others are paid based on a percentage of the size of takeovers. The reason, he said, is that most of their personal net worth is invested in Mesa.

And Mr. Pickens said worries about conflicts of interest were misplaced. "I'll do a 40-hour week for Mesa even if I'm busy with Booneco," he said. "I know the business. There isn't any reason for me to give up any part of it if I can fit it into my schedule. I have the flexibility to do a lot of things." \$107 Million Personal Net Worth He put his personal net worth at \$107 million, "a lot less than people think." He has piled up debts of \$55 million, much of it spent to increase his stake in Mesa over the years, he said. The stake is now approximately 5 percent of Mesa's equity, or worth about \$80 million.

In 1985, the last year for which figures are available, Mr. Pickens earned a salary of \$1.2 million, plus a bonus of \$3 million and a deferred bonus (related to the Phillips and Unocal transactions) of another \$4.2 million.

"I damn sure haven't been greedy in these deals," he said. "All of the bonuses before went right back into the business."

Mr. Pickens suggested that this was a bargain for Mesa investors, and pointed out that Mesa had one of the highest average rates of total return on capital of any energy company during the last 10 years - an annual rate of 25 percent.

Optimist on Energy Prices

Despite his aversion to exploration for now, Mr. Pickens is an optimist on energy prices. He said he expects crude oil to reach \$28 a barrel by January 1989, from its current \$18.75 level. And natural gas, now selling at about \$1.50 per thousand cubic feet, should top \$3 by 1990, he said.

Still, Mr. Pickens virtually shut off Mesa's drilling last year, a step that reduced expenses and increased cash flow. It also helped Mesa make a cash

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distribution of \$2 per unit.

That puts Mesa's rate of return on capital close to 12 percent, or three percentage points higher than long-term bonds are paying. Mesa units, traded on the Big Board, closed Friday at \$16.875, down 12.5 cents.

The \$2 distribution keeps Mesa's unit price up and, according to analysts, is meant to help Mr. Pickens finance bigger takeovers for the partnership. Last year's acquisition of Pioneer, for instance, was financed solely with a new issue of Mesa preferred units.

Doubts on Maintaining Payment

Two analysts, who asked not to be named, said Mesa will have a hard time maintaining the payment unless it increases its cash flow. One analyst said Mesa's revenues this year probably will cover a cash distribution of just 60 cents per unit.

"The only way he can keep up the payment is to do new deals" or draw money from cash reserves or bank credit lines, one analyst said. "Meanwhile, he is just depleting Mesa's reserves."

Diamond Shamrock's directors raised the same doubts in December, when they rejected a first bid by the Pickens group made up solely of Mesa units. A year ago, Mr. Pickens said Mesa could afford an annual cash distribution of between \$1.50 and \$2 per unit through 1990.

Sharp-Pencil Maneuvers

The balance sheet will get stronger on Feb. 2, when the partnership receives \$250 million in cash as the final payment from Mesa Petroleum's liquidation. It will pare the partnership's ratio of debt to total capital to a modest 27 percent, from 42 percent.

All of these sharp-pencil maneuvers by Mr. Pickens mean Mesa has "a lot of financial flexibility" to pursue takeovers, said Catherine Montgomery, an analyst with Merrill Lynch.

Other analysts said they believe it is only a matter of time before Mr. Pickens takes his appetite for takeover campaigns in new directions.

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(c) 1987 The New York Times, January 26, 1987

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#1After tax.#2Takeover attempt. #3Reported through Sept. 30 for Mesa Limited Partners.

GRAPHIC: Photo of T. Boone Pickens (NYT/David Bowser)

SUBJECT: MERGERS, ACQUISITIONS AND DIVESTITURES

ORGANIZATION: MESA PETROLEUM CO; MESA LIMITED PARTNERS

NAME: PICKENS, T BOONE; HAYES, THOMAS C

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OUR FILE NO

VIA MESSENGER

Ms. Katherine Brunett
Office of Senator Alan K. Simpson
Dirksen Senate Office Building
Room SD-261
Washington, D.C. 20510-5002

Re: Koito-Pickens Matter

Dear Ms. Brunett:

It was a pleasure to meet you by telephone yesterday. As we discussed, I enclose some additional background materials on T. Boone Pickens' latest brushes with the U.S. securities laws.

Specifically, I have included an SEC press release, complaint and consent decree in the SEC enforcement action arising from Mr. Pickens' 1988 assault on Homestake Mining Company. The SEC forced Mr. Pickens and Mesa Petroleum to disgorge \$2.3 million in ill-gained profits from that raid. I also enclose a short summary of events underlying the securities fraud lawsuit against Mr. Pickens by the shareholders of Phillips Petroleum, which he recently settled for \$5 million.

As you can see, both lawsuits featured as their central issue Mr. Pickens' false and misleading statements that he was pursuing long-term, constructive investments in his targets, when in fact he was seeking -- and realized -- large short-term profits at the expense of the other shareholders.

Mr. Pickens' current effort to choke a greenmail payment from Koito Manufacturing Co. involves facts strikingly similar to those previous raids. Koito is no more willing to believe Mr. Pickens' professions of long-

Ms. Katherine Brunett
October 11, 1990
Page 2

term interest than should have been the defrauded shareholders of Homestake and Phillips.

What differs about his Koito raid is that Mr. Pickens is trying to enlist the aid of the U.S. government, both by direct lobbying and by attempts to fan the flames of anti-Japanese sentiment in this country, to further his personal greenmail scheme.

Mr. Pickens is continuing, unsuccessfully, an effort to have U.S. negotiators raise the Koito-Pickens matter in the on-going Structural Impediments Initiative talks. He has taken out full-page ads in newspapers around the country attacking Japanese business practices. He has sought support from many Congressional offices.

In the latest of these efforts, Mr. Pickens allowed his lobbyists to secure the signatures of over thirty Senators on a September 25 letter to U.S. Trade Representative Carla Hills mentioning his Koito raid, just two days before announcing settlement of his securities fraud charges. Just as Mr. Pickens concealed his true intent from the Homestake and Phillips shareholders, Mr. Pickens failed to inform the Senators who signed the letter to Ms. Hills that he is pursuing a greenmail program almost identical to schemes that eventually required him to pay over \$7 million to settle charges of securities fraud.

I have also enclosed a set of materials describing the Koito-Pickens dispute in more detail. As you can see, there is far more to this matter than can be covered adequately in a letter. If Senator Simpson's staff is interested in exploring this further, we would be happy to meet with you at your earliest convenience.

Please do not hesitate to call me if you have questions.

Sincerely,



Scott M. Flicker
for PAUL, HASTINGS, JANOFSKY & WALKER

Counsel to Koito Manufacturing Co. Registered under
the Foreign Agent Registration Act

Enclosures

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OUR FILE NO.

VIA MESSENGER

Ms. Katherine Brunett
Office of Senator Alan K. Simpson
Dirksen Senate Office Building
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Washington, D.C. 20510-5002

Re: Koito-Pickens Matter

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Please do not hesitate to call me if you have questions.

Sincerely,



Scott M. Flicker

for PAUL, HASTINGS, JANOFSKY & WALKER

Counsel to Koito Manufacturing Co. Registered under
the Foreign Agent Registration Act

Enclosures: See press release
Phillips fact sheet
Greenmail in Japan
Fact Sheet
Press

Enclosures

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July 18, 1990

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OUR FILE NO

VIA MESSENGER

Ms. Linda Lance
Mr. Moses Boyd
Senate Commerce Consumer
Subcommittee
227 Hart Senate Office Building
Washington, D.C. 20510

Re: Koito/Pickens

Dear Ms. Lance and Mr. Boyd:

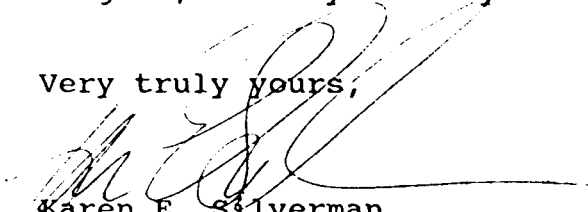
Thank you once again for taking the time to meet with Hamilton Loeb and me yesterday afternoon. In light of our conversation, we thought you might be interested in the enclosed letter from Koito to Mr. Pickens. In it, Koito's president, Takao Matsuura, invites Mr. Pickens once again to explain his ongoing relationship with Mr. Watanabe at the upcoming hearing.

Also, since our meeting yesterday afternoon, we discovered several inaccuracies in the translation of the "Answers to Prepared Questions" from the Koito shareholder meeting, one of the documents we provided to you yesterday. Accordingly, I enclose a revised translation that (hopefully) is more sensical and more accurate, and can replace the version we gave you yesterday. The revised copy is entitled "Shareholder's Questions Submitted to Koito and Responses Given at the Shareholder's Meeting." I apologize for any inconvenience this may present.

Ms. Lance and Mr. Boyd
July 18, 1990
Page 2

Ham and I remain available to answer any
questions you might have. Again, thank you for your time.

Very truly yours,



Karen E. Silverman
for PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agents for Koito Mfg. Co.)

cc: Hamilton Loeb, Esq.

Enclosures



Koito

KOITO MANUFACTURING CO., LTD.

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PHONE...TOKYO 443-7111

July 18, 1990

Mr. T. Boone Pickens
Boone Co.
2600 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201

Dear Mr. Pickens:

I am disappointed that you continue your stream of false and malicious charges against Koito in the press and in correspondence with us. Since you are to testify to a committee of the U.S. Congress tomorrow, let me make Koito's position clear once again.

The most important issue in our dispute is your continuing greenmail program and the ongoing financial partnership, which you admit, between you and Mr. Watanabe, who tried to engage Koito in greenmail before placing the shares in your name. You have been given ample opportunity to explain your arrangements with Mr. Watanabe. You pointedly refused to answer questions on this topic when asked by the American press while you were in Tokyo, saying that the truthful answers would not be to your advantage. The reason is simple: as Koito has said all along, you are not the real owner of the shares and are acting as the agent or front for Mr. Watanabe's greenmail efforts.

Since you will be testifying tomorrow to a Senate committee, I challenge you now to tell the Senators present the full, truthful answer to the following two questions:

What was the source of the funds you used to "acquire" the Koito shares?

What contracts, arrangements, or understandings do you have with Mr. Watanabe or his affiliates? In particular, have you received any fees or payments from Mr. Watanabe, and do you have any agreement with him to split profits, cover losses, buy back the shares, pay expenses, grant or exercise options, or coordinate activities in any other way?

You would have been required to answer these questions long ago under U.S. securities laws, and Japanese securities

KOITO MANUFACTURING CO., LTD.

laws are being amended effective later this year to require the same disclosure by significant investors in Japanese companies. The revised laws probably will be applied retroactively at least with respect to outstanding contracts or arrangements. The time has come for you to stop hiding behind legal technicalities and come clean about whether you are the real owner of Koito shares. Your testimony tomorrow provides a perfect opportunity for you to do so.

We did not elect Mr. Watanabe, a Japanese greenmailer, to our board when he held the shares he gave to you. It should be no surprise that we will not invite Mr. Watanabe's secret partner -- whether Japanese or American -- on our board now. None of your American targets ever put you on their board. Your recent conduct and your persistent refusal to come clean about your deal with Watanabe help us understand why.

I am also offended by your charges that the shareholder meeting was not run fairly. We made every effort to follow the procedures that had been agreed upon by your attorneys and the court-appointed inspectors. We spent forty-five minutes responding to questions that had been posed in writing by shareholders, including several posed by Boon Co., and your side was fully aware that repetitive questions from the floor would be handled by reference to the answers given earlier in the meeting.

I regret that some professional hecklers, or sokaiya, sought to disrupt the meeting by insulting those attending. They made rude remarks directed at me as well as at your group. Regrettably, as you know, such heckling is common at Japanese shareholder meetings. I am sorry that it disturbed you. However, I resent your false, malicious, and entirely unsupported assertion that they were paid by Koito. They were not. Such payments are prohibited by law, and your accusation that Koito violated this prohibition is malicious and in clear disregard of the facts.

Sincerely,

TAKAO MATSUURA
Takao Matsuura

SHAREHOLDERS' QUESTIONS SUBMITTED TO KOITO AND RESPONSES
GIVEN AT THE SHAREHOLDERS' MEETING

(Translation)

Question. What evidence does Koito have for its assertion that Pickens is a greenmailer?

Answer. The Company believes that the acquisition of Koito stock by Boone Co. was made with the objective of forcing a repurchase of the shares at an inflated price by means of harassment and other pressure tactics (so-called "greenmail"). Our reasons for this conclusion are as follows:

First, we note that the aggregate acquisition price of the 32.4 million shares covered by Boone Co.'s March 1989 request for transfer of record ownership came to more than ¥100 billion. At the then-current U.S. prime rate, interest costs on financing for this amount would come to more than ¥12 billion a year. But the pre-tax yearly dividend of ¥8 per share would come to less than ¥260 million for the 32.4 million shares. Even if the Company's gross profits per share (¥17.91) were all paid out in dividends, the total dividend on 32.4 million shares would be less than ¥508 million. It is clear that this was a completely unprofitable investment which made no sense from an economic viewpoint. Second, judging from Boone Co.'s own filings regarding its gross assets, etc., it would be impossible for Boone Co. to obtain financing for ¥100 billion and carry a debt service burden of more than ¥10 billion/year. Boone Company filings showed total assets at the end of December 31, 1988 of \$281,756 or roughly ¥35 million, and annual sales during the same fiscal year of \$619,000, or only about ¥79 million. Third, Boone Co.'s representative, Mr. Pickens, had been labeled by the Supreme Court of Delaware as "a corporate raider with a national reputation as a greenmailer" in that court's ruling in the Unocal v. Mesa Petroleum matter, and had furthermore been labeled a greenmailer in connection with other greenmail schemes in the U.S. Fourth, the activities which Boone Co.

undertook after it received title were political in purpose and were unrelated to the exercise of shareholder's rights. Fifth, notwithstanding the Company's repeated questions, Mr. Pickens has obstinately refused to disclose whether an arrangement exists between Boone Co. and Azabu Group and the content of such arrangement. Judging from this, we believe that Boone Co. has not undertaken the actual investment risk of share ownership, and that Boone Co. is engaged in greenmail activities undertaken as nominal owner of Koito shares in furtherance of the interests of previously-defeated Azabu Group.

For the foregoing reasons, the Company believes that Boone Co. did not acquire the Koito shares but only obtained the record title for the purpose of engaging in greenmail.

Question. In the "Comments of Board" on Boone Co.'s proposal for an anti-greenmail amendment to the charter, it was stated that such a charter amendment was undesirable and that, if adopted, would create an adverse result by "constraining the Company's legally proper and legitimate participation in stock transactions which serve the Company's interests as a whole". Specifically what kind of adverse result is referred to?

Answer. The charter amendment proposed by Boone Co. would entirely prohibit various activities which serve the interests of the Company and of the shareholders as a whole, including the formation and promotion of employee stock programs, share placements undertaken to comply with stock exchange listing requirements, stock incentive arrangements for newly appointed directors, and stock placements undertaken in connection with new business tie-ups. This would represent an inappropriate restriction on the Company's business activities and would be injurious to the Company.

Question. It is reported that the Koito board recently adopted an anti-greenmail motion. Why was such a motion adopted while, at the same time, Boone Co.'s proposal for an anti-greenmail charter amendment is being opposed?

Answers. Pickens has been engaging in a public relations campaign, asserting either that the anti-greenmail proposal is proof that Pickens has no interest in greenmail or that Koito is contradicting itself in accusing Pickens of greenmail intent while opposing Pickens' proposed charter amendment. We believe that Boone Co. has made that proposal for the real purpose of camouflaging its greenmail objectives, and know full well that the Company would oppose the charter amendment proposal given the facts on Pickens' greenmail objectives and the disadvantages to the Company (already discussed) were the charter amendment to be adopted. Accordingly, it is entirely appropriate for the board of directors to adopt a motion which is both effective and free of side effects, since this enables the Company to dispel the misunderstandings created by Mr. Pickens' PR campaign while enunciating more clearly the Company's position on greenmail. In essence, the motion passed by the board provides that representatives of a shareholder which owns shares for greenmail purposes (a "greenmail shareholder") cannot be proposed for membership on the board of directors, and that any shareholder which obtains shares in transactions outside of the market from a "greenmail shareholder" shall be required to disclose arrangements with respect to those shares. The board's motion makes crystal clear the Company's opposition to greenmail, and accordingly we believe that Boone Co.'s charter amendment proposal is completely unnecessary.

Question. The "Comments of Board" makes the point that the election of additional directors, as proposed by the shareholders motion, is unnecessary and that the current Koito board is sufficient for the management of the Company. However, I note that the shareholders' proposal as advanced by Boone Co. proposed four individuals by name, and I would like Koito to clarify its thinking on the appropriateness of these four individuals' serving as directors of Koito and Koito's justification for its position.

Answer. Nationality should not be the central determinant in evaluating whether someone is fit to serve as a director of the Company; instead,

the determination should be made on the basis of whether the individual possesses abilities, views and experience suitable for a director of Koito as a maker of car lighting equipment. So far as the Company understands, the four persons listed in the Boone Co. proposal have no experience in any activity related to the Company's business and cannot be expected to make any contribution to the Company's business. Also, we have recently heard that Mesa, a company of which Boone Pickens is a representative, has recently experienced significant losses and is unable to pay a dividend. We do not believe that persons who cannot achieve satisfactory results even in their principal business can discharge the responsibilities of a director of our Company. In addition, the four candidates are all either representatives or otherwise affiliated with Boone Co., the shareholder which is advancing this proposal and which, as already stated, is only a nominal holder of Koito shares which is engaged in greenmail in furtherance of the interests of the same Azabu Group which failed in previous efforts to greenmail the Company. It is against the interests of the Company's shareholders as a whole, and entirely inappropriate, to name representatives and affiliates of such a company to be directors of the Company. For the foregoing reasons, the candidates proposed in the Boone Co. motion cannot be considered qualified to serve as directors of the Company.

Question. What are the reasons for rejecting Boone Co.'s demands for an increase in the mid-year dividend and for an increase in the year-end dividend to ¥8 per share?

Answer. The decision on a dividend increase is one which should be made after reviewing the results for the year and after soliciting the opinions of the shareholders; accordingly, a dividend increase was not made at the mid-year point. Also, as set forth in the "Comments of Board" on Proposal No. 8, which you will find in your materials, the Company determined that a year-end dividend of ¥6 per share (regular dividend of ¥4 plus special dividend of ¥2) was appropriate after weighing the importance of

paying a return to shareholders against the need for appropriate capital reserves and after considering the importance of a long-term stable dividend.

Question. In rejecting Boone Co.'s demand for an increase in the mid-year dividend, Koito took the position that a dividend increase would have the effect of paying to Boone Co. the short-swing profits received from Azabu Construction and, thus, of returning those profits to Azabu Construction, thereby defeating the purpose of the Securities Exchange Law. Can't this same comment be made with respect to the year-end dividend?

Answer. As you point out, there was undeniably an unfortunate side-effect, considering the purpose of the Securities Exchange Act. However, this was only one of the factors to be taken into consideration in deciding the dividend amount, and the special dividend of ¥2 has been proposed after weighing the importance of paying a return to the shareholders in general and the results for the period just ended.

Question. Has the Boone Company matter affected your corporate image? Have there been any positive or negative effects on management?

Answer. We have not conducted a survey regarding our corporate image. As to the continuing insults and defamation Boone Company and the possible resulting injury to the Company's reputation, the Company's attitude can be judged from its firm attitude towards greenmail.

Question. In connection with the lawsuit filed by Boone Company, what are the responsibilities of the Koito management in view of the developments to date?

Answer. The question has several mistaken premises. Each of the lawsuits made by the Boone Company is unreasonable. Our assertions were fully accepted by the Tokyo District Court in its provisional disposition for inspection of accounting books. Therefore, the responses made by the management so far are above reproach.

Question. Regarding this general meeting of shareholders, please explain the duties of the people who were allowed to be in the audience but who were not shareholders.

Answer. We admitted, in addition to our secretary, lawyers from whom we receive professional advice, interpreter(s) for the convenience of many foreign shareholders and policemen requested by the chairman to maintain order on the floor.

Question. Tell us about the attendance of employee-shareholders in this general meeting of shareholders.

Answer. Today, dozens of employees are present as shareholders.

Question. Tell us about your basic thinking of profit distribution to shareholders.

Answer. As far as we are concerned, we think it important to share profits with shareholders, retain a proper level of internal reserves and consider payment of stable dividends.

Matters Related to Operations

Question. Aren't the improper discounts to Toyota the reason for the Company's most recent results (increased revenues accompanied by decreased profits)? What is your response to Boone Co.'s assertion that a larger dividend would be possible if not for the invisible dividend to Toyota?

Answer. The decrease in profits in the period just ended is attributable to the factors described in the Company's Report on Operations, previously circulated to shareholders. There is no substance to allegations of improper dealings with Toyota. That the Company's dealings with Toyota are fair and proper is demonstrated by two key points: first, by the reliance which other makers place on the Company and, second, by the fact that the Company, which has the largest ratio of sales to Toyota among the Company's competitors, has surpassed these competitors in profitability.

Question. What is the profit margin on products sold to Toyota, and is this not significantly lower than with products sold to other auto makers?

Answer. The Company's profit margins on its products are a major trade secret, and therefore the question cannot be answered with any specificity. However, as a general matter, profit margins on products sold to Toyota are no lower than with other makers.

Question. There has been criticism of keiretsu dealings with Toyota -- what is the reality?

Answer. The term "keiretsu" does not necessarily have a definitive definition. Taking "keiretsu" to mean a strong controlling relationship involving the secondment of officers and directors, business dealings and financial and other ties, the Company has no such relationship with Toyota and therefore the keiretsu dealings referred to in the question does not exist. As regards secondment of officers and directors, three of the Company's officers did in fact work

at Toyota at various times in the past but in each case the individual resigned his position with Toyota before assuming his position with the Company and thereafter became a "Koito man" with no connection whatsoever with Toyota. Thus, it cannot be alleged that Koito officers and directors have been named by Toyota. In addition, while Toyota does represent about 45% of the Company's sales, the Company does business with substantially all domestic auto makers, and the ratio of sales to Toyota is comparable to Toyota's share of the Japanese auto market. Viewed from this perspective, it should be evident that there is no particular reliance by the Company on Toyota. On the financial side, the Company has received no financial assistance from Toyota, and all financing obtained by the Company (whether equity, stock and convertible debenture offerings, or bank loans) have all been arranged on the strength of the Company's credit. Thus, the Company's relationship with Toyota is that of independent members of the business community, and cannot be viewed as a keiretsu relationship. It cannot be characterized as an unfair relationship founded on the control of one party by the other.

Question. During the 90th term, what portion of your total sales and sales of automotive parts were made to Toyota Motor Corp.? Also, what were such proportions of your sales to Toyota, respectively, in the 89th term? What were principal reasons for an increase or decrease in your sales to Toyota?

Answer. During the 90th term, the ratio of our sales to Toyota to our total sales is roughly 45% and the corresponding ratio of automotive parts sales is about 50%. The said ratios in the 89th term are also similar to those recorded in the 90th term.

Question. Do keiretsu dealings with Toyota constitute a violation of the anti-trust laws?

Answer. As already mentioned, there is no feature of control or subordination in the relationship between the Company and Toyota, whether in regard to personnel, business matters or financial

matters. The Company is an independent business entity and its business dealings are handled in a proper and fair manner. Accordingly, there has been no violation of the anti-trust laws.

Question. Please explain the manner and criteria used by the Company in setting its prices.

Answer. The Company's pricing decisions are made in furtherance of the two objectives of winning the price competition with industry rivals and assuring appropriate profit. The actual manner and criteria for the Company's pricing decisions are trade secrets, and thus a further response is inappropriate.

Question. Please explain about separate sales made before the session.

Answer. It is a system authorized by rules of the Tokyo Stock Exchange. It means bulk transactions in stocks at a time before a session starts and the system has been used to increase the number of shareholders.

Question. Please explain to us the current status and future development of transactions with foreign car manufacturers.

Answer. We do not deal directly with foreign car manufacturers very much. A great majority of such sales is generated through joint venture(s) or partnership arrangements wherein we assist with technology and this tendency is expected to grow further in the future.

Question. Please tell us why your gross profit ratio and operating profit ratio have declined and about what countermeasures you plan to take.

Answer. The report on operations shows the reasons for the drop in profit ratio. In the future, however, we are prepared to secure greater profits through such measures as the development of new products, reinforcement of sales activities, security of an efficient production system, encouragement of cost-reducing efforts.

Question. According to your "Detailed Report of Sales by Division" introduced in the brief report of your settlement of accounts, the amount of Koito exports rose from ¥3,684 million to ¥5,551 million. To what product is this export increase attributable? Also, what are your export destinations, and, of your exports, how much is shipped to Japanese affiliated manufacturers? Also, are you exporting to the transplant factories of Toyota in the U.S. and to its joint venture with the U.S. (NUMMI)? If so, how much?

Answer. The main reason for this increase in exports are the increase in sales to joint venture(s) abroad and the increased exports of metal moulds, jigs, etc., to help increase the proportion of local parts production there.

Major export destinations include the U.S., Australia, Taiwan, Korea, and the Philippines, and our exports to Japanese-affiliated manufacturers account for roughly 70% of exports. For your information, we do not export directly to Toyota's plants in the U.S. or to its joint ventures with U.S. manufacturers.

Matters Related to Audit

Question. What is the role of the auditor and how is his job executed.

Answer. The auditor's job is to audit the execution and performance of director's duties and this job is performed by attending important meetings, inspecting important documents, etc.

Matters Related to Accounting

Question. Does the "entertainment expense" account include any "money for undisclosed purposes"? Also, please describe any additions or deletions made in the Company's tax report (whether for depreciation or otherwise) to reflect that, for tax purposes, entertainment expenses are not recognized as expenditures.

Answer. There are no "moneys for undisclosed purposes".

In the tax report, there is a ¥2.7 billion addition for items including entertainment expenses, and there is a ¥3.6 billion deletion, resulting in an aggregate differential of ¥900 million. The major components in the calculation are: for depreciation, a ¥5.1 billion addition and a ¥1.3 billion deletion; for accrued business tax, a ¥400 million addition and a ¥400 million deletion; and for entertainment expenses, a ¥300 million addition only.

Question. According to your balance sheet, the balance of securities classified under Liquid Assets increased by ¥2,677 million from the previous term. Is this increase caused by the issuance of new stock? If so, by whom were they issued? If not a new issuance of stock, what are these securities and what were they acquired for?

Answer. The balance of securities increased as a result of an increase in the balance of negotiable deposits for operation purposes.

Question. In the Notice of Shareholders Meeting, in Note 2 on page 11, reference is made to the tokkin (designated money in trust) being carried at the lower of cost or market. Apart from tokkin, what is the book loss for this fiscal year on marketable securities?

Answer. The total amount is ¥405 million. Of this, ¥362 million is loss in book value on tokkin.

Question. A ¥785 million provision has been made for directors' retirement. What was the basis for the

calculation of this amount? Please provide a breakdown of the amounts per individual.

Answer. Calculation was made on the basis of the Company's regulations on retirement payments to directors. Because of privacy considerations, we hope you will appreciate that an individual-by-individual breakdown is not possible. The average amount per individual is ¥37 million, and the average period of continuous service is 10.9 years.

Question. In your profit and loss statement, "Other non-operating expenditures" rose from ¥210 million to ¥504 million. Why? What are the breakdown and detailed items?

Answer. Compared with by the previous term, these expenditures increased by ¥294 million. This represents an appraisal loss of listed securities based on the "cost or market" method.

Question. The statement of profit and loss shows an entry for "special loss" in the amount of ¥243 million. For what purposes and in what amounts were these funds used?

Answer. As you point out, lawyers' fees and other consultants' fees related to the Pickens matter were recorded as a "special loss" in the amount of ¥243 million for the period just ended. The expenditures in question were incurred in response to litigation which was undertaken in what can only be considered a harassing manner and as required in order to deal with insults and accusations aimed at injuring the Company's image, and thus were incurred for the sake of the Company and the interests of the shareholders as a whole. An itemization of expenses is beyond the required scope of this meeting, and your understanding on this point is appreciated.

Question. In the 89th term, profit before tax is ¥661 million, while corporate tax and local inhabitants' tax totaled ¥374 million, resulting in an effective tax rate of 56.6%. In the 90th term, on the other hand, they were ¥7,187 million and ¥3,509 million, respectively, reducing the effective tax rate to 48.3%. Even if a reduction in the

corporate tax rate from 42% to 40% is taken into consideration, the difference between these two effective tax rates is sizable. Why?

Answer. Chiefly because of the amount of depreciation expenses for items subsequently added and deducted, the profit before tax in the 89th term of ¥6,612 million increased by ¥64 million. On the other hand, the profit before tax in the 90th term of ¥7,187 million eventually decreased by ¥924 million chiefly due to the same reason, reducing our self-assessed income to ¥6,263 million. The tax rate of 48.8% for our pre-tax profit in the 90th term is due to this decrease.

Question. According to your detailed statement attached, your payment of transportation costs in the 90th term chiefly to Koito Unyu (Transport) soared to ¥2,745 million, a considerable increase of ¥666 million from ¥2,079 million of the same in the sales cost for the 89th term. Is this increase due to an increase in the freight charge or in the frequency of transportation? Why has such freight charge or transport frequency increased?

Answer. As you point out, our detailed statement attached reports our transportation cost in the 90th coupled with administration/marketing expenses to be ¥2,745 million. However, the transportation cost of ¥2,079 million in the 89th term detailed by your question covers marketing expenses alone. Combined with administration expenses, the amount on the detailed statement attached should read ¥2,358 million. Therefore, the difference is not ¥666 million but ¥392 million and the reason is an increase in the transportation frequency necessitated by increased sales.

Question. Please discuss the specific arrangements for remuneration of directors.

Answer. Remuneration of the Company's directors has been decided in an appropriate manner within the overall limit established by the shareholders' vote approving the gross amount of directors' compensation. The protection of shareholders' interests and the prevention of self-dealing are

best served, are they not, by means of this approval by shareholders of the gross compensation amount? Most of the Company's shareholders agree with us on this point. Accordingly, the request for disclosure of individual compensation must be declined.

Question. Who is assuming the cost of interpretation for foreign shareholder(s)? How much does it amount to?

Answer. The said cost is paid by us but please let me refrain from disclosing the amount.

Question. Please tell us the amount, number of cases and recipients of your political and other contributions.

Answer. Eighty-nine (89) cases of political and other contributions are recorded, and they total ¥56 million but let me refrain from disclosing names of the recipients.

Statement by Kawaguchi:

Various questions cannot be answered due to lack of specificity, lack of relation to the purpose of the shareholders meeting, harm to shareholders if matters in question are disclosed, absence of legal obligation to respond. Among such questions are questions about Koito's views on handling of shareholders meetings, on "cross-holding" of shares; questions on listed companies' responsibilities toward the stock markets, on disclosure obligations to the investing public, on obligations of directors and statutory auditors to respond to shareholders' questions, on itemization of expenses incurred in connection with Boon Co., on the issue of directors' holding other jobs; and questions regarding marketable securities held by the Company.

LAW OFFICES OF
PAUL, HASTINGS, JANOFSKY & WALKER

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July 19, 1990

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WIRELESS DIRECT DIAL NUMBER

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OUR FILE NO.

VIA MESSENGER

Sherman Joyce
Commerce Consumer Subcommittee
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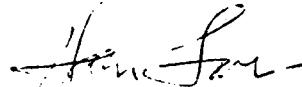
Re: Koito/Pickens

Dear ~~Mr. Joyce~~

In light of Boone Pickens' appearance before the Consumer Subcommittee this morning, I thought you might be interested in the letter Koito sent Mr. Pickens yesterday. Of course, Mr. Pickens again failed to respond to the fundamental questions on which Koito challenged him to come clean after 16 months of continued secretive silence.

Koito regrets Mr. Pickens' continued shameless effort to use the U.S. government and Congress in support of his greenmail scheme.

Very truly yours,



Hamilton Loeb

of PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agents for Koito Mfg. Co.)

Enclosure



Koito

KOITO MANUFACTURING CO., LTD.

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July 18, 1990

Mr. T. Boone Pickens
Boone Co.
2600 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201

Dear Mr. Pickens:

I am disappointed that you continue your stream of false and malicious charges against Koito in the press and in correspondence with us. Since you are to testify to a committee of the U.S. Congress tomorrow, let me make Koito's position clear once again.

The most important issue in our dispute is your continuing greenmail program and the ongoing financial partnership, which you admit, between you and Mr. Watanabe, who tried to engage Koito in greenmail before placing the shares in your name. You have been given ample opportunity to explain your arrangements with Mr. Watanabe. You pointedly refused to answer questions on this topic when asked by the American press while you were in Tokyo, saying that the truthful answers would not be to your advantage. The reason is simple: as Koito has said all along, you are not the real owner of the shares and are acting as the agent or front for Mr. Watanabe's greenmail efforts.

Since you will be testifying tomorrow to a Senate committee, I challenge you now to tell the Senators present the full, truthful answer to the following two questions:

What was the source of the funds you used to "acquire" the Koito shares?

What contracts, arrangements, or understandings do you have with Mr. Watanabe or his affiliates? In particular, have you received any fees or payments from Mr. Watanabe, and do you have any agreement with him to split profits, cover losses, buy back the shares, pay expenses, grant or exercise options, or coordinate activities in any other way?

You would have been required to answer these questions long ago under U.S. securities laws, and Japanese securities

KOITO MANUFACTURING CO., LTD.

laws are being amended effective later this year to require the same disclosure by significant investors in Japanese companies. The revised laws probably will be applied retroactively at least with respect to outstanding contracts or arrangements. The time has come for you to stop hiding behind legal technicalities and come clean about whether you are the real owner of Koito shares. Your testimony tomorrow provides a perfect opportunity for you to do so.

We did not elect Mr. Watanabe, a Japanese greenmailer, to our board when he held the shares he gave to you. It should be no surprise that we will not invite Mr. Watanabe's secret partner -- whether Japanese or American -- on our board now. None of your American targets ever put you on their board. Your recent conduct and your persistent refusal to come clean about your deal with Watanabe help us understand why.

I am also offended by your charges that the shareholder meeting was not run fairly. We made every effort to follow the procedures that had been agreed upon by your attorneys and the court-appointed inspectors. We spent forty-five minutes responding to questions that had been posed in writing by shareholders, including several posed by Boon Co., and your side was fully aware that repetitive questions from the floor would be handled by reference to the answers given earlier in the meeting.

I regret that some professional hecklers, or sokaiya, sought to disrupt the meeting by insulting those attending. They made rude remarks directed at me as well as at your group. Regrettably, as you know, such heckling is common at Japanese shareholder meetings. I am sorry that it disturbed you. However, I resent your false, malicious, and entirely unsupported assertion that they were paid by Koito. They were not. Such payments are prohibited by law, and your accusation that Koito violated this prohibition is malicious and in clear disregard of the facts.

Sincerely,

TAKAO MATSUURA
Takao Matsuura

FACT SHEET
concerning
Stock Acquisition by T. Boone Pickens

BACKGROUND.

- o Without warning to the company, corporate raider T. Boone Pickens announced that he had acquired a 20% stake in Koito Manufacturing Company ("Koito") on March 30, 1989, the last day for registering the shares in time to vote them at the annual shareholder meeting in June 1989.
- o Pickens acquired the shares from Kitaro Watanabe at a reported price of approximately \$850 million.
 - o Watanabe, who is known as a corporate raider in Japan, cornered the Koito stock over 18 months, causing it to escalate from about 660 yen to more than 5000 yen per share.
 - o In 1988, Watanabe tried at least twice to arrange a greenmail buyout of his block of shares by Koito or its shareholders. Koito refused. Shortly thereafter, the stock was transferred to Pickens.
 - o At the time Watanabe started cornering the stock, it had a price-to-earnings ratio of about 50:1 -- similar to that of Koito's competing auto parts manufacturers in Japan and other publicly traded Japanese companies. Pickens bought the stock at a price-to-earnings ratio of roughly 167:1. There is nothing about Koito that justified such an inflated stock price -- except that Koito is now a greenmail target.
 - o Pickens has refused repeated requests by the press and by Koito to disclose whether he has an agreement with Watanabe to split the profits, or for

Prepared by Paul, Hastings, Janofsky & Walker, 1050 Connecticut Avenue, N.W., Washington, D.C. 20036, which is registered under 22 U.S.C. §§ 611 et seq. with the Department of Justice, Washington, D.C., as a representative of Koito Mfg. Co., 4-8-3, Takanawa, Minato-ku, Tokyo, Japan. Pursuant to the Act, the registration statement is available for inspection at, and copies of this document are being filed with the Department of Justice. Registration with the Department of Justice does not indicate approval or disapproval by the United States Government of the contents of this document.

Watanabe to buy the stock back or cover Pickens' losses on it. (Pickens would be obligated legally to disclose this as a matter of routine course in an SEC 13-D filing if he was conducting this raid in the U.S.)

- o Watanabe, who still owns some Koito stock, has said that he plans to continue his alliance with Pickens indefinitely.
- o Pickens agreed to acquire another 6% of Koito shares from Watanabe in September 1989. Again in March 1990, Pickens indicated he would obtain additional shares. Pickens continually has refused to disclose the nature of the ongoing partnership between him and Watanabe.
- o In April, Pickens arranged the transfer of Koito shares to 45-50 other Americans, each of whom is closely related to Pickens or Boone Co., including his Washington lobbying firms.

PICKENS HAS BEEN DENIED NONE OF HIS RIGHTS AS A SHAREHOLDER.

- o In mid-April 1989, Koito president Takao Matsuura agreed to meet with Pickens to discuss his investment and his troubling relationship to Kitaro Watanabe. (Pickens himself says no CEO of any U.S. company he has targeted has ever met with him.)
- o In advance of the 1989 shareholder meeting, Koito worked with Pickens' lawyers in Tokyo to ensure that Pickens would be able to ask the questions he wished and that he would have an interpreter present so he could participate.
- o Pickens attended the shareholder meeting and spoke at length. Koito responded to his questions, which he had submitted in advance. He advanced his candidates for Board seats; the majority of shareholders rejected them. He presented no other proposals at the meeting.
- o After six months as the registered owner of the shares, Pickens gained the right to call a special shareholders meeting. On September 27, Koito made it clear, in a letter to Pickens, that the Company would cooperate fully with him if he called such a meeting. After

weeks of saying he would call a meeting, Pickens backed off. (If he had called a special shareholders meeting, under the Japanese law it would have been scheduled about November 10. This would have coincided with the trial then pending in Unocal's stock parking case against Pickens and Mesa, discussed below.)

- o Pickens has the right to solicit other shareholders directly, and he has done so several times.
- o On December 27, 1989, Pickens delivered to Koito a request to review essentially all records relating to the Company's operations, including customer orders and relationships, going back ten years. He unilaterally set a deadline of January 9, 1990 for Koito to produce these thousands of documents to him. (This gave Koito about five working days to respond to the request, since the Company closed for a week-long year-end holiday on December 28.) Koito wrote to Pickens explaining that, due to the New Year holiday and the expansive scope of his request, the Company would need two additional weeks to respond. On January 12, without waiting for the response Koito promised, Pickens filed a lawsuit in Tokyo District Court for access to Koito's records. The case is being litigated.
- o Pickens and Koito are now preparing for the 1990 shareholders' meeting (which will take place at the end of June). This year, Boone Co./Pickens has submitted seven proposals for shareholder consideration, and has had a full opportunity to present his arguments for them in the notice of the meeting.

NO RAIDER IS ENTITLED TO A BOARD SEAT, AND NEITHER PICKENS NOR OTHER RAIDERS GET THEM IN THE U.S. FROM THEIR AMERICAN TARGETS.

- o No shareholder, not even a large one, is entitled to representation on a board of directors unless it can gain the votes to be elected. The practice in Japan is no different than in the U.S.
 - o Pickens never has been put on a board by any of his American targets -- Unocal, Phillips Petroleum, Gulf Oil, Diamond Shamrock, etc., etc.

- o Other raiders similarly do not get board seats. Carl Icahn, for example, never secured a seat on Texaco's board, even though he owned a comparable percentage (roughly 17.6%) of the Texaco shares and tried persistently to get his nominees elected. Harold Simmons did not receive board seats in the 1990 Lockheed battle. There are numerous other examples.
- o Under the corporations laws of most U.S. states (where cumulative voting is not mandated), a minority shareholder is not entitled to proportional board representation. The same is true in Japan. The Japanese laws on shareholder voting are not materially different from those under which most major American corporations operate.

PICKENS HAS NOT BEEN DISCRIMINATED AGAINST IN ANY WAY.

- o Koito is treating Pickens no differently than Unocal, Phillips, Gulf, Diamond Shamrock, and the others have. None of Pickens' many American targets have welcomed him or put him on their board.
- o Koito is treating Pickens no differently than it treated the Japanese raider, Watanabe, who sold the stock to Pickens. Watanabe was not welcomed and was never considered for the board.
- o Thus, Koito is not resisting Pickens because he is non-Japanese. As Koito President Matsuura told Pickens in his September 1989 letter, "it is not because of your American nationality that we are concerned; it is because of your established reputation in America as a raider and your continued close association, which you have declined to clarify, with a Japanese figure [Watanabe] who has sought to greenmail Koito with the very shares you now hold."

PICKENS' NO-GREENMAIL DISCLAIMERS HAVE BEEN SEEN THROUGH BY THE U.S. COURTS.

- o Pickens has earned his reputation as a raider. The courts in the U.S., including the Delaware Supreme Court, have explicitly labeled him a "corporate raider" and "greenmailer" in judicial opinions arising from his U.S. raids.

- o Pickens' raids typically begin with disclaimers that he will not accept greenmail. The courts have seen through this. For example, in his two most recent large raids:
 - o In the Unocal case, Judge Tashima of the federal trial court in Los Angeles found that "the fact that Mesa executives systematically destroyed notes and other documents, together with the habitual inability of Mesa executives to recall discussions concerning the subject of intent [to greenmail], strongly suggest a studied effort by Mesa to conceal its intent." Judge Tashima concluded, "in summary, the Court finds with respect to Mesa['s] intent that Mesa from the outset intended to put Unocal 'in play' and thereby to obtain control or 'greenmail' the corporation in exchange for dropping its bid." Unocal v. Pickens, Civ. No. 85-2179, Central District of California; Memorandum Opinion (April 26, 1985), p. 10.]
 - o In the Phillips case, the federal appeals court in Philadelphia reinstated securities fraud and RICO claims against Pickens on the issue of whether Pickens had been truthful in declaring he would not accept greenmail from Phillips. (Phillips' stock price collapsed after Pickens cut a greenmail deal, leading the Phillips shareholders to sue.) The appeals court expressly found that there was credible evidence that Pickens "had no intention from the outset to honor the equal treatment statement." [In re Phillips Petroleum Securities Litigation, 881 F.2d 1236, 1247 (3d Cir. 1989).]
 - o Pickens' company, Mesa, is in litigation over claims by Unocal that the Pickens group used Boyd Jefferies (since convicted of stock parking offenses involving Ivan Boesky) to assemble a large block of Unocal stock on Mesa's behalf during the Unocal raid. Unocal claims the purposes of this arrangement were to allow Mesa to circumvent the Section 16(b) prohibitions on insider short-swing profits and to permit it unlawfully to keep the full greenmail premium Pickens sought. In April 1990, the trial court

awarded Mesa summary judgment on a technicality, finding that Mesa's sale of the shares back to Unocal was an "unorthodox" transaction and therefore was not subject to section 16(b) prohibitions.

GREENMAIL IS THE ONLY RATIONAL EXPLANATION FOR PICKENS' PURCHASE OF KOITO SHARES.

- o By his own estimate, Pickens paid over \$850 million to Watanabe for the initial 20% block of shares. His total purchase price for the 26% share would exceed \$1.2 billion.
- o Before Pickens acquired the stock, the price (due to cornering by Watanabe) had escalated by over 700% in less than two years. Its price-to-earnings ratio at the time of Pickens' purchase was about 167:1, far in excess of the Tokyo averages or Koito's competitors.
- o The carrying costs of financing such a purchase, if financed in the U.S., would exceed \$100 million per year. The dividend payments on Pickens' shares presently are less than \$3 million annually.
- o Pickens' reported purchase price considerably exceeds his own reported net worth, as well as that of Mesa Limited Partnership, which is currently losing \$20 million per quarter. (Mesa is saddled with a 1989 junk bond debt of \$300 million.) The company Pickens has used to conduct the transaction with Watanabe, Boone Co., is capitalized at about \$250,000.
- o Because the dividend stream is small (compared to the cost of the purchase) and there is no plausible likelihood of stock appreciation from the already greenmail-inflated purchase price, there is no rational economic explanation of Pickens' purchase other than greenmail.
- o Though Pickens now declares that his original profit motive is joined by a desire to provide the U.S.

government a negotiating tool in its trade talks with Japan, it is difficult to believe that Pickens is willing to lose \$100 million per year to see that this "example" is available.

- o Because Pickens is not known for irrational investments, these facts suggest to many that Pickens has not undertaken the actual financial risk of owning these shares. Many therefore suspect that the ultimate financial interest in the stock still belongs to Watanabe.

PICKENS HAS REPEATEDLY REFUSED TO EXPLAIN HIS ONGOING DEAL WITH WATANABE.

- o The press and Koito repeatedly have asked Pickens to explain whether Watanabe retains control over (or an interest in) Pickens' stock, by virtue of an agreement to buy the stock back, split the profits from a greenmail sale, or make up Pickens' losses. Because Watanabe twice tried to greenmail Koito, the Company is rightly concerned.
 - o Pickens says it took ten meetings over four months to arrange the purchase, which indicates that his deal with Watanabe is more complex than a simple stock purchase.
 - o Were he proceeding in the U.S., Pickens would be obligated to report any such arrangements (by virtue of the SEC 13-D requirement). Japan does not mandate such disclosures.

PICKENS' MISREPRESENTATIONS ABOUT KOITO'S BOARD MEMBERS AND OFFICERS

- o Contrary to Pickens repeated misrepresentations, Toyota does not have a single representative on the Koito board.
 - o Seventeen years ago, at a time when Koito was having difficulty managing its expanding business, two Toyota employees resigned and joined Koito's management. Since that time, these men have

performed solely for Koito, and their loyalties and abilities on Koito's board have never been questioned. Seven years ago another former Toyota employee (who at the time was working for a third company) became a Koito employee and director. None of these three is a representative or agent of Toyota.

- o When pressed, Mr. Pickens admits that these Koito directors are not Toyota employees (see Pickens' testimony before the Senate Commerce Committee, July 11, 1989 during questioning by Senator Kasten and again on May 3, 1990 before the House Judiciary Subcommittee on Economic and Commercial Law). In the press and in his lobbying efforts, however, Mr. Pickens persistently has repeated his spurious charge that Toyota controls three board seats.

June 6, 1990

**THE RIGHTS AND TREATMENT OF LARGE SHAREHOLDERS
U.S. Law and Custom**

- o **Mr. Pickens Is Not Entitled As a Matter of Law to Board Representation By Virtue of His Large Stock Holdings**
 - o As a shareholder, Mr. Pickens is entitled to nominate a slate of directors for consideration by all the Koito Manufacturing Company ("Koito") shareholders at the annual or special shareholder meetings.
 - o As a shareholder, Mr. Pickens is entitled to vote his shares in favor of his the proposed slate of directors.
 - o Koito Manufacturing Company's by-laws provide for straight voting -- Mr. Pickens is entitled, therefore, to cast 26% of the votes in support of his proposed directors.
 - o On June 29, 1989 Koito held its annual shareholder meeting at which Mr. Pickens, who then owned 20.2% of Koito's shares, proposed a slate of directors. (He had not identified his nominees prior to the meeting.) His slate was rejected by a majority of the shareholders. His directors received less than 30% of the shareholders' votes.
 - o In advance of the 1990 shareholder meeting, Boone Co. has submitted seven proposals for shareholder consideration. He has had opportunity to make his case for each proposal in the Company's meeting notice to shareholders.
- o **U.S. Custom Does Not Dictate that Mr. Pickens Be Granted Board Representation Based on the Size of His Stock Holdings**

Historically, shareholders who appear suddenly, with large blocks of shares and a reputation for corporate "raiding" (as Mr. Pickens has), are not invited or welcomed onto the corporations' boards.

- o Mr. Pickens himself has not been invited onto the boards of corporations in which he has acquired substantial holdings: not in Unocal (he held 13.7%), Phillips (5.7%), Gulf (13.2%); Diamond Shamrock (4.5%); KN Energy (4.9%); Cities Services (5.2%); Newmont Mining (9.95%); or Singer (9.9%).
- o Carl Icahn and Texaco. Until very recently, Icahn and his companies owned approximately 17.6% of Texaco common stock. Despite a vigorous proxy fight for five board seats, neither Icahn nor his associates was ever voted onto the Texaco board. Icahn now has signed a standstill agreement with the company that prohibits him from purchasing more shares or waging a proxy battle for seven years.
- o Carl Icahn and Trans World Airways. In May 1985 Icahn acquired 20% of TWA stock. TWA asked the courts to restrain further purchases and, when this failed, sought a white knight. TWA did not welcome Icahn onto its board. Icahn finally obtained control of TWA when the incumbent management resigned. At that time, Icahn had acquired roughly 40% of the company's shares.
- o Carl Icahn and USX. In 1986, Icahn amassed approximately 11% of USX' outstanding common stock and proposed a takeover. He was not welcomed onto the company's board.
- o Irwin Jacobs and Avon. Jacobs, in a partnership with Amway Corporation, owns roughly 10.3% of Avon and has bid to purchase the company. Jacobs was not invited onto the board or even permitted to meet with the entire board; he was invited only to meet with the company's Chairman.
- o Irwin Jacobs and Shaklee. Jacobs acquired 14.98% of Shaklee's shares. To defend against him, the company paid out a special dividend. Jacobs made a tender offer that was rejected and the company was sold to another, friendlier bidder.
- o Ted Turner and CBS. Upon learning that Ted Turner acquired a significant percentage of CBS stock, CBS management adopted a by-law temporarily preventing anyone but a director from calling a shareholder

meeting. As Fortune reported, "No matter how much stock he own[ed], Turner [could not] elect directors to represent his interest without such a meeting." CBS found a white knight in Laurence Tisch, who purchased 25% of CBS stock and was invited onto the board -- but was asked to sign a standstill agreement limiting his ownership stake to that percentage.

- o Indeed, far from inviting unannounced acquirors of large shareholdings onto the board, American corporations increasingly are instituting dramatic defensive measures ("poison pills") that are triggered by the sudden or hostile purchase of 20% of the corporation's stock. Press reports indicate that close to 43% of the largest publicly held corporations in the U.S. have instituted such defensive measures. For example:
 - o Texaco Corporation. At the 1989 shareholder meeting, Texaco shareholders adopted a "poison pill" provision that allows them to purchase a special series of stock if anyone tries to acquire more than 20% of the company.
 - o Gelco Corporation. In May 1986, Gelco adopted a "poison pill" provision that activates when an outsider purchases 20% of the company's shares without the Board's consent.
 - o Shaklee Corporation. The Shaklee board recently amended its defensive provisions to lower the trigger to a 15% purchase, rather than 20%, of the company's stock.
- o In contrast, investors like Warren Buffett, who are known for constructive, long-term investments rather than for hostile or adversarial tactics, often are invited onto the boards of corporations in which they purchase large amounts of stock. Usually these purchases either are arranged with advance notice to the corporation's management or other major shareholders.
- o After acquiring large shareholdings with the knowledge and consent of management, Mr. Buffett has been invited to serve on the following boards: Gillette (he recently acquired 11% of Gillette

common stock); Coca-Cola Co. (he is reported to be considering increasing his stake in the company from 6.8% to 15% and has notified the SEC of his plans); Solomon Brothers (he holds a 12.3% stake and two seats on the board); and Capitol Cities/ABC (he owns 18.5% and has one seat on the board).

- o In sum, neither U.S. corporate custom nor U.S. corporate law entitle a significant shareholder to representation (proportional or otherwise) on a corporation's board of directors. Mr. Pickens' own experience with U.S. targets proves this practice. He would have no greater entitlement to a board seat under U.S. custom than he has under Japanese law or practice: his complaints that Koito is discriminating against him "because he is American" are wrong, disingenuous and calculated to advance his personal financial and political agenda, not to contribute to trade relations between the United States and Japan.
- o Also notable is Pickens' distortion of the facts about the number of foreign directors in the U.S. Pickens provides a list of U.S. companies with foreign investors with foreign directors, claiming that if all were "fair" he (as an "investor") would be entitled to Koito board seats. In fact:
 - o Over half of the investments listed on Pickens' "survey" are joint ventures or capital contribution situations, which are materially different than private stock transactions.
 - o Indeed, Pickens has conceded that the joint venture situations are not comparable to his own acquisition of Koito shares.
 - o Whereas in a joint venture investors contribute capital directly to a company for R&D or marketing (often starting the company), Pickens has contributed nothing to Koito. Instead he purportedly paid \$1.2 billion for the Koito shares to Watanabe.

June 6, 1990

T. BOONE PICKENS IN THE U.S. COURTS

Unocal Corporation

- o In the Unocal battle (April 1985), the federal court in Los Angeles found that Pickens, by claiming in his SEC filings that he bought his block of Unocal shares solely for investment, knowingly had misrepresented his intent to take over or greenmail Unocal. In reaching this conclusion, Judge Tashima, referring to Pickens' history as a raider, emphasized that "the unique reputation of Mesa and its principals and their past conduct cannot be disregarded." Unocal v. Pickens, Mem. Op. April 26, 1985 at 10.
- o "The fact that Mesa executives systematically destroyed notes and other documents, together with the habitual inability of Mesa executives to recall discussions concerning the subject of intent, strongly suggest a studied effort by Mesa to conceal its true intent." The Court quoted comments made by Pickens to the effect that he shreds everything and keeps no files. The Court concluded that "Mesa destroyed documents and [its] unrecalled testimony would have been favorable to [Unocal]." (Opinion, p. 11)
- o "In summary, the Court finds with respect to Mesa['s] intent that Mesa from the outset intended to put Unocal 'in play' and thereby either to obtain control or 'greenmail' the corporation in exchange for dropping its bid." (Opinion, p. 13)
- o In parallel state court litigation, the Supreme Court of Delaware described Mr. Pickens as a "corporate raider with a national reputation as a 'greenmailer'". Unocal Corp. v. Mesa Petroleum Co., 493 A.2d 946, 956 (Del. 1985). In that case, Unocal, in response to Pickens' accumulation of shares, offered to repurchase Unocal shares held by all shareholders other than

Pickens; the Court upheld this unusual defensive action, finding that the company would be justified in taking dramatic defensive measures in the face of such a "threat" as Pickens. Id.

- o Separately, Unocal has pursued a suit against Pickens, charging that Pickens used Boyd Jefferies -- who since has been convicted of SEC offenses related to stock-parking schemes -- to assemble a large block of Unocal stock on Pickens' behalf, the purpose of which was to allow Pickens to circumvent the Section 16(b) prohibitions on insider short-swing profiting. (The Jefferies stock purchases allegedly were designed to keep Pickens' reported share of Unocal below the 10% trigger for Section 16(b). Though Pickens regularly used Jefferies in his raids, he claims that Jefferies bought the Unocal block for Jefferies' own account.) On April 10, 1990, Judge Davies granted Mesa's summary judgement motion on a technicality -- that Mesa's sale of shares back to Unocal was not an "orthodox" transaction and therefore that it was not subject to Section 16(b) prohibitions. The court's opinion does not address whether there was stock parking by Jefferies on Pickens' behalf.

Phillips Petroleum Co.

- o In a suit by Phillips shareholders, the Court of Appeals for the Third Circuit in August 1989 reinstated securities fraud and RICO claims against Pickens on the issue of whether Pickens had been truthful in declaring that he would not accept greenmail from Phillips. Pickens had repeatedly said, in the media and in SEC filings, that he would not accept any offer which favored him over other shareholders -- i.e., that he would refuse greenmail -- yet he agreed to drop his bid in exchange for a buyback by Phillips that treated him substantially better than other shareholders. The Appeals Court expressly found that there was credible evidence that Pickens "had no intention from the outset to honor the equal treatment statement." The case now will go to a jury trial in the Delaware federal court in the fall of 1990. In re Phillips Petroleum Securities Litigation, 881 F.2d 1236, 1247 (3rd Cir. 1989).

- o The case now is scheduled to go to trial in Fall 1990. On May 25, 1990 the U.S. District Court for the District of Delaware denied the Mesa defendants' motion for summary judgment. The court quoted liberally from Judge Tashima's 1985 Memorandum Opinion in the Unocal case (cited above), and held that "the reputation of the Mesa Partners in February-April 1985 significantly correlates to the reputation of the Mesa Partners in December 1984." In re Phillips Petroleum Securities Litigation, Slip Op., C.A. No. Misc. 85-75 (MMS), May 25, 1990 at 14. The court found further that the Phillips record

"would allow a reasonable trier of fact to conclude that the Mesa Partnership had a reputation for greenmail. Thus, the Court concludes that there is sufficient evidence to create a question of fact as to whether the reasonable investor would have considered the equal basis statements material in relation to the attempted takeover of Phillips Petroleum by the Mesa Defendants." Id. at 16.

Newmont Mining

- o In 1987, the Supreme Court of Delaware confirmed that, based on Pickens' "series of . . . maneuvers, including the secret acquisition of shares, the 'bear hug' letter, the coercive partial tender offer and inadequate bid . . . all viewed by [the Newmont board] as classic elements of Mr. Pickens' typical modus operandi," the Newmont board reasonably could conclude that Pickens' tender offer "was not in the shareholders' best interests or those of their company." Ivanhoe partners v. Newmont Mining Corp., 535 A.2d 1334, 1342 (Del. 1987). Further supporting this, noted the Court, the Newmont board "specifically recognized" that Mr. Pickens "had been involved in several attempts to acquire and break-up other corporations, resulting in the payment of 'greenmail' or severe restructuring of the target companies." Consequently, the Court permitted the Newmont board to issue a dividend to shareholders that effectively defeated Pickens' tender offer. Id. at 1346.

USG Corporation

- o As part of the evidence indicating knowing securities fraud by two defendants (Cyril Wagner and Jack Brown) who are frequent investment partners of Pickens, the court looked to "the prior practices of T. Boone Pickens and another Wagner & Brown partnership," in connection with the Unocal tender offer and other "unsuccessful takeover activities which earned them substantial profits." USG Corp. v. Wagner & Brown, 689 F. Supp. 1483, 1494 (N.D. Ill. 1988).

June 6, 1990

Boone-San, Either Put Up or Shut Up

By TAKAO MATSUURA

One year ago this month, T. Boone Pickens issued a statement declaring that he had acquired 20% of my company's stock. At first, we at Koito Manufacturing Ltd. were perplexed. Why would Mr. Pickens be interested in Koito's stock at a time when it was selling at a price-earnings multiple of about 170 to 1, as a result of a stock-cornering scheme by an infamous Japanese greenmailer? Where did he get this block of shares? What was Mr. Pickens' objective? How was this related to the greenmail play we had been battling at Koito for months?

Red flags went up at Koito as soon as we discovered that Mr. Pickens had obtained his stock from Kitaro Watanabe, the very man Koito had been battling. Mr. Watanabe, one of Japan's wealthiest men, has a history of speculation in stocks and real estate and is renowned for his attempts at greenmail, in which a company pays a shareholder a premium price for his stake in an effort to fend off his hostile offer. He had accumulated his block of Koito stock during an 18-month buying spree that had driven Koito's share price from about 700 yen to more than 5,000 yen. Mr. Watanabe twice approached Koito, looking for us to arrange a greenmail payoff. We refused. And we were aware that Mr. Watanabe was shopping his shares in an effort to unload his investment.

Mr. Pickens said it took 10 meetings over four months to cut the deal to assume Mr. Watanabe's stock. That told us that the deal between Messrs. Pickens and Watanabe was probably no simple purchase agreement. It told us nothing, however, about the nature or terms of the arrangement with the man who had twice tried to greenmail Koito with the very shares Mr. Pickens had registered in his name.

Sceptical of Pickens' Claims

We at Koito knew plenty about Mr. Watanabe, but not too much about Mr. Pickens. We expected that he would ask for a seat on our board, so we began to look closely at Mr. Pickens and his busi-

ness record in America. What we discovered alarmed us and made us skeptical of his claims to be a "long-term shareholder" in our company.

In 1985 our new "investor" had been labeled by the Supreme Court of Delaware as "a corporate raider with a national reputation as a greenmailer." In the same year, the federal court in Los Angeles had found that he and his colleagues had engaged in a "studied effort to conceal their true intent" to put companies "in play" and to obtain greenmail, using systematic destruction of documents and feigned ina-

nessman, I am trained to look first at the numbers, and the numbers do not look good. Simply put, at the price Mr. Pickens says he paid for his initial block of Koito stock, his initial acquisition cost would have been about \$840 million (calculated at the exchange rate then). That means his interest costs over the past year, if he actually paid for this stock, would be in excess of \$90 million. The annual aggregate dividends on this stock in prior years were less than \$2 million. Even if the company did the unthinkable and paid out its entire net profits for the year in dividends, Mr.

As Mr. Pickens has escalated his media attack in the past year, I have heard him tell Koito to "put up or shut up." This is exactly what I would like to say to Mr. Pickens: "Either put up or shut up about your financial relationship with the greenmailer from whom you acquired your shares."

After reviewing Mr. Pickens' record in the U.S., we at Koito fully expected to be treated just like any American company forced to weather a Pickens raid. We were prepared for attacks on Koito's management, for litigation against us at every opportunity, for criticisms of the company's performance, and for the usual Pickens rhetoric of "shareholders' rights" masking his own personal agenda.

We were even ready for his persistent misrepresentation of the facts. In our case he claims that Toyota, which owns 19% of Koito's stock, has three directors on our board. Toyota has no representatives on Koito's board, yet Mr. Pickens refers to me as a "Toyota director" simply because I began my career as a young employee with that company. I have been with Koito for 20 years, and the other Koito directors referred to similarly by Mr. Pickens also have been with our company for many years.

Cynical Efforts

We were not, however, prepared for his cynical efforts to try to depict his raid on Koito as an example of U.S.-Japanese trade friction. Perhaps Mr. Pickens's legendary political fund-raising ability opens more doors in Washington than he otherwise might deserve, but his efforts to use congressional and public concern over foreign investment to pursue the personal and private aims of the Watanabe-Pickens alliance can only impede progress the U.S. and Japan are making on trade issues.

A year ago, we at Koito knew next to nothing about Mr. Pickens. Today I understand what so many American CEOs went through in the 1980s as their companies struggled to fight off his greenmail assaults. Someday, perhaps, I will have the opportunity to compare notes with such American executives as W.H. Bricker of Diamond Shamrock, Fred Hartley of Unocal, and James Lee of Gulf Oil on our unpleasant experiences with their country's most famous corporate raider.

Mr. Matsuura is president of Koito Manufacturing Ltd.

Greenmailers—Japanese or American—are not welcome on Koito's board. In this, Koito is no different from the American companies T. Boone Pickens bought into.

bility to recall discussions about their objectives in launching raids.

We also found out that Mr. Pickens faced jury trials in cases arising from raids on Unocal and Phillips Petroleum. Unocal shareholders charged that Mr. Pickens's company, Mesa Petroleum, had engaged in a stock-parking scheme to enable Mesa to avoid the rules against short-swing profits under U.S. securities laws. In the Phillips case, a federal appeals court found evidence last year that Mr. Pickens "had no intention from the outset" to honor his repeated statement that he was not interested in and would not accept greenmail.

The more we found out about Mr. Pickens, the more it became clear to us that putting a stockholder whom the American courts had labeled a greenmailer on our board would be highly irresponsible. Greenmailers—Japanese or American—are not welcome on Koito's board.

In this, Koito is no different from the American companies Mr. Pickens bought into. Not one of Mr. Pickens's American targets had given him or his representatives a seat on its board. Gulf reorganized its corporation in order to keep Mr. Pickens off its board. And KN Energy waged a bitter proxy fight against his slate of directors. I chuckle now when I read Mr. Pickens's statements that his other targets would have put him on their boards if only he had asked. And I understand now why Gulf and KN Energy went to such lengths to keep him off their boards.

Then, there is the question of the value of Mr. Pickens's investment. As a busi-

Pickens would receive an amount equal only to 0.63% of his supposed acquisition price.

And, at current price levels, there seems little chance of stock appreciation. (Koito's stock closed Tuesday at 3,050 yen a share, compared with the 3,395 yen price Mr. Pickens told the Japanese government he paid for his initial block of stock.) This "investment" makes no financial sense—unless there is a speculative gain to be made by selling the stock off in a block or unless there was never a real "investment" at all. (Mr. Pickens subsequently increased his stake in Koito to 26.4%.)

A year ago when we asked Mr. Pickens to explain whether he had some undisclosed arrangement concerning these shares with Mr. Watanabe, he refused to respond. We have since asked him several times to disclose the nature of his relationship with Mr. Watanabe. The American press has asked him as well. He refuses each time, saying that he is not required by Japanese law to disclose such arrangements. Under American securities laws, Mr. Pickens would be compelled to disclose—as all 5% shareholders are—the sources of the funds used to buy the stock and any arrangements with others to divide profits, cover losses, or call or put the stock back.

At the same time, we are looking carefully at proposals that would eliminate greenmailing schemes against Koito. Among those proposals is one by Mr. Pickens that, I should point out, avoids requiring him to make the disclosures we repeatedly have asked for.

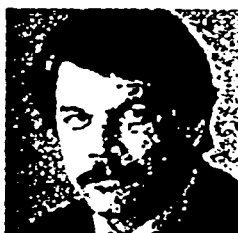


T. Boone Pickens

Pickens in quandary over stake in Koito

Texas financier to testify in Washington

Once again, T. Boone Pickens has gone off to Washington to turn up the heat on Japan's Koito Manufacturing Co., his prey in a cross-cultural contest over big money — really big money. During a busy Monday in the nation's capital, the Texas financier will give a press briefing and testify before the Senate Finance Committee's international trade subcommittee.



**RICHARD
ALM**

WORLD VIEW

Mr. Pickens, now a Dallas resident, has become Koito's largest shareholder, with a 26 percent stake worth almost \$1.2 billion. If he's true to form, he'll tell the press and senators he's being denied his rights because Koito, a leading manufacturer of lighting for automobiles, won't give him any seats on its board of directors or accede to his requests for fatter dividends.

Mr. Pickens will portray himself as the victim of a xenophobic business culture, which wants foreigners to mind their own business, not Japan's. He'll again deny he's out after "greenmail," a fat profit from selling shares at a premium to Koito or its corporate allies.

That's what Mr. Pickens has been saying since the public first learned in April about his big stake in Koito.

Back then, many analysts suspected greenmail, given Mr. Pickens' track record as a corporate raider.

The best evidence still points at greenmail.

Mr. Pickens wears the shining armor of a crusader for shareholder rights, taking on the unfair Japanese in this case. Yet, he's first and foremost a businessman — and a darned shrewd one. "I'm trying to make money," he's said of his Koito investment.

For that, the numbers just don't add up.

Mr. Pickens had to pay for his 42.4 million Koito shares some way. If he borrowed it all at current interest rates, he faces at least \$120 million a year in interest charges. If he took money out of other investments, he's giving up at least \$85 million a year, using as a minimum the return on risk-free Treasury bills. A businessman with Mr. Pickens' track record could probably do a lot better.

Short of greenmail, it's hard to see how Mr. Pickens could make that kind of money on Koito stock. Certainly, he's not going to get it by holding Koito stock. The company's dividends are puny, typical of Japanese big business. At current exchange rates, Mr. Pickens' shares would earn a paltry \$3 million a year in dividends. It doesn't look good against the interest expense or against what could have been earned in other investments.

The other way to make money is capital gains. Koito's shares, however, seem an unlikely candidate for appreciation, even on the bullish Tokyo Stock Exchange. The stock sold at 600 yen a share in July 1987, when Kitaro Watanabe, a notorious Tokyo speculator, started acquiring a stake in Koito. By March of this year, the stock price had risen to 3,375 yen — the price at which Ministry of Finance documents show Mr. Watanabe sold Mr. Pickens his first 32.4 million shares.

Please see PICKENS on Page 4D.

Pickens in quandary over stake in Koito

RICHARD ALM

Continued from Page 1D.

The oilman bought another 10 million shares at an undisclosed price in September. Koito traded at 3,500 yen a share last week, down from about 4,000 yen last summer; although it's slipped, the stock is still closer to its historical high than its pre-Watanabe low.

Koito trades well above its fundamentals. When Mr. Pickens first bought Koito stock, the price-earnings ratio stood at an astronomical 122-to-1. The average for the 1,200 stocks on the first section of the Tokyo Stock Exchange was 69-to-1. Market professionals usually advise investors looking for capital gains to stay away from stocks with above average price-earnings ratios. Prices more than likely will go down.

What's more, the stock is thinly traded. Koito's corporate allies own about 60 percent of the company's stock, and they're not going to sell out. Mr. Pickens holds 26 percent, leaving at most 14 percent of Koito's stock trading on the market. If Mr. Pickens tries to sell a stake that's larger than the entire market, there's no doubt the price would take a tumble.

The numbers put Mr. Pickens in a bind.

He can't make money on Koito's dividends.

He can't make money selling the stock.

The only way Mr. Pickens can make money is to sell his Koito

stock all at once to a single buyer. The logical candidates are Koito and Toyota Motor Corp., its corporate patron and biggest customer. Neither would want to do so unless Mr. Pickens becomes such a nuisance that they're willing to pay through the nose to get rid of him.

That is greenmail.

Mr. Watanabe, the man who put together the Koito stake Mr. Pickens now holds, twice approached Koito with a greenmail offer in 1988. His asking price was 2,500 yen a share. Both times Koito's management turned him down flat. Mr. Watanabe then went looking for an American investor, who could do more to put pressure on a Japanese company.

He found Mr. Pickens.

So far, Mr. Pickens hasn't been able to make Koito uncomfortable enough to force a buyout — not with demands for board seats, not with legal skirmishes, not with a ton of publicity. Koito figures Mr. Pickens must be losing money every day. Holding a strong hand with the security of "stable shareholders," the company can afford a strategy of waiting Mr. Pickens out.

The Japanese know the virtue of patience.

With all else failed, Mr. Pickens' best hope now for needling Koito's management rests with politicians, so he's trying to recruit Washington as a way of getting the Japanese government to squeeze Koito. He's having some success — as Americans get edgier over Japan's investment in the United States. Already,



T. Boone Pickens . . . faces a ticklish situation.

17 senators, including Texas' Sen. Lloyd Bentsen, have asked U.S. Trade Representative Carla Hills to include Mr. Pickens' complaint among the structural problems being addressed in U.S.-Japan economic trade negotiations.

His political foray makes Mr. Pickens' motives all the more important: It's not right for the U.S. government to be a party to greenmail.

When he speaks out against the lack of shareholder rights in Japan, Mr. Pickens makes good points. He's not making money, though, by being right. The oilman faces a ticklish situation: He's losing money on a stock he can't sell at a profit without resorting to greenmail, but he's dealing with a company that's not about to pay ransom for its own shares.

Staff writer Richard Alm reports on international business and economics for The Dallas Morning News

Pickens Tries Histrionics at Koito

By JAMES STERNGLD

Special to The New York Times

TOKYO, June 28 — Those who believed that the battle between T. Boone Pickens and the Koito Manufacturing Company could not grow more chaotic were proved wrong today, as the latest encounter ended with the American raider staging a walkout at the company's annual meeting into a jostling pack of reporters and camera crews, where he declared the event a "farce."

It is only the latest of the theatrical moves that have obscured the real issues in this unusual contest over corporate governance, in which Mr. Pickens has insisted that Koito is not able to charge fair prices and thus cannot realize an appropriate level of profits because of pressure from its leading customer, the Toyota Motor Corporation.

For Mr. Pickens, today's developments were particularly humbling. As expected, the shareholders of Koito, a leading maker of auto headlights and other electronic equipment, handily voted down Mr. Pickens's proposal that he and three colleagues be named to the company's board, as well as several other amendments to the company's bylaws.

Duel of 'Anti-Greenmail' Plans

An "anti-greenmail" provision proposed by Mr. Pickens, who controls the company that is Koito's largest shareholder, was also rejected by the board. Mr. Pickens had made the proposal to try to prove his sincerity in declaring that he was not looking for greenmail, a repurchase of his shares by the company at a premium over the market price.

Instead, Koito passed its own anti-greenmail rule, evoking howls from Mr. Pickens that this was another example of exclusionary Japanese business practices. The battle remained where it has always been — on the level of name-calling.

Since last year, the Boone Company, Mr. Pickens's private company, has been Koito's largest shareholder, with 26.4 percent of the stock. But his assertions that he is a friendly investor have been ignored by the company, especially since Mr. Pickens



Associated Press

T. Boone Pickens staged a walkout at the Koito Manufacturing Company's annual meeting yesterday in Tokyo into a jostling pack of reporters, photographers and television camera crews.

bought his shares from a reputed Japanese greenmailer, Kitaro Watanabe, and is suspected of acting on Mr. Watanabe's behalf.

Since another Pickens company, Mesa L.P., has been facing financial difficulties for more than a year, questions have been raised about where Mr. Pickens got nearly \$950 million to buy his stock. The refusal

by the normally voluble Mr. Pickens to explain the deal has fed suspicions that he is a front man for Mr. Watanabe, one of Japan's wealthiest men.

The situation has led to a year of belligerent exchanges between the clever Texan and the hard-nosed ex-

Continued on Page D16

New York Times, June 29, 1990
(cont.)

Pickens Tries Histrionics at Koito Meeting

Continued From First Business Page

executives of Koito. The meeting at a hotel here today went further than any incidents in the past, to the point of being almost a parody of a battle for corporate control.

The meeting was notable for its brusque manners, regular outbursts and dozens of jumpy company guards blocking entry to the hall. A throng of Koito's highly paid American advisers — which include the investment bankers Wasserstein, Perella & Company, the public relations advisers Kekst & Company, and Paul, Hastings, Janofsky & Walker, a law firm — cruised the clusters of foreign and Japanese reporters, dispensing quotes and allegations of Mr. Pickens's bad faith.

The grim-faced Koito president, Takao Matsuura, lectured Mr. Pickens and members of his retinue when he felt they were talking out of turn or speaking too long, and responded to most of their questions by saying that they had already been answered or were "irrelevant."

In his comments and actions, Mr. Matsuura made it clear that he regarded Mr. Pickens as little more than a sokaiya, a kind of Japanese mobster, a number of whom attended the meeting in an effort to disrupt it. In fact, 1,682 Japanese companies held their annual meetings today to try to evade the sokaiya, who cannot be everywhere at the same time.

Mr. Pickens was clearly shocked at the nearly complete lack of protections that Japanese corporate procedures offered an outsider, and he eventually stormed out of the meeting in frustration with his group of several dozen fellow investors.

Although it was depicted as a spontaneous outburst, Mr. Pickens's staff conceded that the tactic had been discussed beforehand.

Smoking Gun Backfires

In another unusual exchange earlier this week, Koito's American advisers came up with what they claimed was incriminating evidence, a filing showing that the Boone Company had less than \$2 million in assets and thus did not really own the Koito stock.

But the smoking gun backfired when Mr. Pickens produced another document showing that he later amended the filing, showing \$916 million in assets.

Mr. Pickens has objected to the fact that Toyota, Koito's customer, has reported record profits over the last several years, while Koito's profits have slumped. In the fiscal year that ended on March 31, Koito reported that its operating profits fell 6.6 percent, to 6.35 billion yen, or \$40 million, despite a booming year for cars.

Toyota owns nearly 20 percent of Koito's stock. Three of Koito's top executives, including its president, came from Toyota. In the Japanese business context, that makes Koito a

firm member of the Toyota keiretsu, or family.

Most analysts tend to agree with some of Mr. Pickens's contentions. "A company like Koito cannot pass along higher costs to its biggest customer because Toyota tells them to keep the prices down," said Kurt Hahn, an automotive analyst here with UBS Phillips & Drew.

Added Kazuo Nukazawa, a managing director at Keidanren, the trade group for Japan's leading corporations, "It's undeniable that the relationships between suppliers and assemblers had generally grown too cozy."

Pickens to Pursue Fight

On the other hand, Mr. Pickens has used Japan's weaker regulations to evade important disclosures of his own financial arrangements with Mr. Watanabe. In the United States, he would have had to state how he financed the purchase of the stock; in Japan, he does not.

A spokesman for Mr. Watanabe, Nitsuo Yoshida, scoffed at the accusations that Mr. Pickens is a front man. "We sold our shares to Boone Pickens and have no control over them," he said.

Mr. Pickens promised, as he left today for Dallas, that he was not giving up. He said he would take his battle to Congress, while raising his stake in Koito to 33 percent.

"Hey, you've got to say I've shaken things up here, wouldn't you?" he asked.

Pickens Ducks Greenmail Question

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By SAM JAMESON
TIMES STAFF WRITER

TOKYO—American investor T. Boone Pickens Jr. said Tuesday that he will continue his fight against Japanese "cartels" but declined to answer a charge that he is acting as an agent for a Japanese greenmailer.

Talking with foreign reporters, Pickens said Koito Manufacturing Co.—an auto parts maker in which he owns the largest block of shares, 26%—is colluding with Toyota, its second-largest shareholder, to deny him representation on Koito's board.

However, Pickens refused to respond to Koito's charge that he is collaborating with a Japanese who has been accused of trying to harass Koito into buying back Pickens' shares at an inflated price—a practice known as greenmail.

Asked whether he could say he had no continuing relationship with Kitaro Watanabe, an auto dealer from whom Pickens acquired the shares, he replied:

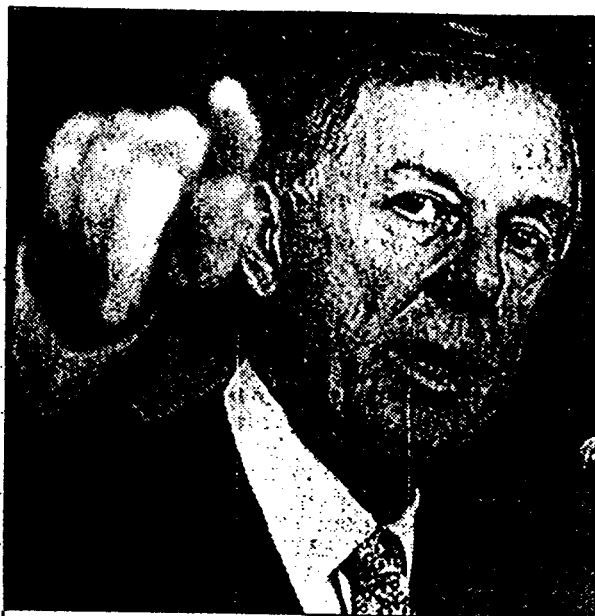
"We bought the stock from Mr. Watanabe, and we paid for the stock. That is really as far as I will go on answering those questions because, again, we get back into a private company that I just somehow don't think it would be to my advantage to talk about.

"We've made all the disclosures under Japanese law that are required. So I don't see any reason to expand beyond what we've been required to do."

Koito has charged that Watanabe twice tried to greenmail Koito before passing his shares to Pickens. In April, Watanabe was fined for failing to report to the Finance Ministry his accumulation of more than 10% of Koito's stock, as required by law.

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T. Boone Pickens Jr. said he is 'not deterred by the stonewalling tactics of Koito and Toyota.'

He disclosed that he had received proxies from Japanese who hold nearly 2.3 million shares of Koito stock. The proxies, he said, represent only 1.4% of the shares outstanding but 57% of the estimated number of small Japanese shareholders in Koito.

"This is clear evidence that the average Japanese investor is dissatisfied with the *keiretsu* system in Japan," Pickens said. "Many of the proxy cards we have received say that 'Toyota's piracy has to stop.'"

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Mark Miller

T. Boone defense shows why Japan is winning

By MARK MILLER



Everyone knows that capital, quality and productivity have catapulted Japan to the front ranks of world economic powers. Now, a little-known company called Koito Manufacturing Co. has demonstrated another cause of Japan's business prowess: they don't let annoying people like T. Boone Pickens push them around.

The Texas raider stormed out of Koito's annual shareholders meeting in Tokyo late last month after management successfully ignored him for several hours.

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The full story, of course, is more complex. In fact, the same week Pickens was being snubbed, U.S. and

Japanese negotiators completed the Structural Impediments Initiative (SII), a wide-ranging agreement aimed at reducing our \$49-billion trade imbalance and the accompanying political and trade friction.

SII calls for the U.S. to balance its budget and to increase worker training initiatives and research and development. In return, Japan pledged to use more of its surplus capital for domestic projects, such as infrastructure investment, and to open its markets to more imported products.

Actually, the Japanese market already is more open than ever. In response to years of pressure from the U.S., American companies with sufficient global know-how are selling a lot of product in Japan. IBM sells nearly \$9 billion worth of computers there every year. Motorola does about \$750 million annually, by some estimates; Coca-Cola, Caterpillar, McDonald's, General Electric—they're all big players in Japan.

That doesn't mean Japan will open the gates to all our imports—and corporate raiders like Pickens appear to be on the list of banned products. Japan's network of interlocking corporate ownership makes takeovers all but impossible. But it's hardly something worth going back to the negotiating table over—especially when you consider Pickens' record. Arguably, he's our most embarrassing export to Japan since the \$2-million man, Ronald Reagan.

Pickens' most recent achievement is to screw up his own company, Mesa Petroleum, following his unsuccessful assaults in the early 1980s on Gulf Oil, Phillips Petroleum and Unocal. In 1985, he recast Mesa as a partnership that would pass through most of its cash flow to partners. But the company today is in a bind, the result of Pickens' bad bets on the direction of natural gas prices and his refusal to cut distributions to partners. Last year, payouts exceeded cash by \$276 million.

Not all raiders are bad. Not all corporate restructurings are bad. But T. Boone Pickens has shown that he can be very bad, indeed. Certainly, he doesn't have much to offer Koito in the way of management skill.

Should a 26% shareholder have a voice in management? Sure. But if more American companies had been able to ignore shareholders of Pickens' ilk during the roaring 1980s, our economy would be much better off.

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PAUL, HASTINGS, JANOFSKY & WALKER

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December 5, 1990

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AFTER 5 DIRECT DIAL NUMBER

OUR FILE NO.

Mr. Thomas Gann
Legislative Director
Office of Rep. Tom Campbell
516 Cannon Building
Washington, D.C. 20515-0512

Re: Campbell Foreign Investment
Reciprocity Bill

Dear Tom:

I thought you and Mr. Campbell might be interested in the attached excerpt from Boone Pickens' brief filed in the Tokyo court, in the litigation he began against Koito.

As you can see, Pickens is advertising Rep. Campbell's bill as "the Koito Retaliation Bill." This, of course, is contrary to what Rep. Campbell himself has said (see attached wire service story), as well as contrary to the discussion you and I had about the bill's objectives. We suspect that Mr. Pickens is using similar characterizations of the bill in his U.S. appearances in support of his campaign against Koito.

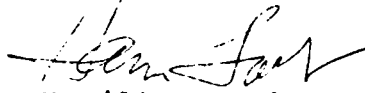
While I continue to believe that Rep. Campbell's bill has merit, it seems quite clear that it would be harmful to your objectives for the bill to become identified with Boone Pickens' Koito greenmail scheme. Perhaps Mr. Campbell might wish to insert a disclaimer when he reintroduces it, to the effect that the bill is not aimed at any particular investment dispute nor at any particular country's foreign investment practices and is not intended to assist Mr. Pickens.

Mr. Thomas Gann
December 5, 1990
Page 2

In case you missed it this week, Pickens finally admitted what Koito has said all along -- that he is being bankrolled by the notorious Japanese greenmailer who put the Koito stock in his hands. I attach this report, as well as stories on Pickens' most recent brushes with the laws -- in which the SEC concluded that he concealed his true intent to make a speculative quick-kill profit while professing, in his disclosure filings, to be a long-term investor. This is precisely what is going on with Koito as well.

With best regards,

Sincerely,



Hamilton Loeb

of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel to Koito Mfg. Co.
Registered under FARA

HL/ew
Enclosures

Pickens Ducks Greenmail Question

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1 be enough?

2 So my question to you is even if we do not go further,
3 even if the request for information were not the forerunner
4 for regulation and restrictions by the government, would not
5 the forms themselves be a further, an exacerbation of the
6 tendency of government to swamp business with information
7 requests?

8 Mr. Jaslnowski: Yes, Senator Danforth, I think it would
9 because of the extraordinary number of other requirements
10 that are now facing businessmen with respect to forms, I
11 think if you take just these forms, it does not seem that
12 bad. But then you add that to all the other stuff, and it
13 really is just becoming overwhelming in terms of the
14 requirements you have to meet.

15 Senator Danforth: Thank you very much.

16 The Chairman: Thank you. Senator Kasten.

17 Senator Kasten. Mr. Chairman, thank you. I hope, Jerry,
18 we can repeal section 89. We are still working on it.

19 Mr. Pickens, there was a story going around here a couple
20 of months ago that you were allowed to attend the board of
21 directors meeting but you weren't allowed to bring an
22 interpreter. I do not know if that is true or false. Was
23 that true?

24 Mr. Pickens: Let me say first, we asked for the three
25 seats on the board and we were turned down for that. And

1 then we asked if we could observe a directors meeting with no
2 votes.

3 Senator Kasten: A directors' meeting, not a
4 shareholders' meeting?

5 Mr. Pickens: Yes. And then the shareholders' meeting
6 was coming up next, and so we asked for four seats at the
7 stockholders' meeting, and they came back and said one seat
8 only.

9 Senator Kasten: One observer seat?

10 Mr. Pickens: Well, no. I could go as a stockholder. I
11 could vote, but only one could go. And so I said that, I
12 asked if they were familiar with the community property law
13 in Texas. And my wife felt that she had an investment there,
14 too. And so they said no. That she could not go, but that I
15 could bring an interpreter.

16 So I did get to bring an interpreter with me. And Bea
17 just said she was going to go ahead and try them at the door
18 anyway, and she is a very attractive woman and walked up to
19 the door and they said, no, that she could not come in.

20 And then she, if you would just bear with me a second, I
21 would like to tell this story. And so we are the only ones
22 that ever brought a stockholders' meeting outside to the
23 press and they did take it out on TV to a TV monitor. And
24 that Kolto, it was their TV. And so Bea found out where the
25 monitor was and she went to the room to see it.

1 And the investment bankers for Kolto, Toby Myerson,
2 blocked her at the door and said, no, you cannot come in.
3 And she said, wait a minute. She said, I am paying for part
4 of this deal. And they still would not let her in which made
5 it kind of, you know, an interesting scene where a
6 stockholder could not go in and watch it on a monitor.

7 But I did get to go with my interpreter.

8 Senator Kasten: I have a bunch of different articles,
9 Mr. Chairman, about this question. I would just like to ask
10 that one be included in the record from the Dallas Times
11 Herald, Sunday, July 2, entitled "Closed Markets Hurting
12 Japan." I just thought it was a good article on this
13 particular subject.

14 The Chairman: It will be included.

15 [The material referred to follows:]

16 [COMMITTEE INSERT]
17
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25

1 Senator Kasten: I want to ask a question with regard to
2 reciprocity. I asked a question yesterday or the day before,
3 and there were some other articles I have read with regard to
4 the way you were treated there as opposed to the way you have
5 been treated here. Is there a difference between the way,
6 for example, Gulf or Diamond Shamrock treated you with regard
7 to the Board of Directors participation as opposed to the way
8 Kolto is treating you? It seems to me they are similar.

9 Mr. Pickens: Let me take you back in time. We became
10 Gulf's largest stockholder in 1983. We never asked for
11 representation on the board. We never made any takeover
12 attempt of Gulf Oil and we just wanted to restructure the
13 company, so there was never a question about the Board of
14 Directors at Gulf nor was there at Phillips, nor was there at
15 Unical or Diamond Shamrock. We never asked for
16 representation on the board of any of those companies and did
17 not want to go on the board.

18 In the case of Diamond Shamrock, we tried to take them
19 over as we did Phillips and Unical, but not Gulf.

20 Senator Kasten: Then what is the import -- if you had
21 tried to get representation on the board of those companies,
22 do you think you would have? Is that what you are saying?

23 Mr. Pickens: I think that if I had gone to the companies
24 and said the same things I have to Kolto -- that there is
25 nothing hostile here, that we want to work with you, we want

1 to expand your markets -- yes, I think I would have been
2 considered for the Board of Directors for any of those
3 companies.

4 Senator Kasten: Now, you bought your shares -- I do not
5 know if you bought all of them, but from another person named
6 Wantanabe. He was a Japanese. Did he have representation on
7 the board? He was looked upon as a hostile takeover. Or at
8 least, a hostile participant. Did you buy your 20 percent
9 from him, or did you buy your 20 percent from the market and
10 some from Wantanabe, and what was Mr. Wantanabe? Now, he is
11 out of it completely?

12 Mr. Pickens: Yes. we bought 20 percent of Koito from
13 Mr. Wantanabe, yes.

14 Senator Kasten: Did he -- he was the Japanese?

15 Mr. Pickens: That is correct.

16 Senator Kasten: Did he have directors on the board?

17 Mr. Pickens: No, he did not.

18 Senator Kasten: So they are treating you the same way
19 they treated Mr. Wantanabe?

20 Mr. Pickens: Well, you see, I do not know whether he
21 asked for representation. I do not know that.

22 Senator Kasten: I have one last question, and that is --

23 Mr. Pickens: And I do not know that he ever told them
24 that he was nonhostile and that he did not want green mail.
25 We have told them that we do not want any of those things,

1 and I told him I would be glad to sign a letter with you
2 clearly stating that we do not have any idea of doing any of
3 those things in the future.

4 Senator Kasten: Now, with regard to the Toyota
5 question. I have read somewhere that -- I know it is in this
6 article and a couple of others -- that you are saying Toyota
7 has less shareholders but they have -- excuse me. They have
8 less percentage stock ownership but that they have
9 representation on the board but then I read somewhere else
10 that what they have got is former Toyota employees. So, I
11 mean what we are seeing is a little bit like because Lee
12 Iacocca worked at Ford Motor Company, that now Ford Motor
13 Company is in charge of Chrysler. Could you explain to me,
14 are there Toyota former employees who are now working for
15 Koito who have severed their relationship with Toyota, or are
16 these people from Toyota who are still working at Toyota and
17 they are in addition to the people who used to be Toyota
18 employees?

19 Mr. Pickens: Mr. Matsura told me he came from Toyota
20 but, you know, he had severed any relationship. He is the
21 CEO of Koito, and I understand Dr. Toyota said in Washington
22 that the three people that are on the Koito Board are former
23 Toyota employees.

24 Senator Kasten: Is that the case?

25 Mr. Pickens: I would believe him, saying that, yes. I

1 have no reason not to believe him and my response to that is,
2 I would be glad to put three former Boone Co. members,
3 employees of mine, on that board if that will satisfy him.

4 There is a big difference here. I mean, I am clearly a
5 stockholder without a conflict. I do not do any business
6 with Kolto and do not plan to buy any lights or cars from
7 them, because I am not in that business, but I can help them
8 sell those lights.

9 But I am coming up from the stockholders' side and not
10 from the inside stockholders' side. Now, Mr. Matsura asked
11 me if I would be a stable stockholder at Kolto, and I told
12 him yes, I would be a stable stockholder but I said that did
13 not mean that I would be locked up in the stable.

14 So we would be glad to work with them, but I do not think
15 it is hard to see that Toyota has a great influence at Kolto.

16 Senator Kasten: But the point then is that the people
17 who are on the board are people who right now are working for
18 Kolto. They are not people that right now are working for
19 Toyota. Is that correct?

20 Mr. Pickens: That is what I understand Dr. Toyota said,
21 yes, and I would expect whatever he said as being fact.

22 Senator Kasten: Mr. Chairman, I thank you and I thank
23 both of you for your help today.

24 The Chairman: Very good. One final question. Mr.
25 Jasnowski, I think you may have hit on it for the Committee

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WATERS DIRECT DIAL NUMBER

457-9435

OUR FILE NO

VIA MESSENGER

Honorable Robert W. Kasten, Jr.
110 Senate Hart Office Building
Washington, D.C. 20510

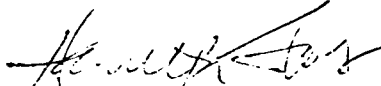
Re: Koito/Pickens

Dear Senator Kasten:

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Koito regrets Mr. Pickens' continued shameless effort to use the U.S. government and Congress in support of his greenmail scheme.

Very truly yours,



Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agents for Koito Mfg. Co.)

Enclosure

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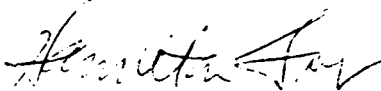
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Hamilton Loeb
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cc: Gwendolyn van Paasschen
Marta Aguirre

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OUR FILE NO

BY HAND

Hon. Charles S. Robb
United States Senate
Washington, D.C. 20510

Re: Consumer Subcommittee Hearing on July 19

Dear Senator Robb:

Last year, Judith Hope and I met with you concerning T. Boone Pickens' claims with regard to Koito Manufacturing Co. We explained Koito's view of the dispute with Mr. Pickens, particularly the undisclosed financial relationship between Mr. Pickens and Japanese raider Kitaro Watanabe, and the company's concerns that Mr. Pickens has been enlisted to help Mr. Watanabe extort a greenmail payment from Koito.

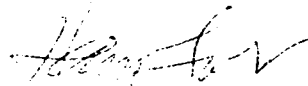
Your Consumer Subcommittee once again will be hearing from Mr. Pickens on Thursday, July 19. I thought you would be interested in the enclosed press stories chronicling this year's shareholders meeting in Japan. Not much has changed: Mr. Pickens still refuses to disclose the ongoing financial connection between him and Kitaro Watanabe, yet he continues to claim that Koito should overlook his secret Watanabe deal and his record as a greenmailer and put him on the board. Of course, so long as Mr. Pickens continues to act as a front for the greenmailing efforts of a Japanese corporate raider, his claims that Americans are being frozen out of corporate Japan are disingenuous and generate unwelcome friction between the U.S. and Japan.

Hon. Charles S. Robb
July 18, 1990
Page 2

If you have any questions regarding these materials, I will be pleased to respond.

With kind regards,

Yours sincerely,



Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

Enclosures

cc: Jay Winik
Patricia Spurlock

Pickens Ducks Greenmail Question

■ **Japan:** The American investor countercharges that Koito Manufacturing is conspiring with Toyota to deny him a seat on the auto parts maker's board.

By SAM JAMESON
TIMES STAFF WRITER

TOKYO—American investor T. Boone Pickens Jr. said Tuesday that he will continue his fight against Japanese "cartels" but declined to answer a charge that he is acting as an agent for a Japanese greenmailer.

Talking with foreign reporters, Pickens said Koito Manufacturing Co.—an auto parts maker in which he owns the largest block of shares, 26%—is colluding with Toyota, its second-largest shareholder, to deny him representation on Koito's board.

However, Pickens refused to respond to Koito's charge that he is collaborating with a Japanese who has been accused of trying to harass Koito into buying back Pickens' shares at an inflated price—a practice known as greenmail.

Asked whether he could say he had no continuing relationship with Kitaro Watanabe, an auto dealer from whom Pickens acquired the shares, he replied:

"We bought the stock from Mr. Watanabe, and we paid for the stock. That is really as far as I will go on answering those questions because, again, we get back into a private company that I just somehow don't think it would be to my advantage to talk about.

"We've made all the disclosures under Japanese law that are required. So I don't see any reason to expand beyond what we've been required to do."

Koito has charged that Watanabe twice tried to greenmail Koito before passing his shares to Pickens. In April, Watanabe was fined for failing to report to the Finance Ministry his accumulation of more than 10% of Koito's stock, as required by law.

Pickens, who with 52 other Americans plans to attend a Koito stockholders meeting Thursday, charged that Toyota was manipulating the price of auto parts bought from Koito to inflate Toyota's profits at Koito's expense. Although Koito's revenue has increased every year for the past three years, he said, its profit has fallen, while Toyota's has continued to rise.

"A *keiretsu* [business group] is a cartel," Pickens said. "Whatever you call it—a cartel, a trust, a monopoly, a *keiretsu* or a *zaibatsu*—it's wrong. Any economic system that benefits a few at the expense of many is wrong and will ultimately fail."



T. Boone Pickens Jr. said he is 'not deterred by the stonewalling tactics of Koito and Toyota.'

He disclosed that he had received proxies from Japanese who hold nearly 2.3 million shares of Koito stock. The proxies, he said, represent only 1.4% of the shares outstanding but 57% of the estimated number of small Japanese shareholders in Koito.

"This is clear evidence that the average Japanese investor is dissatisfied with the *keiretsu* system in Japan," Pickens said. "Many of the proxy cards we have received say that 'Toyota's piracy has to stop.'"

He said he is "not deterred by the stonewalling tactics of Koito and Toyota" and added that he intends to come back for the Koito stockholders meeting "next year and again the following year."

Pickens also said he intends to raise his holdings in Koito soon—to at least a third of the total.

He said top executives of Koito and Toyota, as well as leaders of the powerful Federation of Economic Organizations, have refused to meet with him. However, he said, Koito has agreed to let him tour its plant Friday.

Mark Miller

T. Boone defense shows why Japan is winning

By MARK MILLER



Everyone knows that capital, quality and productivity have catapulted Japan to the front ranks of world economic powers. Now, a little-known company called Koito Manufacturing Co. has demonstrated another cause of Japan's business prowess: they don't let annoying people like T. Boone Pickens push them around.

The Texas raider stormed out of Koito's annual shareholders meeting in Tokyo late last month after management successfully ignored him for several hours.

Pickens bought a 26% stake in Koito 16 months ago, and has been seeking a board seat ever since. He brought an entourage of 32 Americans to the meeting; they bolted in anger after his questions to management went unanswered, and after enduring heckling from toughs attending the meeting, who shouted insults such as "Yankee go home" and "We won the economic war."

Pickens, who complained that he was denied a board seat simply because he is American, was attempting to manipulate the one-dimensional notions of Japan that are widely believed in the U.S.: Japan the protectionist, Japan the arrogant—even Japan the racist.

The full story, of course, is more complex. In fact, the same week Pickens was being snubbed, U.S. and

Japanese negotiators completed the Structural Impediments Initiative (SII), a wide-ranging agreement aimed at reducing our \$49-billion trade imbalance and the accompanying political and trade friction.

SII calls for the U.S. to balance its budget and to increase worker training initiatives and research and development. In return, Japan pledged to use more of its surplus capital for domestic projects, such as infrastructure investment, and to open its markets to more imported products.

Actually, the Japanese market already is more open than ever. In response to years of pressure from the U.S., American companies with sufficient global know-how are selling a lot of product in Japan. IBM sells nearly \$9 billion worth of computers there every year. Motorola does about \$750 million annually, by some estimates; Coca-Cola, Caterpillar, McDonald's, General Electric—they're all big players in Japan.

That doesn't mean Japan will open the gates to all our imports—and corporate raiders like Pickens appear to be on the list of banned products. Japan's network of interlocking corporate ownership makes takeovers all but impossible. But it's hardly something worth going back to the negotiating table over—especially when you consider Pickens' record. Arguably, he's our most embarrassing export to Japan since the \$2-million man, Ronald Reagan.

Pickens' most recent achievement is to screw up his own company, Mesa Petroleum, following his unsuccessful assaults in the early 1980s on Gulf Oil, Phillips Petroleum and Unocal. In 1985, he recast Mesa as a partnership that would pass through most of its cash flow to partners. But the company today is in a bind, the result of Pickens' bad bets on the direction of natural gas prices and his refusal to cut distributions to partners. Last year, payouts exceeded cash by \$276 million.

Not all raiders are bad. Not all corporate restructurings are bad. But T. Boone Pickens has shown that he can be very bad, indeed. Certainly, he doesn't have much to offer Koito in the way of management skill.

Should a 26% shareholder have a voice in management? Sure. But if more American companies had been able to ignore shareholders of Pickens' ilk during the roaring 1980s, our economy would be much better off.

Pickens Tries Histrionics at Koito

By JAMES STERNGOLD

Special to The New York Times

TOKYO, June 28 — Those who believed that the battle between T. Boone Pickens and the Koito Manufacturing Company could not grow more chaotic were proved wrong today, as the latest encounter ended with the American raider staging a walkout at the company's annual meeting into a jostling pack of reporters and camera crews, where he declared the event a "farce."

It is only the latest of the theatrical moves that have obscured the real issues in this unusual contest over corporate governance, in which Mr. Pickens has insisted that Koito is not able to charge fair prices and thus cannot realize an appropriate level of profits because of pressure from its leading customer, the Toyota Motor Corporation.

For Mr. Pickens, today's developments were particularly humbling. As expected, the shareholders of Koito, a leading maker of auto headlights and other electronic equipment, handily voted down Mr. Pickens's proposal that he and three colleagues be named to the company's board, as well as several other amendments to the company's bylaws.

Duel of 'Anti-Greenmail' Plans

An "anti-greenmail" provision proposed by Mr. Pickens, who controls the company that is Koito's largest shareholder, was also rejected by the board. Mr. Pickens had made the proposal to try to prove his sincerity in declaring that he was not looking for greenmail, a repurchase of his shares by the company at a premium over the market price.

Instead, Koito passed its own anti-greenmail rule, evoking howls from Mr. Pickens that this was another example of exclusionary Japanese business practices. The battle remained where it has always been — on the level of name-calling.

Since last year, the Boone Company, Mr. Pickens's private company, has been Koito's largest shareholder, with 26.4 percent of the stock. But his assertions that he is a friendly investor have been ignored by the company, especially since Mr. Pickens



Associated Press

T. Boone Pickens staged a walkout at the Koito Manufacturing Company's annual meeting yesterday in Tokyo into a jostling pack of reporters, photographers and television camera crews.

bought his shares from a reputed Japanese greenmailer, Kitaro Watanabe, and is suspected of acting on Mr. Watanabe's behalf.

Since another Pickens company, Mesa L.P., has been facing financial difficulties for more than a year, questions have been raised about where Mr. Pickens got nearly \$950 million to buy his stock. The refusal

by the normally voluble Mr. Pickens to explain the deal has fed suspicions that he is a front man for Mr. Watanabe, one of Japan's wealthiest men.

The situation has led to a year of belligerent exchanges between the clever Texan and the hard-nosed ex-

Continued on Page D16

New York Times, June 29, 1990
(cont.)

Pickens Tries Histrionics at Koito Meeting

Continued From First Business Page

executives of Koito. The meeting at a hotel here today went further than any incidents in the past, to the point of being almost a parody of a battle for corporate control.

The meeting was notable for its brusque manners, regular outbursts and dozens of jumpy company guards blocking entry to the hall. A throng of Koito's highly paid American advisers — which include the investment bankers Wasserstein, Perella & Company, the public relations advisers Kekst & Company, and Paul, Hastings, Janofsky & Walker, a law firm — cruised the clusters of foreign and Japanese reporters, dispensing quotes and allegations of Mr. Pickens's bad faith.

The grim-faced Koito president, Takao Matsuura, lectured Mr. Pickens and members of his retinue when he felt they were talking out of turn or speaking too long, and responded to most of their questions by saying that they had already been answered or were "irrelevant."

In his comments and actions, Mr. Matsuura made it clear that he regarded Mr. Pickens as little more than a sokaiya, a kind of Japanese mobster, a number of whom attended the meeting in an effort to disrupt it. In fact, 1,682 Japanese companies held their annual meetings today to try to evade the sokaiya, who cannot be everywhere at the same time.

Mr. Pickens was clearly shocked at the nearly complete lack of protections that Japanese corporate procedures offered an outsider, and he eventually stormed out of the meeting in frustration with his group of several dozen fellow investors.

Although it was depicted as a spontaneous outburst, Mr. Pickens's staff conceded that the tactic had been discussed beforehand.

Smoking Gun Backfires

In another unusual exchange earlier this week, Koito's American advisers came up with what they claimed was incriminating evidence, a filing showing that the Boone Company had less than \$2 million in assets and thus did not really own the Koito stock.

But the smoking gun backfired when Mr. Pickens produced another document showing that he later amended the filing, showing \$916 million in assets.

Mr. Pickens has objected to the fact that Toyota, Koito's customer, has reported record profits over the last several years, while Koito's profits have slumped. In the fiscal year that ended on March 31, Koito reported that its operating profits fell 6.6 percent, to 6.35 billion yen, or \$40 million, despite a booming year for cars.

Toyota owns nearly 20 percent of Koito's stock. Three of Koito's top executives, including its president, came from Toyota. In the Japanese business context, that makes Koito a

firm member of the Toyota keiretsu, or family.

Most analysts tend to agree with some of Mr. Pickens's contentions. "A company like Koito cannot pass along higher costs to its biggest customer because Toyota tells them to keep the prices down," said Kurt Hahn, an automotive analyst here with UBS Phillips & Drew.

Added Kazuo Nukazawa, a managing director at Keidanren, the trade group for Japan's leading corporations, "It's undeniable that the relationships between suppliers and assemblers had generally grown too cozy."

Pickens to Pursue Fight

On the other hand, Mr. Pickens has used Japan's weaker regulations to evade important disclosures of his own financial arrangements with Mr. Watanabe. In the United States, he would have had to state how he financed the purchase of the stock; in Japan, he does not.

A spokesman for Mr. Watanabe, Nitsuo Yoshida, scoffed at the accusations that Mr. Pickens is a front man. "We sold our shares to Boone Pickens and have no control over them," he said.

Mr. Pickens promised, as he left today for Dallas, that he was not giving up. He said he would take his battle to Congress, while raising his stake in Koito to 33 percent.

"Hey, you've got to say I've shaken things up here, wouldn't you?" he asked.

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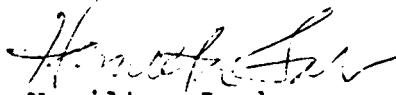
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(Registered Agents for Koito Mfg. Co.)

cc: Jay Winik

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December 5, 1990

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WRITER'S DIRECT DIAL NUMBER

(202) 457-9477

OUR FILE NO.

Hon. Robert M. Kimmitt
Under Secretary for Political Affairs
Department of State
Room 7208
Washington, DC 20520

Dear Secretary Kimmitt:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

The enclosed information includes: a fact sheet containing, among other things, background on Mr. Watanabe and a description of the new Japanese securities disclosure law, the implementation of which has finally compelled Mr. Pickens to reveal his secret relationship with Mr. Watanabe; press accounts of Mr. Pickens' admission that Mr. Watanabe is the real party in interest behind the campaign against Koito; and translations of two items that recently appeared in the Japanese press on Mr. Watanabe's precarious financial condition.

These items demonstrate, as we have contended all along, that the Pickens-Watanabe-Koito matter is a unique situation that does not belong on the agenda of U.S.-Japan trade relations. Now that Mr. Pickens' claims of unfair treatment have been exposed for what they are, perhaps this matter finally can be put to rest.

December 5, 1990
Page 2

Please do not hesitate to call me if you have questions.

Sincerely

A handwritten signature in dark ink, appearing to read 'Dike' or 'Dike', written in a cursive style.

Richard Fairbanks
of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel for Koito Mfg. Co. Registered
under Foreign Agent Registration Act

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WRITER'S DIRECT DIAL NUMBER

(202) 457-9477

OUR FILE NO

Hon. Richard T. McCormack
Under Secretary for Economic Affairs
Department of State
Room 7256
Washington, DC 20520

Dear Amb. McCormack:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

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Sincerely

A handwritten signature in dark ink, appearing to read 'Rich', with a stylized flourish extending to the right.

Richard Fairbanks
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Counsel for Koito Mfg. Co. Registered
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WRITER'S DIRECT DIAL NUMBER

OUR FILE NO

(202) 457-9477

Hon. Eugene J. McAllister
Assistant Secretary for Economic
and Business
Department of State
Room 6828
Washington, D.C. 20520

Dear Secretary McAllister:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

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Sincerely

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Richard Fairbanks
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WRITER'S DIRECT DIAL NUMBER

OUR FILE NO.

(202) 457-9435

Mr. Charles S. Stark
Chief Foreign Commerce Section
U.S. Department of Justice
10th Street & Constitution Avenue, N.W.
Washington, DC 20530

Dear Mr. Stark:

Enclosed are a number of press clippings and other materials revealing that T. Boone Pickens' raid on Koito Manufacturing Co. has in fact been secretly financed by the Japanese stock speculator Kitaro Watanabe.

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Sincerely

A handwritten signature in cursive script, appearing to read "Ham Loeb".

Hamilton Loeb
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Counsel for Koito Mfg. Co. Registered
under Foreign Agent Registration Act

Japanese Shareholder Disclosure Rule Takes Effect

PICKENS ADMITS WATANABE IS FINANCING KOITO RAID

- T. Boone Pickens has now admitted in numerous publications, including the Wall Street Journal (December 4, 1990 at p. A12), the Washington Post (December 5, 1990 at p. G3) and the New York Times (December 5, 1990 at p. D2), that his raid on Koito Manufacturing Co., commenced in March 1989, has been secretly financed by Japanese stock speculator Kitaro Watanabe, from whom Pickens acquired the Koito shares. Watanabe originally cornered the market in Koito shares and tried at least twice to greenmail the company before turning the shares over to Pickens in the secret arrangement. Pickens continues to refuse to provide details of the financing arrangement, but told the Journal, "It is similar to if a person borrows money to buy a house, he puts up the house as collateral."
- Koito has contended from the beginning that Pickens' alleged "investment" is in fact a public front for Watanabe's continuing greenmail effort. Pickens' admission comes in anticipation of his disclosure of the Watanabe arrangement in an upcoming filing with the Japanese Ministry of Finance ("MOF"), under a new Japanese securities disclosure rule that took effect on December 1, 1990.

The New Securities Disclosure Rule

- On November 20, 1990, MOF issued the definitive "ordinance" (regulation) implementing a significant amendment to the Japanese Securities and Exchange Act designed to increase public disclosure obligations imposed on large shareholders.
- The regulation, patterned after the U.S. Securities and Exchange Commission's 13D disclosure requirement, became effective December 1, 1990. It requires shareholders of publicly-traded companies to file disclosure reports with the MOF within 5 working days of acquiring a greater-than-5% stake in the company (or within 5 days of increasing or decreasing a more-than-5% stake by 1% or more). Shareholders who already own

more than 5% on the December 1 effective date will have 5 working days from the effective date to file disclosure forms.

- The regulation provides certain exemptions for those shareholders who already own more than 5% on the effective date. These exemptions reduce the effectiveness of the law in helping to expose ongoing greenmail and stock manipulation schemes, such as the Pickens-Watanabe scheme against Koito.
- Under the new regulation, large shareholders are required to disclose:
 - ◀ The purpose for which the shareholder acquired the shares (for investment, to obtain control, etc.).
 - ◀ Any outstanding pledge agreement or other material agreements or arrangements with third parties involving the shares, including a repurchase agreement or put option agreement.
 - ◀ The original source of financing for the shares, and any purchase or sale of the company's stock by the shareholder within the previous 60 days. (This information is not required for shareholders such as Pickens who already held their stake on the effective date of the regulation.)

Background on Kitaro Watanabe

- Kitaro Watanabe, president of Azabu Jidosha Co., has been named one of Japan's "best known raiders" by the Financial Times and a "well known speculator" by the Japan Economic Journal. Watanabe has repeatedly acquired stock positions in Japanese companies to secure greenmail payments. In addition to Koito, his past targets include Tensho Denki Kogyo and Ohba, among others.
- In mid- to late 1987, Watanabe, through Azabu, began to corner Koito shares, collecting over 27% of the stock and causing the price to escalate more than five-fold. In February 1988, Watanabe demanded that Koito repurchase his shares at a substantial greenmail premium. Koito rejected this demand. In May 1988, Watanabe asked Koito to arrange for Toyota to buy the shares, again at a greenmail premium. Again, Koito refused. Thereafter Watanabe began shopping the shares in the United States. In March 1989, Pickens registered as owner of Watanabe's Koito shares and began his effort to bring pressure on the company.

- The Pickens-Watanabe greenmail campaign appears motivated by the need for quick cash infusions to service their respective debts. Mesa is selling at an all-time low and has suspended all dividends, having loaded itself down with Drexel-financed junk debt in the late 1980s. At the same time, the Japanese press reports that Watanabe is teetering on the brink of financial collapse, having become overextended on speculative stock and real estate investments, including his stake in Koito.

Effect on the Koito-Pickens Issue

- Koito has repeatedly asked Boone Pickens to disclose his ongoing financial arrangements (the existence of which he only now concedes) with Watanabe. Pickens has refused, saying that disclosure of his Watanabe arrangements "would not be to my advantage."
- The upcoming disclosure has forced Pickens finally to concede that Watanabe is behind the Pickens-Watanabe greenmail scheme. *The new Japanese law requires Pickens to disclose the details of any buyback or pledge arrangement involving the shares, so Pickens' filing this Friday should reveal the nature of Watanabe's ongoing interest in the Koito shares.*
- Pickens claims that there is "no buyback agreement" with Watanabe, but that is inconsistent with his admission that the "loan" from Watanabe is secured by the Koito shares registered in Pickens' name. The pledge agreement means that Watanabe is still in control and still bears the financial risk. The still-concealed details -- whether Pickens put up any money, under what conditions Watanabe can call the stock back, etc. -- demonstrate that the Pickens-Watanabe deal was a sham from the start.
- Pickens' compliance with the new Japanese law should be judged in light of the repeated findings of the U.S. courts and the SEC that *Pickens has a history in the U.S. of filing false or misleading disclosure forms to conceal his true greenmail intent:*
 - ◀ In connection with his raid on Unocal, the federal court in Los Angeles found that Pickens made false statements in his 13D filings that he acquired Unocal stock solely for investment, and that Pickens made a "studied effort to conceal his true intent" to take over or greenmail Unocal.
 - ◀ In a separate suit, Pickens was accused by Unocal shareholders of concealing in 13D filings a stock parking arrangement in which Boyd Jefferies, his securities broker, held Unocal stock on Pickens'

behalf in order to protect Pickens' greenmail profits. Examination of these accusations is pending the outcome of an appeal on technical issues.

- ◀ Just two months ago, Pickens and his associates paid over \$5.5 million to settle a securities fraud suit arising from his raid on Phillips Petroleum, in which Phillips' shareholders accused Pickens of falsely stating in his disclosure filings that he did not seek greenmail. A federal appeals court cited credible evidence that Pickens "had no intention from the outset to honor" the statements he made in the SEC filings.
- ◀ Also just two months ago, Pickens was forced by the SEC to disgorge \$2.3 million in profits from his raid on Homestake Mining, as a result of concealing his true intent in 13D filings. The SEC charged in a suit filed in Dallas that Pickens made "false and misleading" statements that he was a long-term investor, when his real plan was to sell the shares quickly at a substantial profit to the detriment of the other shareholders.

Watanabe, Pickens Share Highflying Flair

Disclosure of Loan Link Fuels Controversy Over Battle to Control Koito

TOKYO - In many respects, Kitaro Watanabe is to corporate Japan what T. Boone Pickens Jr. has been to much of corporate America: a big, sometimes menacing, investor.

Like Mr. Pickens, Mr. Watanabe is an entrepreneur with ambition. He owns much of Hawaii's hotel industry and likes to buy up big chunks of public companies. And, like Mr. Pickens, he has acquired a reputation as a raider who wrests profits out of

This article was prepared by staff reporters Marcus W. Browchli and Clay Chandler, with contributions from staff reporter Masayoshi Kanabayashi.

confrontation-shy Japanese companies anxious to see unfriendly shareholders go away.

But the two men are more than soul mates. On Tuesday, Mr. Pickens confirmed what many analysts long have suspected: that Mr. Pickens and Mr. Watanabe are linked together in the contentious battle for control of an automobile-parts maker closely aligned with corporate giant Toyota Motor Corp.

In a telephone interview from Washington, Mr. Pickens said his Dallas-based Boone Co.'s acquisition of a 26.4% holding in Koito Manufacturing Co. was financed at least partly by Mr. Watanabe, who sold him the stake in March 1989.

Mr. Pickens is required to make the disclosure in a filing to Japan's Finance Ministry later this week. At current market prices, Boone's 42.4 million shares are valued at 142 billion yen (\$1.05 billion). Mr. Pickens refused to give further details of the size or terms of the loan.

But he emphasized that "there is no buy-back agreement" from Mr. Watanabe.

Still, the revelation that Mr. Pickens has relied on financing from Mr. Watanabe could cast a shadow over what has become a celebrated cause in U.S.-Japan relations. Since he first bought the stake in Koito, Mr. Pickens has claimed that as the largest single shareholder in the Tokyo-based company, he should be entitled to at least as much board representation as Toyota, the second-largest shareholder. Mr. Pickens has argued forcefully in Washington and in speeches across the U.S. that Japan's financial system is closed to foreigners.

Twice, however, Koito shareholders

voted down his proposed slate of directors. The company's management consistently has maintained that Mr. Pickens was acting on behalf of Mr. Watanabe, who at least once asked Toyota to buy out his Koito holding at a profit, a practice known as "greenmail." Mr. Pickens denied then that he was in cahoots with Mr. Watanabe. Mr. Watanabe was unavailable for comment, a spokesman for him said.

Still, by admitting that Mr. Watanabe financed his investment, Mr. Pickens may have opened a can of worms in Japan. A rags-to-riches success, the 56-year-old Mr. Watanabe is one of the country's most prosperous - and most controversial - businessmen.

Mr. Watanabe rose from a wartime orphanage onto the lists of the world's richest men by selling used cars and then investing aggressively in property, stocks and, more recently, art. In July, Forbes magazine estimated his personal wealth at \$9.2 billion, though it noted that his debt load was steep.

His holdings extend from office buildings in Tokyo to some of the ritziest hotels in Hawaii, where he has spent \$500 million to build up the 21st-largest company in the state, according to Hawaii Business. His company, Azabu U.S.A. Corp., owns the Ala Moana Americana, Waikiki Beachcomber, Maui Marriott, the Kona Lagoon and Keauhou Beach hotels, and the Hyatt Regency Waikiki, for which he paid \$245 million in late 1985 - more than twice what Chicago's VMS Realty Partners paid two years earlier.

Unlike the flamboyant and outspoken Mr. Pickens, however, Mr. Watanabe shuns the spotlight. Although he has extensive holdings in Japan's equity markets and serves as a member of the board of directors for nearly a half a dozen listed companies, he has managed to maintain a low profile in the Tokyo financial community. "I haven't heard anything about him for ages," said Charles Lambert, an analyst at Jardine Fleming Securities Ltd.

Mr. Watanabe has held significant minority stakes in a far-flung network of small, and unrelated companies, including Chitose Electrical Construction Co., Fuso Industrial Works Co., Tensho Electric Industries Co., and Kawai Musical Instruments Manufacturing. He has also held shares in Cosmo Oil Co., Asahi Optical Co., France Bed Co., and Iwatani International Corp., and was at one time a large shareholder in Kokusai Kogyo Co. - a serial surveying company that eventually became the target of another corporate raider and the center of a financial scandal in Japan.

Mr. Watanabe's attention seems to focus on investments. His automotive companies have never been noted for their business strengths. Between 1984 and 1987, two firms in which he owned a controlling interest - Azabu Jidosha K.K. and ANIC Corp. - served as the exclusive distributors for Chrysler Corp. in Japan. During the three-year period, the two companies sold a total of only 241 vehicles for the American auto maker. Chrysler eventually terminated its relationship with both companies to set up its own distributorship in 1988; in the year that followed, sales jumped to 921 vehicles. Azabu now handles only high-end cars such as Rolls-Royce and Aston Martin.

"I won't comment about what kind of job they did for us," says Chrysler distribution manager Makoto Kuramochi of the relationship with Mr. Watanabe's companies. But he adds, "Just look at the sales numbers. Do you think they would make Chrysler happy?"

Some familiar with Mr. Watanabe's financial dealings said they believe that his lawyer, Kanji Ishizumi, is the driving force behind his speculative activities. Mr. Ishizumi has written a book about successful mergers-and-acquisitions strategy in the Japanese market, and also is an adviser to Mr. Pickens.

Perhaps not surprisingly, Koito first learned of Mr. Pickens after Mr. Watanabe's first greenmail attempt on Koito. It was March 1989, Koito president Takao Matsuura said in an article he wrote last year. During a discussion of the attempt, an investment banker compared Mr. Watanabe to Mr. Pickens, who had staged raids on Gulf Oil Corp., Unocal Corp. and other big U.S. companies.

A week later, on March 31, an aide burst into Mr. Matsuura's office. "Our stock transfer agent telephoned to say Boone Co. has just acquired 32 million Koito shares," the aide declared, according to Mr. Matsuura. "If it's true, Boone now has 20.2% of our stock. That makes him our biggest shareholder."

"Boone?" Mr. Matsuura says he replied in shock. "As in T. Boone Pickens?"



T. Boone
Pickens Jr.

Pickens Adds Koito Shares

Special to The New York Times

TOKYO, Dec. 4 — A long, bitter and sometimes comic battle for control between T. Boone Pickens and the Koito Manufacturing Company took another indecisive twist today when Mr. Pickens disclosed that he had bought Koito stock with a loan from a well-known speculator.

But Mr. Pickens, the corporate raider from Texas, refused to disclose any terms of their financial relationship. Mr. Pickens made the disclosure in response to a change in Japanese law that forces large shareholders to provide information on their stakes, intentions and financing.

Only part of the law applied to those who owned shares before Dec. 1, as Mr. Pickens did. Thus, he again evaded disclosures about whether he has been acting on behalf of Kitano

Watanabe, the Japanese speculator.

Although Mr. Pickens has denied such accusations, Koito has contended that he is acting as a front for Mr. Watanabe and that he is seeking "greenmail," a premium price for his shares. Koito has used that as an excuse to deny Mr. Pickens a seat on its board, although he is by far the largest shareholder.

Mr. Pickens said he had bought 42.4 million shares, or 26.4 percent of the company, and had put up the shares as collateral for a loan from Mr. Watanabe that was used to acquire the stock. Mr. Watanabe was the previous owner of the shares.

Mr. Pickens refused to say whether he put up any cash for the purchase of the shares, worth about \$1 billion, or whether he pays any interest.

[Translation]

Shukan Shincho (Weekly)
November 29 issue

Huge Loans to Azabu Jidosha, Shake Mitsui Trust Bank

According to some sources, "He's already in bad shape, like someone borrowing from a loan shark to pay his debts"... Kitaro Watanabe (55) of Azabu Jidosha [Azabu Motors], who cornered 40 million shares of Koito Manufacturing and suddenly "sold" them to the American raider Boone Pickens. With the plunge of the Tokyo stock market, the interest burden on (Azabu's) debt (already said to reach ¥520 billion) is accumulating and creating a snowball effect. It is said that arrangements have already been made for the sale of assets, and that the sale has already commenced. It seems that the "money magician and his fortune built on real estate and stock is in a treacherous position."

"The Shakiest of the Speculators"

Recently, the most closely watched company in financial and securities circles is Azabu Jidosha.

According to an officer in a leading commercial bank, "Stock speculators, who leveraged their real estate holdings into huge bank loans which were then used to finance foreign real estate purchases and stock cornering schemes, are now falling on hard times with the decline in the stock market, the hike in interest rates and the imposition of aggregate lending limits for real estate finance. We have seen the arrest on charges of securities law violations of Kotani, whose company (Koshin) raided Kokusai Kogyo, and there are also reports that Kobayashi of Shuwa, who has engaged in stock cornering schemes with supermarkets and department stores, has begun selling properties in the U.S. in order to relieve financial pressures. But of all of the speculators, Azabu Jidosha is said to be in the shakiest condition. As is generally known, that company has borrowed upwards of ¥525 billion on real estate and stock collateral. With the rise in prime rates above 8%, yearly interest amounts to more than ¥41 billion, or ¥100 million per day. Revenues from the sale of luxury foreign cars can't be expected to meet this kind of debt service. We're talking about an imminent collapse".

Azabu Jidosha has received significant loans from Mitsui Trust. A bankruptcy of Azabu Jidosha would translate into a management problem at Mitsui Trust.

"Mitsui Trust, with the goal of becoming a top bank, engaged in aggressive lending to stock speculators and real estate speculators, and Watanabe of Azabu Jidosha in particular caught Mitsui Trust's eye, obtaining ¥63 billion in loans. In each case, these loans were nominally working capital loans which were obtained using real estate as collateral, but the funds were actually used to finance stock cornering schemes. Sumitomo Bank's real estate financing has become an issue and the same applies to Mitsui Trust's style of financing." [The source of this quote is not specified]

Were the truth to be told, the Ministry of Finance (MOF) is not at all happy with Mitsui Trust's financing posture.

According to an officer of a leading commercial bank, "Azabu Jidosha cornered 40 million shares of stock of Koito, a manufacturer of automobile lighting equipment, and secretly sought a repurchase of the shares. When this was refused, all of the shares were 'sold' to Pickens, the American raider. Pickens then proceeded with his demands to be named to the Koito board and with attacks on Toyota at Koito's shareholders meetings. He has gone on to complain to Commerce Secretary Mosbacher and USTR Hills about the closed Japanese market and the keiretsu problem and to raise [the Koito matter] as an issue at the SII talks. The origin of this all is Mitsui Trust's excessive real state lending, and MOF, in its heart of hearts, is not at all amused."

To start with, it appears that there is doubt in financial and securities circles as to whether the Koito shares were actually sold to Pickens.

According to an officer of a major securities firm, "The price at which the shares were sold by Watanabe to Pickens was reportedly ¥3,050 per share, which would mean a total purchase price of maybe ¥100 million (about ¥129 billion) for the 42 million shares representing 26.4% of Koito's shares. If a buyback could not be arranged, then the financial burden would be too much and the entire scheme would go bust. There is also speculation that Pickens paid \$500 million, or half, of the purchase price. But it seems most likely that the sale was made subject a special buyback arrangement and that the financing for the stock purchase was provided by Watanabe. If Azabu Jidosha goes bankrupt, this scheme will probably come to light."

"Sale of Properties Has Begun"

As already discussed, Watanabe is a importer of Rolls Royce, Aston Martin and other foreign luxury cars. He parlayed his earnings from this business into real estate investments in downtown Tokyo and developed into a "money magician". With the rise in the real estate market, he was able to use his real estate holdings as collateral for purchases of hotels in Hawaii and for additional real estate purchases in downtown Tokyo, and also to finance stock investments. He cornered the stock of two companies on the Tokyo Stock Exchange Second Division (Shinwad and Chitose Electric) and became a director of those companies.

According to an officer of a mid-level securities company, "Watanabe still has holdings in more than ten listed stocks with an aggregate value of about ¥22 billion." Although the original plan was for a buyback at profit of the stock he cornered, he purchased on the high side and was unable to arrange buybacks, ending up instead as an 'owner'. With Koito, both the company and Toyota refused a buyback, and Watanabe then passed the shares along to Pickens. This has been Watanabe's stock market strategy."

But with the fall in stock prices and higher interest rates, Azabu Jidosha's position is becoming more and more difficult.

According to one of Azabu Jidosha's banks, Forbes magazine places Mr. Watanabe as the sixth richest man in the world with ¥1.38 trillion. But Azabu Tatemono [Azabu Construction], the center-piece in the group, has ¥525 billion in debt, which exceeds its total assets. Although the amount of debt is smaller by half than Shuwa's, Azabu has also taken loans from mortgage securities companies and credit companies, and high interest rates have increased its interest burden to the point that it is operating in the red.

And so, finally, secret sale of assets has begun.

According to an acquaintance of Mr. Watanabe's, Mr. Watanabe has said that he "won't sell stock". In reality, if he did sell stock, the price would plunge by half, and so selling is out of the question. That leaves real estate. Four years ago, he bought the Hyatt Regency Hawaii, the Alamoana Hotel and four other hotel properties in Hawaii, and recently attempted to conclude a non-public sale of two of the less profitable properties. But with the falling local real estate market, no buyer could be found.

Now, on recommendation of [his] bank, sales of domestic real estate has begun. There are more than ten parking lots in downtown Tokyo, but all of them are small parcels, and so, instead, sales have been made of buildings for an aggregate of ¥7 or 8 billion. Watanabe has always believed in not selling his properties, but the debt burden has left him unable to make ends meet and he has no choice."

"Like Borrowing from a Loan Shark"

Tetsuro Iwada of Azabu Tatemono responds, "Our company's revenues, domestic and foreign, total ¥61.9 billion, which is adequate to pay interest even at 10%. The rise in interest rates has made our cash position difficult. But, starting last year and continuing this year, we have completed 9 buildings, of which 4 have been sold as employee residences. Plans are being finalized for three additional buildings which will be leased, increasing our rental income, and proceeds from sales of buildings will increase our revenues. All of the real estate companies are doing these things; these are not 'asset dispositions'."

According to Mr. Kawasaki, President of Mitsui Trust, "there is no 'disposition of assets' going on. I don't know, but the reports that Azabu Tatemono is under bank management is a rumor, it's impossible. That company has about ¥400-500 billion in loans, which is pretty tough I think. Mr. Watanabe is maximizing the value of buildings which he is selling, don't you think? I've told him in the past that it's a mistake to hold onto properties since you may end up with a Pandora's box. I've told him that it's better to keep what you need and sell what can be sold, and so he has gone ahead with that."

But according to sources, "In the six-month period between the end of this past March and the end of September, Azabu Jidosha's total borrowings have increased by ¥100 billion (from ¥420 billion to ¥520 billion), and borrowings from Azabu Jidosha's 'piggybank', Mitsui Trust, have increased by ¥23 billion to ¥63 billion. Some of those loans were for construction costs, and interest payments had been financeable from stock market earnings, but the falling stock prices had the effect of adding the interest payments onto the debt burden. The result is that, to pay interest it is necessary to take out new loans - in effect, borrowing from the loan shark to pay interest."

The general perception is that, as long as the asset restructuring continues, the situation will be OK.

Asahi Shimbun (November 30, 1990)[translation]

Mitsui Trust Financing of Speculator Group;
More than 100 Billion Yen to Azabu

Investigation undertaken by Asahi Shimbun through yesterday have revealed that the well-known speculator group "Azabu Group" (Kitaro Watanabe, representative) has received extensive financing from Mitsui Trust. A former assistant branch head of Mitsui Trust was recently arrested on charges of tax evasion arising out of alleged concealment of income received in connection with the facilitation of stock speculation activities undertaken by Mr. Kotani of the speculator group "Koshin". (Mr. Kotani is now standing trial for violations of the Securities Law). According to this newspaper's investigation, over several years Mitsui Trust has extended loans with real estate as security in ¥1 billion and ¥10 billion installments, aggregating more than ¥100 billion. According to Mitsui Trust, "financing to Koshin and Azabu Group have been real estate project financing and not financing for stock speculation".

According to sources in the securities industry, "Azabu Group" is a speculator group which is centered around Mr. Watanabe's real estate company, "Azabu Tatemono", and his auto sales company, "Azabu Jidōsha". Azabu Group is known for its stock cornering activities with Chitose Electric Industries and Koito Manufacturing.

It has been learned that Mitsui Trust, lending on real estate collateral owned by Azabu Group, extended loans aggregating ¥108.36 billion during the six-year period from 1984 through last year (in 1984, ¥12 billion; in 1985, ¥12.7 billion; in 1986, ¥9 billion; in 1987, ¥42 billion; in 1988, ¥2.7 billion; and in 1989, ¥29 billion).

Mitsui Trust's loans to Koshin are said to have reached ¥30 billion at their peak.

According to securities industry sources, "speculator groups use funds borrowed under the guise of real estate business to finance stock speculation". Mitsui Trust's position is that "all financing to Koshin has been drawn down, and the balance is at zero".

Regarding Mitsui Trust's financing of Azabu Group, which is reported to stand at ¥75 billion as of the end of May, Mr. Kawasaki, Mitsui Trust president and chairman, has stated, "Even if it means taking a loss, we want to reach a clear conclusion in the near future".

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4. 2017 年 1 月 1 日 起，所有在 2017 年 1 月 1 日 前 已 在 本 行 开 户 的 个 人 存 款 户 户 主，均 应 在 2017 年 1 月 1 日 前 持 有 效 身 份 证 明 件 到 本 行 办 理 身 份 证 明 件 验 证 手 续。如 户 主 不 能 亲 自 到 行 办 理 的，可 由 户 主 委 托 他 人 代 理，但 必 须 持 有 户 主 的 有 效 身 份 证 明 件 及 委 托 书。如 户 主 已 故 亡 的，可 由 其 合 法 继 承 人 持 有 效 身 份 证 明 件 及 相 关 证 明 件 到 本 行 办 理 验 证 手 续。如 户 主 已 故 亡 且 无 合 法 继 承 人 的，可 由 本 行 依 法 处 理。

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三井信託の日本國への投資

67-1089
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AT THE DISTRICT
OFFICE IN EL PASO

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සංස්කරණය කළ 1999 දී
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Translation of Brief filed by
Boone Co. (October 3, 1990) in
Tokyo litigation against Koito

election of an outside director to its board would be a most appropriate way of implementing the purposes of the statute.

Koito alleges that Boone Co.'s nominees for the board have no qualifications. This is precisely the kind of narrow-mindedness which limits Koito's prospects for success in a changing business environment. Pickens has an outstanding record as a businessman and investor. Tassin has been in charge of finance at Mesa for more than ten years. Stillwell, a senior partner at one of the leading Houston law firms, has been Pickens' legal advisor since 1964. Tassin's and Stillwell's expertise in finance and law is of great value to corporate management, and these two individuals would make a significant contribution as directors of Koito.

Koito's brief alleges that, if Pickens' real objective in acquiring Koito shares was to participate in management, then, before the acquisition, he would have made known to Koito and its stable shareholders his management proposals and the qualifications of his board nominees. This is a preposterous assertion, since it would allow management to choose the company's shareholders, rather than allowing the shareholders to choose management. This position of Koito's is evidence of the extent to which Koito management has become self-serving and self-satisfied.

Plaintiff (Boone Co.) admits the accuracy of various allegations by defendant (Koito) in its prior brief with respect to events in the first half of 1989: that Pickens sent a letter to Koito's President Matsuura asking for a board seat and received a letter from Mr. Matsuura in response; that Pickens met with Commerce Secretary Mosbacher, USTR Mills and other U.S. officials and Congressmen and with Japanese Ambassador Matsunaga; that Pickens contributed a piece to the Washington Post dated June 4, 1989; that Pickens' attorney, Ishizumi, gave a press conference on the subject of the Reciprocity Bill (H.R. 3699).

Koito's refusal to put Boone Co. representatives on the board is a denial of legitimate shareholders rights, and offers a clear example of the exclusivist character of Japanese corporate society. This exclusivist character prevents U.S. companies from succeeding in Japan and ultimately creates trade frictions. Japanese exclusiveness contrasts to the openness of the U.S. economy to Japanese investment (Sony-Columbia, etc.). It is natural that Boone

Co. and Pickens should urge the U.S. government to pressure Japan to open up.

Defendant (Koito) has not placed particular emphasis on the Reciprocity Bill. This bill was proposed because of the perception that Japanese corporate society is exclusivist in character, and sought, as its chief object, equality of investment opportunity between the U.S. and Japan. The Koito-Pickens matter is widely seen as a classic case of the barriers encountered by American investors in Japan. Dan Burton and Tom Iantos, who are among the co-sponsors of the Reciprocity Bill, have referred to the Koito-Pickens matter as a major example of barriers to U.S. investment in Japan. Thus, it is not an overstatement to call this bill "the Koito Retaliation Bill."

In a September 26, 1990 letter, 32 senators (representing two-thirds of the Senate sic) formally asked USTR Hills to treat the Koito matter as a litmus test of whether STI is being implemented.

Boone Co.'s Request to Review Records

Boone Co. admits that its request to review Koito records was sent on December 26, 1989, but denies that its purpose in doing so was to harass. It had been anticipated for some time that Boone Co., as Koito's largest shareholder, would make such a request. Boone Co. had made repeated requests for the same information.

The records which Boone Co. has asked to review are readily at hand, and producing them would require little time.

In response to Boone Co.'s request, Koito sent a request for clarification which purported to seek clarification on several very obvious points, thus exhibiting Koito's intent not to actually comply with the request.

As a result of the foregoing, Boone Co. had no choice but to bring legal action. Koito then took the position that the court would decide the matter and declined to provide any disclosure. This is a strange position for Koito to take with its largest shareholder, and provides further evidence for the contempt in which Koito and its advisors hold Boone Co.

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December 5, 1990

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Mr. Thomas Gann
Legislative Director
Office of Rep. Tom Campbell
516 Cannon Building
Washington, D.C. 20515-0512

Re: Campbell Foreign Investment
Reciprocity Bill

Dear Tom:

I thought you and Mr. Campbell might be interested in the attached excerpt from Boone Pickens' brief filed in the Tokyo court, in the litigation he began against Koito.

As you can see, Pickens is advertising Rep. Campbell's bill as "the Koito Retaliation Bill." This, of course, is contrary to what Rep. Campbell himself has said (see attached wire service story), as well as contrary to the discussion you and I had about the bill's objectives. We suspect that Mr. Pickens is using similar characterizations of the bill in his U.S. appearances in support of his campaign against Koito.

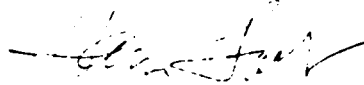
While I continue to believe that Rep. Campbell's bill has merit, it seems quite clear that it would be harmful to your objectives for the bill to become identified with Boone Pickens' Koito greenmail scheme. Perhaps Mr. Campbell might wish to insert a disclaimer when he reintroduces it, to the effect that the bill is not aimed at any particular investment dispute nor at any particular country's foreign investment practices and is not intended to assist Mr. Pickens.

Mr. Thomas Gann
December 5, 1990
Page 2

In case you missed it this week, Pickens finally admitted what Koito has said all along -- that he is being bankrolled by the notorious Japanese greenmailer who put the Koito stock in his hands. I attach this report, as well as stories on Pickens' most recent brushes with the laws -- in which the SEC concluded that he concealed his true intent to make a speculative quick-kill profit while professing, in his disclosure filings, to be a long-term investor. This is precisely what is going on with Koito as well.

With best regards,

Sincerely,



Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER
Counsel to Koito Mfg. Co.
Registered under FARA

HL:ew
Enclosures

Translation of Brief filed by
Boone Co. (October 3, 1990) in
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202/457-9435

OUR FILE NO

Hon. Norman D. Shumway
1203 Longworth House Office Building
Washington, D.C. 20515

Re: Boone Pickens/Koito

Dear Rep. Shumway:

As counsel for Koito in connection with the Boone Pickens matter, I wanted to compliment you on the perceptive article that appeared in today's Roll Call.

To show how on-target your analysis is, I enclose copies of the press coverage on the most recent development in the dispute: Pickens' filing with the Japanese Ministry of Finance under the new securities disclosure law in Japan. This law, which is modelled on the American disclosure rule, was adopted by the Diet in part in response to U.S. pressure in the bilateral SII talks. Koito has said all along that, if Pickens was required to abide by such disclosure rules, he would be forced to reveal the secret arrangements with Kitaro Watanabe that demonstrate that his supposed "investment" in Koito was a sham, the purpose of which was to permit Pickens to use his celebrity and his political influence to put greenmail pressure on Koito.

Pickens' filing last Friday proves Koito's point. It also underscores the point in your article: attempting to export American-style raids as a way of doing business with Japan is foolish, as well as counterproductive to legitimate U.S. business opportunities in that country.

PAUL, HASTINGS, JANOFSKY & WALKER

Hon. Norman D. Shumway
December 7, 1990
Page 2

If you have questions on this topic, please do not
hesitate to contact me.

With best regards,

Sincerely,

A handwritten signature in dark ink, appearing to read "Hamilton Loeb", written in a cursive style.

Hamilton Loeb
of PAUL, HASTINGS, JANOFSKY & WALKER

Counsel to Kotto Mfg. Co.;
Registered under Foreign Agent Registration Act

cc: Ms. Tracey Smith

T. Boone Pickens's Crucial Mistake

How a Successful Entrepreneur Erred by Applying US Standards to Japan.

By Rep. Norm Shumway

T. Boone Pickens has gained my respect. He is an intrepid entrepreneur who ardently supports free enterprise. But his latest venture and deliberate quarrel with the Japanese system has detracted severely from Pickens's reputation as a businessman.

In my opinion, Pickens's fight with Koito Manufacturing, described as "T. Boone's Bone to Pick" in various headlines, is really a non-issue. Unfortunately, it is also indicative of why American enterprise and attitudes are often doomed to failure in Japan.

Pickens purchased stock in Koito, an auto parts manufacturing company, in 1989. He now holds 26.4 percent of Koito's stock and alleges that he is being denied both representation on Koito's Board of Directors and access to the company's financial records because he is an American.

Pickens's stock was acquired from Kitaro Watanabe, a prominent Japanese businessman well known for his "greenmail" efforts in his own country. (Greenmail is a form of blackmail in the business world: A businessman in order to take over a corporation buys up most of its stock, leaving the original owner the choice of

buying back that stock at an inflated price or leaving the corporation.) Watanabe himself had been denied a seat on Koito's board after he tried to force the company to pay a high premium for his shares to avoid a hostile takeover.

Watanabe's efforts had succeeded in driving the price of Koito stock up from 700 yen to more than 5,000 yen, about \$34. When Koito resisted Watanabe's greenmail efforts, Watanabe sold out to Pickens, who registered the stock in his name.

Koito's antennae immediately went up: Why would Pickens pay such a high price for stock at a time when it demonstrated such a poor price-earnings ratio? Koito's president, Takao Matsuura, said, "Greenmailers—Japanese or American—are not welcome on Koito's board. In this, Koito is no different from American companies T. Boone Pickens bought into."

Indeed, Pickens's takeover efforts at home have met with equal rebuff when the question of board representation has been involved. As Matsuura points out, Gulf oil reorganized its corporation to prevent Pickens from gaining a seat on its board. KEN Energy fought a bitter proxy battle to rebuke Pickens's proposed directors.

Even if Pickens is determined to apply American standards to Japan, why should he expect seats on the board of a Japanese company when American companies have denied him such access? More importantly, why should he feel entitled to demand such representation given that his holdings equal only 26.4 percent?

Pickens responds by claiming that Toyota Motor Corp. which owns 19 percent of Koito's stock, has no less than three seats on the Board of Koito, and that he should be treated equally. Toyota denies holding any

encies him, a former Toyota employee, as a "Toyota director."

Whether Toyota holds any seats would seem to be a moot point in terms of shoring up Pickens's demand for representation. After all, Toyota is a valued customer, not an infamous manipulator of the hostile takeover.

It is significant that Pickens, when he didn't get his way, chose to "poison the well." He took a typically American approach, one which flies in the face of the Japanese manner of doing business. Pickens went on the offensive with inflammatory press releases, derogatory editorials and, when all else failed, lawsuits.

If Pickens sought to convert the Japanese to American ways, he was equally quick to turn Japanese custom to his own advantage on the other. When asked by Koito what his agreement with Watanabe really was, Pickens declined to answer. His rationale: Under Japanese law, his is not obligated to do so. American law, by contrast, would require full disclosure of all arrangements from all 5 percent shareholders.

Pickens criticizes the Japanese for attempting to export their keiretsu system—an interlocking network of relationships between businesses, distributors, and bankers, likened by Pickens to cartels.

He is wrong. First, our strict anti-trust

laws would outlaw such a system here. But perhaps more importantly, Japanese investors in the US have demonstrated a keen acceptance and willingness to adapt to the "when in Rome" adage, playing the game by our rules in our country.

Pickens would do well to learn from the Japanese example and to make similar concessions to the Japanese ways when attempting to do business in that country. If Pickens chooses to invest in Japan, he should be prepared to play by the prevailing rules.

Rep. Norm Shumway (R-Calif) is ranking member of the Banking subcommittee on economic stabilization.

Why should Pickens expect to be on the board of a Japanese company when American companies have denied him such access?

Pickens Acknowledges Backing by Speculator

Move Seen as Damaging Effort to Join Board of Japanese Firm

By Paul Blustein
Washington Post Foreign Service

TOKYO, Dec. 4—Ever since he began his quixotic effort last year to gain membership on the board of a Japanese auto-parts company, T. Boone Pickens has portrayed himself as an earnest investor whose shareholder rights were being thwarted by Japan's insular corporate system.

But today, Pickens's campaign against Japan Inc. got a black eye when he was forced to acknowledge something his detractors have long alleged—that his investment in the auto-parts firm, Koito Manufacturing Co., is backed by a Japanese stock speculator known for his hardball tactics.

The development is the latest twist in a long-running battle that many analysts say has highlighted the worst as-

pects of both the American and Japanese corporate cultures.

Pickens has been widely accused of engaging in fast-buck artistry and political showboating, while his adversaries in Koito's management have been denounced for their xenophobia and cozy ties with other Japanese firms, notably Toyota Motor Corp., a major Koito customer and shareholder.

Today's revelation came because Pickens found himself required under a new Japanese regulation to disclose the nature of his relationship with the speculator, Kitaro Watanabe.

In a telephone interview, the Texas oilman provided a summary of the disclosure forms that, he said, he will file here this week. The most noteworthy part of the disclosure sheds light on the arrangements behind Pickens's purchase from Watanabe of his 26.4 percent Koito stake, now valued at more than \$1 billion.

to those who say he has been acting on Watanabe's behalf. The information suggests that Watanabe offered Pickens a low-risk proposition to enlist his assistance: a loan the oilman could simply walk away from if he couldn't make money on his investment.

Today's disclosure notwithstanding, even Japanese observers who have harshly attacked Pickens acknowledge that his campaign has raised several valid criticisms of Japanese corporate practices. The Texan has drawn grudging admiration here for championing the cause of small shareholders who are generally shown little regard by Japanese executives.

Pickens has also given visibility to the U.S. government's complaint that Japan's corporate families, known as *keiretsu*, tend to band together to keep foreign goods and investors from penetrating the Japanese market.

But the new information seems sure to damage Pickens's credibility. In the interview, Pickens sought to play down the importance of the fact that he borrowed on such easy terms. "I certainly don't take the [loan] lightly," he said, adding, "I have never defaulted" on any loan.

The disclosure, according to Pickens's summary, will show that Watanabe lent Pickens the money to buy the shares and that the only collateral for the loan was the shares themselves.

That revelation provides ammunition to Pickens's critics, who scoff at his claim that he is seeking a spot on Koito's board because he wants to improve Koito's operations and maximize his return on investment.

The story according to Pickens's detractors is that the Texas oilman was recruited by Watanabe to help make life miserable for Koito's management, in the hope that Koito would arrange to have the pair bought out at a tidy profit. Watanabe allegedly has a history of employing such tactics and had previously tried—unsuccessfully—to persuade Toyota to buy his Koito stake, according to Koito officials.

Today's disclosure is embarrassing for Pickens because it lends credence

Watanabe, Pickens Share Highflying Flair

Disclosure of Loan Link Fuels Controversy Over Battle to Control Koito

TOKYO - In many respects, Kitaro Watanabe is to corporate Japan what T. Boone Pickens Jr. has been to much of corporate America: a big, sometimes menacing, investor.

Like Mr. Pickens, Mr. Watanabe is an entrepreneur with ambition. He owns much of Hawaii's hotel industry and likes to buy up big chunks of public companies. And, like Mr. Pickens, he has acquired a reputation as a raider who wrests profits out of

This article was prepared by staff reporters Marcus W. Brauchli and Clay Chandler, with contributions from staff reporter Masayoshi Kanabayashi.

confrontation-shy Japanese companies anxious to see unfriendly shareholders go away.

But the two men are more than soul mates. On Tuesday, Mr. Pickens confirmed what many analysts long have suspected: that Mr. Pickens and Mr. Watanabe are linked together in the contentious battle for control of an automobile-parts maker closely aligned with corporate giant Toyota Motor Corp.

In a telephone interview from Washington, Mr. Pickens said his Dallas-based Boone Co.'s acquisition of a 26.5% holding in Koito Manufacturing Co. was financed at least partly by Mr. Watanabe, who sold him the stake in March 1988.

Mr. Pickens is required to make the disclosure in a filing to Japan's Finance Ministry later this week. At current market prices, Boone's 42.4 million shares are valued at 142 billion yen (\$1.05 billion). Mr. Pickens refused to give further details of the size or terms of the loan.

But he emphasized that "there is no buy-back agreement" from Mr. Watanabe.

Still, the revelation that Mr. Pickens has relied on financing from Mr. Watanabe could cast a shadow over what has become a celebrated cause in U.S.-Japan relations. Since he first bought the stake

in Koito, Mr. Pickens has claimed that as the largest single shareholder in the Tokyo-based company, he should be entitled to at least as much board representation as Toyota, the second-largest shareholder. Mr. Pickens has argued forcefully in Washington and in speeches across the U.S. that Japan's financial system is closed to foreigners.



T. Boone Pickens Jr.

voted down his proposed slate of directors. The company's management consistently has maintained that Mr. Pickens was acting on behalf of Mr. Watanabe, who at least once asked Toyota to buy out his Koito holding at a profit, a practice known as "greenmail." Mr. Pickens denied then that he was in cahoots with Mr. Watanabe. Mr. Watanabe was unavailable for comment, a spokesman for him said.

Still, by admitting that Mr. Watanabe financed his investment, Mr. Pickens may have opened a can of worms in Japan. A rags-to-riches success, the 56-year-old Mr. Watanabe is one of the country's most prosperous - and most controversial - businessmen.

Mr. Watanabe rose from a wartime orphanage onto the lists of the world's richest men by selling used cars and then investing aggressively in property, stocks and, more recently, art. In July, Forbes magazine estimated his personal wealth at \$9.2 billion, though it noted that his debt load was steep.

His holdings extend from office buildings in Tokyo to some of the ritziest hotels in Hawaii, where he has spent \$500 million to build up the 21st-largest company in the state, according to Hawaii Business. His company, Azabu U.S.A. Corp., owns the Ala Moana Americana, Waikiki Beachcomber, Maui Marriott, the Kona Lagoon and Keauhou Beach hotels, and the Hyatt Regency Waikiki, for which he paid \$245 million in late 1985 - more than twice what Chicago's Vmax Realty Partners paid two years earlier.

Unlike the flamboyant and outspoken Mr. Pickens, however, Mr. Watanabe shuns the spotlight. Although he has extensive holdings in Japan's equity markets and serves as a member of the board of directors for nearly a half a dozen listed companies, he has managed to maintain a low profile in the Tokyo financial community. "I haven't heard anything about him for ages," said Charles Lambert, an analyst at Jardine Fleming Securities Ltd.

Mr. Watanabe has held significant minority stakes in a far-flung network of small, and unrelated companies, including Chitose Electrical Construction Co., Fuso Industrial Works Co., Tensho Electric Industries Co., and Kawai Musical Instruments Manufacturing. He has also held shares in Cosmo Oil Co., Asahi Optical Co., France Bed Co., and Iwatani International Corp., and was at one time a large shareholder in Kokusai Kogyo Co. - an aerial surveying company that eventually became the target of another corporate raider and the center of a financial scandal in Japan.

Mr. Watanabe's attention seems to focus on investments. His automotive companies have never been noted for their business strengths. Between 1984 and 1987, two firms in which he owned a controlling interest - Azabu Jidosha K.K. and ANIC Corp. - served as the exclusive distributors for Chrysler Corp. in Japan. During the three-year period, the two companies sold a total of only 241 vehicles for the American auto maker. Chrysler eventually terminated its relationship with both companies to set up its own distributorship in 1988. In the year that followed, sales jumped to 927 vehicles. Azabu now handles only high-end cars such as Rolls-Royce and Aston Martin.

"I won't comment about what kind of job they did for us," says Chrysler distribution manager Makoto Kuramochi of the relationship with Mr. Watanabe's companies. But he adds, "Just look at the sales numbers. Do you think they would make Chrysler happy?"

Some familiar with Mr. Watanabe's financial dealings said they believe that his lawyer, Kanji Ishizumi, is the driving force behind his speculative activities. Mr. Ishizumi has written a book about successful mergers-and-acquisitions strategy in the Japanese market, and also is an adviser to Mr. Pickens.

Perhaps not surprisingly, Koito first learned of Mr. Pickens after Mr. Watanabe's first greenmail attempt on Koito. It was March 1989, Koito president Takao Matsuura said in an article he wrote last year. During a discussion of the attempt, an investment banker compared Mr. Watanabe to Mr. Pickens, who had staged raids on Gulf Oil Corp., Unocal Corp. and other big U.S. companies.

A week later, on March 31, an aide burst into Mr. Matsuura's office. "Our stock transfer agent telephoned to say Boone Co. has just acquired 32 million Koito shares," the aide declared, according to Mr. Matsuura. "If it's true, Boone now has 20.2% of our stock. That makes him our biggest shareholder."

"Boone?" Mr. Matsuura says he replied in shock. "As in T. Boone Pickens?"

Pickens Tells Who Financed Koito Stake

■ Securities: The money for his \$1-billion, 26.4% stake in the Japanese auto parts company was provided by a well-known raider in Japan.

From Reuters DZ

TOKYO — T. Boone Pickens Jr. was forced Wednesday to reveal who paid for his \$1-billion stake in a Japanese auto parts maker, muddling his campaign to influence the company and win greater shareholder rights in Japan.

The money for Pickens' 26.4% stake in Koito Manufacturing Co. was provided by a well-known Japanese raider and property speculator Kiharo Watanabe, who also sold Pickens a chunk of the stock, a lawyer for Pickens said.

Watanabe twice tried to force Koito into "greenmail," trying to

get the company to buy back his stake for a premium over the price he paid.

Pickens, 53, Koito's biggest shareholder, has been fighting for seats on Koito's board, blaming continued failure on the closed nature of corporate Japan. He has taken his battle as far as the U.S. Congress.

"It doesn't do much good when he's trying to line up the might of the American system . . . and seems to be a front man for a property speculator," said Peter Tasker, a senior analyst at Kleinwort Benson International Inc.

Pickens has said his goals were long-term investment.

But Koito has said Pickens is a greenmailer working in concert with Watanabe, who led the lecture twice in February and in May 1988, a Koito spokesman said.

Pickens does have a large equity stake in Koito, which is supposed to give him certain rights as a shareholder, Tasker said. The value of

Pickens' Koito shares are about \$1 billion.

A new rule, which went into effect Dec. 1, requires investors taking a stake of 5% or more in a public company to report within five business days the exact number of shares they hold, the purpose of the investment and any agreements affecting the holdings, including a buy-back clause.

Ironically, the rule was instituted as part of a U.S. drive to open up Japan's corporate world to the outside.

Pickens' lawyer would not comment on the terms and cost of the financing, nor why the financing was done through Azabu Building Co., owned by Watanabe.

The fact that there were so many "no comments" was a victory for us," the Koito spokesman said.

Pickens will officially submit the information required to the Tokyo Stock Exchange and Finance Ministry on Friday, late in the day.

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August 13, 1990

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WRITER'S DIRECT DIAL NUMBER
457-9471

OUR FILE NO

VIA MESSENGER

Mr. Doug Riggs
Office of Congressman Dreier
411 Cannon House Office Building
Washington, D.C. 20515

Re: Koito/Pickens

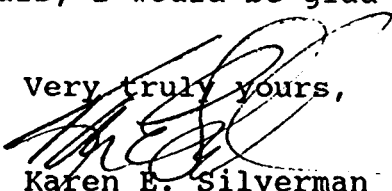
Dear Mr. Riggs:

Thank you for taking the time to speak with me this morning. Enclosed please find the letter sent by Representative Dreier and others to Minister Mutoh of the Japan Ministry of International Trade and Industry. The letter indicates that the Congressman met with Mr. Pickens at some point, but is unclear as to when exactly.

Also enclosed are several recent press accounts of the corporate dispute between Koito Manufacturing Co. and Boone Pickens, as well as the Company's position papers and a letter from Koito's president to Mr. Pickens explaining the Company's dismay that Mr. Pickens found the June shareholders' meeting to be "unfair" after he and his lawyers took such time to agree with the Company upon a mutually acceptable agenda and procedures. Mr. Pickens' dramatic departure from the meeting, needless to say, was in disregard of this agreement.

If you would like to discuss this matter in greater depth after reviewing the materials, I would be glad to do so. Thank you again for your time,

Very truly yours,


Karen E. Silverman

for PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

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WATERS DIRECT DIAL NUMBER

457-9435

OUR FILE NO

VIA MESSENGER

Honorable Richard H. Bryan
364 Senate Russell Office Building
Washington, D.C. 20510

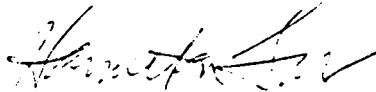
Re: Koito/Pickens

Dear Senator Bryan:

In light of *added* your appearance before the
Consumer Subcommittee, I thought you might be
interested in the letter I wrote to Mr. Pickens yesterday.
Of course, Mr. Pickens will respond to the
fundamental questions on which Koito challenged him to come
clean after 16 months of continued secretive silence.

Koito regrets Mr. Pickens' continued shameless
effort to use the U.S. government and Congress in support of
his greenmail scheme.

Very truly yours,



Hamilton Loeb

of PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agents for Koito Mfg. Co.)

cc: Andrew Vermilye

Enclosure

✓

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WRITER'S DIRECT DIAL NUMBER

457-9435

OUR FILE NO

VIA MESSENGER

Honorable Wendell H. Ford
173A Senate Russell Office Building
Washington, D.C. 20510

Re: Koito/Pickens

Dear Senator Ford:

In light of Boone Pickens' appearance before the Consumer Subcommittee this morning, I thought you might be interested in the letter Koito sent Mr. Pickens yesterday. Of course, Mr. Pickens again failed to repond to the fundamental questions on which Koito challenged him to come clean after 16 months of continued secretive silence.

Koito regrets Mr. Pickens' continued shameless effort to use the U.S. government and Congress in support of his greenmail scheme.

Very truly yours,



Hamilton Loeb

of PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agents for Koito Mfg. Co.)

cc: Ms. Martha Moloney

Enclosure

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WATERS DIRECT DIAL NUMBER

457-9435

OUR FILE NO

VIA MESSENGER

Honorable Albert Gore, Jr.
393 Senate Russell Office Building
Washington, D.C. 20510

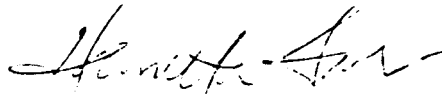
Re: Koito/Pickens

Dear Senator Gore:

In light of Boone Pickens' appearance before the Consumer Subcommittee this morning, I thought you might be interested in the letter Koito sent Mr. Pickens yesterday. Of course, Mr. Pickens again failed to respond to the fundamental questions on which Koito challenged him to come clean after 16 months of continued secretive silence.

Koito regrets Mr. Pickens' continued shameless effort to use the U.S. government and Congress in support of his greenmail scheme.

Very truly yours,



Hamilton Loeb

of PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agents for Koito Mfg. Co.)

cc: Ms. Carol Browner

Enclosure

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WATERS DIRECT DIAL NUMBER

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OUR FILE NO

VIA MESSENGER

Honorable Slade Gorton
730 Senate Hart Office Building
Washington, D.C. 20510

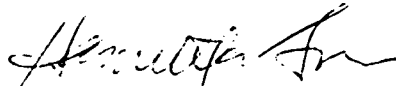
Re: Koito/Pickens

Dear Senator Gorton:

In light of Boone Pickens' appearance before the Consumer Subcommittee this morning, I thought you might be interested in the letter Koito sent Mr. Pickens yesterday. Of course, Mr. Pickens again failed to respond to the fundamental questions on which Koito challenged him to come clean after 16 months of continued secretive silence.

Koito regrets Mr. Pickens' continued shameless effort to use the U.S. government and Congress in support of his greenmail scheme.

Very truly yours,



Hamilton Loeb
of PAUL, HASTINGS, JANOFFSKY & WALKER
(Registered Agents for Koito Mfg. Co.)

cc: Terri Claffey

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July 18, 1990

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WRITER'S DIRECT DIAL NUMBER
(202) 457-9477

OUR FILE NO

BY HAND

Hon. Robert W. Kasten, Jr.
United States Senate
Washington, D.C. 20510

Re: Consumer Subcommittee Hearing on July 19

Dear Senator Kasten:

As you will recall, last year T. Boone Pickens testified before the Senate Commerce Committee after returning from the Koito Manufacturing Co. shareholder meeting in Tokyo. Before that hearing I explained to you Koito's view of the dispute with Mr. Pickens, particularly the undisclosed financial relationship between Mr. Pickens and Japanese raider Kitaro Watanabe and the company's concerns that Mr. Pickens has been enlisted to help Watanabe extort a greenmail payment from Koito. You may recall that Mr. Pickens did not respond to your questions regarding these issues. I enclose a copy of that portion of the transcript from that hearing.

The Consumer Subcommittee once again will be hearing from Mr. Pickens on Thursday, July 19. I thought you would be interested in the enclosed press stories chronicling this year's shareholders meeting in Japan. Not much has changed: Mr. Pickens still refuses to disclose the ongoing financial connection between him and Kitaro Watanabe, yet he continues to claim that Koito should overlook his secret Watanabe deal and his record as a greenmailer and put him on the board. Of course, so long as Mr. Pickens continues to act as a front for the greenmailing efforts of a Japanese corporate raider, his claims that Americans are being frozen out of corporate Japan are

Hon. Robert W. Kasten, Jr.
July 18, 1990
Page 2

disingenuous and generate heat, but no light, on legitimate bilateral concerns between the U.S. and Japan.

If you have any questions regarding these materials, I will be pleased to respond.

With kind regards,

Yours sincerely,



Richard Fairbanks
of PAUL, HASTINGS, JANOFSKY & WALKER
(Registered Agent for Koito Mfg. Co.)

Enclosures

UNITED STATES DEPARTMENT OF JUSTICE
REGISTRATION UNIT
CRIMINAL DIVISION
WASHINGTON, D.C. 20530

NOTICE

Please answer the following questions and return this sheet in triplicate with your supplemental statement:

1. Is your answer to Item 16 of Section V (Political Propaganda - page 7 of Form OBD-64 - Supplemental Statement):

Yes see paragraph below* or No _____

(If your answer to question 1 is "yes" do not answer question 2 of this form.)

2. Do you disseminate any material in connection with your registration:

Yes _____ or No _____

(If your answer to question 2 is "yes" please forward for our review copies of all such material including: films, film catalogs, posters, brochures, press releases, etc. which you have disseminated during the past six months.)

Hamilton Loeb
Signature

January 16, 1991

Date

Hamilton Loeb

Please type or print name of
signatory on the line above

Partner

Title

* Registrant prepared or assisted in preparation of press releases, letters and position papers. Registrant also had contact with various U.S. government officials and members of the media. Such materials and contacts were not with reference to the interests of any foreign government or the foreign policy of the U.S., but were with reference to the interests of a foreign principal. [Registrant is completing Part V nevertheless.]

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