

Consolidated Earnings Report for the Second Quarter of Fiscal 2009

October 27, 2008

Company Name: **KOITO MANUFACTURING CO., LTD.**
 Stock Listing: First Section, Tokyo Stock Exchange
 Code Number: 7276
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 Planned Date of Dividends Payment: December 29, 2008

(¥ millions are rounded down)

1. Consolidated Results for the Second Quarter of Fiscal 2009 (April 1, 2008 to September 30, 2008)

(1) Consolidated Operating Results (¥ millions; the percentage figures represent year-on-year changes)

Second Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2009	220,976	—	10,321	—	12,049	—	5,778	—
Fiscal 2008	214,860	5.5%	9,639	1.7%	10,474	△5.3%	5,552	△5.6%

Second Quarter,	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2009	35.96	—
Fiscal 2008	34.55	—

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
Second Quarter of Fiscal 2009	382,530	185,246	40.0	951.18
Fiscal 2008	388,585	184,348	39.0	944.01

Reference: Equity: September 30, 2008: ¥152,863 million; March 31, 2008: ¥151,713 million

2. Dividends

(Recording Date)	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year-end	Full year
Fiscal 2008	—	11.00	—	12.00	23.00
Fiscal 2009	—	12.00			
Fiscal 2009 (forecast)		—	—	12.00	24.00

Note: Revisions to dividend forecasts during second quarter: None

3. Forecast of Consolidated Results for Fiscal 2009 (April 1, 2008 to March 31, 2009)

(¥ millions; the percentage figures represent changes over the corresponding period of the previous fiscal year)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Full year	460,300 △2.2%	22,400 △22.6%	24,600 △19.1%	11,800 △24.3%	73.42

Note: Revisions to forecast of consolidated results during second quarter: Yes

4. Others

- (1) Changes to important subsidiaries during the second quarter (Changes in certain specified subsidiaries resulting in revised scope of consolidation): None
- (2) Application of simplified accounting methods, and of special accounting methods in the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, procedures, methods of presentation, etc. associated with preparation of quarterly consolidated financial statements:

- ① Changes in accounting standards: Yes
- ② Other changes: None

Note: For more details, please refer to “4. Others” under “Qualitative Information Concerning Financial Statements and Other Matters”

(4) Number of shares issued (common stock)

- ① Number of shares issued (including treasury stock):
September 30, 2008 160,789,436, March 31, 2008 160,789,436
- ② Number of treasury shares:
September 30, 2008 79,155, March 31, 2008 77,449
- ③ Average number of shares during the second quarter:
Fiscal 2009 second quarter 160,711,343, Fiscal 2008 second quarter 160,716,053

*Explanations concerning proper use of forecast of operating results and other noteworthy matters

1. The Koito Group has revised its full year forecast of consolidated results for fiscal 2009 released on April 23, 2008.
2. The above forecasts are based on information available at the time of release of this report. Actual results could differ from forecasts due to a variety of factors.
3. Effective from fiscal 2009, Koito has applied the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Standard No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Quarterly consolidated financial statements are prepared in accordance with specific rules governing the reporting of quarterly financial statements in Japan.

《 For Reference Only 》

Forecast of Non-consolidated Results for Fiscal 2009 (April 1, 2008 to March 31, 2009)

(¥ millions; The percentage figures represent changes over the corresponding period of the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
Full year	255,200	2.9%	13,800	△8.2%	20,900	△1.6%	12,500	△2.8%	77.78

Note: Revisions to forecast of non-consolidated results during second quarter: Yes

*Explanations concerning proper use of forecast of operating results and other noteworthy matters

1. The Koito Group has revised its full year forecast of non-consolidated results for fiscal 2009 released on April 23, 2008.
2. The above forecasts are based on information available at the time of release of this report. Actual results could differ from forecasts due to a variety of factors.

Qualitative Information Concerning Financial Statements and Other Matters

1. Qualitative Information Concerning Consolidated Operating Results

During the second quarter of fiscal 2009, the period under review, economic growth continued in China and some other newly developing countries, but the sense of deceleration in the world economy as a whole took a stronger hold, with sluggish economic growth in Japan, the U.S., Europe and elsewhere. This worsening sentiment was mainly due to the negative impact of worldwide financial instability, including the business failure of a major U.S. securities company, fluctuations in share prices and exchange rates, and rising commodity prices.

In the auto industry, domestic demand was level, but unit automobile production in Japan increased year on year because of higher exports to Europe, Asia, the Middle and Near East, and elsewhere. Overseas, automobile production expanded in Asian countries such as China and Thailand, although it declined in North America and Western Europe. As a result, worldwide unit automobile production was at approximately the same level year on year.

In this climate, the Koito Group aggressively sought to win more orders, expand sales of new products, and boost production capacity. In September 2008, we started production at the second plant in KOITO KYUSHU LIMITED, to strengthen our production and supply bases in western Japan.

For the second quarter, the Koito Group reported consolidated net sales of ¥220.9 billion, a 2.8% increase. This reflected comparatively steady sales overall, despite a slight decrease in sales in the mainstay automotive lighting equipment segment.

Results by business segment are outlined as follows:

[Automotive Lighting Equipment]

Segment sales fell 2.4% to ¥183.0 billion despite higher unit automobile production in China and some other newly developing countries, and in Japan a greater adoption of discharge headlamps, Adaptive Front Lighting System (AFS) headlamps, LED rear combination lamps and other automotive lighting equipment in new vehicles. The main contributing factors to the decrease were declining revenues due mainly to fewer lighting orders in North America and Europe because of decreased unit automobile production, and the impact of exchange rates.

[Non-Automotive Electrical Equipment]

Segment sales increased 17.9% to ¥13.8 billion, reflecting steady sales of railroad car equipment for a bullet train and other uses amid weak sales of road information equipment, lighting equipment and certain other products.

[Other Products & Services]

Segment sales were ¥24.0 billion, up 55.2% from the previous fiscal year mainly due to increased orders for railroad car seats for the new bullet train and for aircraft seats, as well as higher sales of automotive headlamp cleaners and other products.

On the earnings front, amid a severe business environment worldwide that included reduced automobile production and intensifying price-based competition in products, operating income increased 7.1% year on year to ¥10.3 billion. The increase in operating income reflected efforts by Koito and Group companies to streamline operations by conducting quality improvement activities and aggressively promoting cost-cutting measures.

Recurring profit rose 15.0% to ¥12.0 billion, and net income for the second quarter increased 4.1% to ¥5.7 billion.

Year-on-year percentage changes are shown for reference.

2. Qualitative Information Concerning Consolidated Financial Position

— 1. Analysis of assets, liabilities and net assets

Total assets as of September 30, 2008 decreased ¥6.0 billion from March 31, 2008 to ¥382.5 billion, the result of a decrease in current assets such as trade notes and accounts receivable. This decrease outweighed an increase in investment securities, and an increase in fixed assets resulting from additional property, plant and equipment accompanying capital investments.

Total liabilities decreased ¥6.9 billion from March 31, 2008 to ¥197.2 billion, reflecting a decrease in trade notes and accounts payable.

Total net assets increased ¥0.8 billion from March 31, 2008 to ¥185.2 billion. This was mainly attributable to an increase in retained earnings due to net income of ¥5.7 billion, which outweighed a decrease in consolidated revaluations and translation adjustments.

—2. Analysis of cash flows

Operating activities provided net cash of ¥25.1 billion. Cash of ¥30.5 billion, mainly reflecting income before income taxes of ¥10.7 billion and depreciation of ¥12.2 billion, was partly offset by income taxes paid.

Investing activities used net cash of ¥22.9 billion, mainly reflecting capital investments of ¥16.2 billion, primarily to increase production capacity of automotive lighting equipment, and acquisitions of marketable securities and investment securities totaling ¥7.8 billion.

Financing activities used net cash of ¥3.2 billion, the result mainly of a ¥3.5 billion total dividend payment.

As a result, cash and cash equivalents as of September 30, 2008 were ¥15.9 billion, ¥0.7 billion lower than at March 31, 2008.

3. Qualitative Information Concerning Forecast of Consolidated Results for Fiscal 2009

In fiscal 2009, ending March 31, 2009, the outlook for the global economy is one of worldwide recession caused by the worldwide financial crisis, sharp drops in share prices and exchange rate fluctuations—particularly the weak U.S. dollar. Consequently, the Koito Group faces an extremely severe business environment.

The Koito Group will continue working to expand orders and productivity, and to improve its system of reciprocal supply and support within the Group. The Company will also further extend cost-cutting and other measures, with the goal of continuously improving operating results.

For fiscal 2009, the Koito Group is projecting a year-on-year decline in net sales due to reduced automobile production in Japan and overseas, despite efforts to increase orders for products used in new models of automobiles and increase sales of new products.

As regards earnings, operating income, recurring profit and net income are each forecast to decline. This reflects deteriorating earnings due to decreased revenues accompanying reduced automobile production, as well as the negative impact of increased fixed expenses associated with the start of operations of the second plant at KOITO KYUSHU LIMITED.

For the second quarter of fiscal 2009, Koito plans to pay an interim dividend of ¥12 per share, which is ¥1 per share more than the previous year. For the fiscal 2009 year-end dividend, Koito plans to pay ¥12 per share, which is the same amount as the previous year.

This means that Koito plans to pay a full year dividend of ¥24 per share, which is ¥1 per share more than the previous year. This would constitute the seventh consecutive year of dividend growth. Looking ahead, we will continue in our efforts to achieve even higher earnings to meet the expectations of all shareholders.

4. Others

(1) Changes to important subsidiaries during the second quarter (Changes in certain specified subsidiaries resulting in revised scope of consolidation):

None

(2) Application of simplified accounting methods, and of special accounting methods in the preparation of quarterly consolidated financial statements:

None

(3) Changes in accounting principles, procedures, methods of presentation, etc. associated with preparation of quarterly consolidated financial statements:

Effective from fiscal 2009, Koito has applied the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Standard No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Quarterly consolidated financial statements are prepared in accordance with specific rules governing the reporting of quarterly financial statements in Japan.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheet

(¥ millions)

	Second Quarter of Fiscal 2009 As of September 30, 2008	Fiscal 2008 As of March 31, 2008
Assets		
Current assets:		
Cash and time deposits	12,397	11,609
Trade notes and accounts receivable	76,380	95,951
Marketable securities	14,192	13,107
Finished products	17,039	15,385
Semi-finished products	2,230	2,094
Work in progress	9,341	10,593
Raw materials	10,491	7,205
Supplies	5,486	4,532
Deferred income tax assets	6,688	6,365
Other current assets	13,112	12,587
Less: Allowance for doubtful accounts	△1,511	△936
Total current assets	165,849	178,494
Fixed assets:		
Property, plant and equipment		
Buildings and structures (net)	37,042	34,096
Machinery and transportation equipment (net)	38,992	36,598
Fixtures, equipment and tools (net)	13,361	13,180
Land	13,135	12,591
Construction in progress	3,968	5,211
Total property, plant and equipment	106,500	101,677
Intangible fixed assets	938	972
Investments and other assets:		
Investment securities	100,538	98,921
Loans	661	598
Deferred income tax assets	5,689	3,502
Other investments	2,583	4,644
Less: Allowance for doubtful accounts	△230	△227
Total investments and other assets	109,242	107,440
Total fixed assets	216,681	210,090
Total assets	382,530	388,585

(¥ millions)

	Second Quarter of Fiscal 2009 As of September 30, 2008	Fiscal 2008 As of March 31, 2008
Liabilities		
Current liabilities:		
Notes and accounts payable	69,840	78,378
Short-term loans	35,042	33,846
Accrued expenses	19,471	17,948
Income taxes payable	4,461	5,101
Allowance for employees' bonuses	5,113	4,865
Allowance for directors' and corporate auditors' bonuses	183	397
Reserve for product warranties	1,400	1,400
Other current liabilities	9,962	9,745
Total current liabilities	145,476	151,681
Non-current liabilities:		
Long-term debt	22,556	23,513
Allowance for employees' retirement benefits	26,700	26,549
Allowance for directors' and corporate auditors' retirement benefits	1,637	1,543
Other non-current liabilities	912	948
Total non-current liabilities	51,807	52,554
Total liabilities	197,283	204,236
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	17,107	17,107
Retained earnings	112,916	110,980
Treasury common stock, at cost	△64	△61
Total shareholders' equity	144,231	142,297
Revaluations and translation adjustments:		
Valuation adjustment on investment securities	8,419	10,292
Translation adjustments	213	△876
Total revaluations and translation adjustments	8,632	9,415
Minority interests	32,382	32,635
Total net assets	185,246	184,348
Total liabilities and net assets	382,530	388,585

(2) Consolidated Statement of Income for Second Quarter of Fiscal 2009

(Second Quarter, for the six months ended September 30, 2008)

(¥ millions)

	Second Quarter of Fiscal 2009 April 1, 2008 to September 30, 2008
Net sales	220,976
Cost of sales	192,065
Gross profit	28,911
Selling, general and administrative expenses	18,589
Operating income	10,321
Non-operating income:	
Interest income and dividends	1,359
Equity in earnings of affiliates	6
Other non-operating income	1,448
Total non-operating income	2,813
Non-operating expenses:	
Interest expenses	696
Other non-operating expense	389
Total non-operating expenses	1,085
Recurring profit	12,049
Extraordinary gains:	
Gains on sales of investment securities	98
Others	0
Total extraordinary gains	98
Extraordinary losses:	
Losses on sales and disposal of property, plant and equipment	278
Impairment loss	499
Provision for allowance for doubtful accounts	600
Other	18
Total extraordinary losses	1,396
Income before income taxes	10,751
Income taxes	5,493
Income tax adjustment	△1,321
Total income taxes	4,171
Minority interest in consolidated subsidiaries	800
Net income	5,778

(3) Consolidated Statement of Cash Flows

(¥ millions)

Second Quarter of Fiscal 2009
April 1, 2008 to September 30, 2008

Cash flows from operating activities	
Income before income taxes	10,751
Depreciation	12,237
Equity in earnings of affiliated companies	△6
Provision for allowance for doubtful accounts	556
Provision for accrued retirement benefits	251
Provision for reserve for bonuses	432
Interest and dividends received	△1,359
Interest payments	696
Loss on sale and revaluation of marketable securities	486
Loss on sale of property and equipment	296
Changes in trade notes and accounts receivable	19,421
Changes in inventories	△4,459
Changes in other current assets	△583
Changes in trade notes and accounts payable	△9,414
Changes in accrued expenses and other current liabilities	1,349
Directors' and corporate auditors' bonuses paid	△397
Others	342
Sub total	30,599
Interest and dividends received	1,359
Interest paid	△696
Income taxes paid	△6,120
Net cash provided by operating activities	25,142
Cash flows from investing activities	
Payments into time deposits	△1,020
Proceeds from time deposits	120
Payments for purchase of marketable and investment securities	△12,524
Proceeds from sale of marketable and investment securities	4,718
Payments for purchase of property and equipment	△16,231
Proceeds from sale of property and equipment	136
Payments for new loans	△316
Proceeds from loan repayments	253
Others	1,940
Net cash used in investing activities	△22,924
Cash flows from financing activities	
Decrease in short-term loans	△3,840
Increase in long-term debt	6,582
Repayment of long-term debt	△2,418
Payments for repurchase of treasury stock	△2
Dividends paid by parent company	△1,927
Dividends paid to minority shareholders	△1,648
Net cash provided by or used in financing activities	△3,253
Effect of exchange rate changes on cash and cash equivalents	262
Change in cash and cash equivalents	△773
Cash and cash equivalents at beginning of quarter	16,709
Cash and cash equivalents at end of quarter	15,935

Effective from fiscal 2009, Koito has applied the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Standard No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Quarterly consolidated financial statements are prepared in accordance with specific rules governing the reporting of quarterly financial statements in Japan.

(4) Going Concern Assumption

None

(5) Segment Information

a. Industry Segment Information

Second quarter of Fiscal 2009 (April 1, 2008 to September 30, 2008)

(¥ millions)

	Automotive Lighting Equipment	Non-Automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination	Consolidated total
Sales						
(1) Sales to outside customers	183,073	13,807	24,095	220,976	—	220,976
(2) Inter-segment sales and transfers	56,676	680	9,092	66,448	(66,448)	—
Total	239,749	14,488	33,187	287,425	(66,448)	220,976
Operating expenses	229,925	14,582	31,479	275,988	(65,332)	210,655
Operating income or loss	9,824	△94	1,708	11,437	(1,116)	10,321

b. Geographical Segment Information

Second quarter of Fiscal 2009 (April 1, 2008 to September 30, 2008)

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	139,177	26,431	44,999	10,368	220,976	—	220,976
(2) Inter-segment sales and transfers	52,065	32	4,851	9,498	66,448	(66,448)	—
Total	191,243	26,464	49,851	19,866	287,425	(66,448)	220,976
Operating expenses	182,468	26,466	45,859	21,192	275,988	(65,332)	210,655
Operating income or loss	8,774	△2	3,991	△1,325	11,437	(1,116)	10,321

c. Overseas Sales

Second quarter of Fiscal 2009 (April 1, 2008 to September 30, 2008)

(¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	30,635	43,599	11,120	85,354
II. Consolidated sales	—	—	—	220,976
III. Overseas sales ratio (%)	13.9	19.7	5.0	38.6

(6) Significant changes in shareholders' equity

None

《 For Reference Only 》

Financial Statements for Second Quarter of Previous Year

(1) Consolidated Statement of Income for Second Quarter of Fiscal 2008

(April 1, 2007 to September 30, 2007)

(¥ millions)

Item	Second Quarter of Fiscal 2008 April 1, 2007 to September 30, 2007	
		%
Net sales	214,860	100.0
Cost of sales	187,614	87.3
Gross profit	27,245	12.7
Selling, general and administrative expenses	17,606	8.2
Operating income	9,639	4.5
Non-operating income	2,527	
Interest income and dividends	(1,093)	
Equity in earnings of affiliates	(△1)	
Other non-operating income	(1,435)	
Non-operating expenses	1,693	
Interest expenses and discounts	(689)	
Other non-operating expenses	(1,003)	
Recurring profit	10,474	4.9
Extraordinary gains	40	
Extraordinary losses	172	
Income before income taxes	10,342	4.8
Income taxes	4,345	
Income tax adjustment	△332	
Total income taxes	4,012	
Minority interest in consolidated subsidiaries	△776	
Net income	5,552	2.6

(2) Consolidated Statement of Cash Flows for Second Quarter of Fiscal 2008
 (April 1, 2007 to September 30, 2007)

(¥ millions)

	Second Quarter of Fiscal 2008 April 1, 2007 to September 30, 2007
I. Cash flows from operating activities	
Income before income taxes	10,342
Depreciation	11,599
Equity in earnings of affiliated companies	1
Provision for allowance for doubtful accounts	△155
Provision for accrued retirement benefits	207
Provision for reserve for bonuses	342
Interest and dividends received	△1,093
Interest payments	689
Loss on sale and revaluation of marketable securities	3
Loss on sale of property and equipment	137
Changes in trade notes and accounts receivable	16,294
Changes in inventories	△4,778
Changes in other current assets	△1,212
Changes in trade notes and accounts payable	△6,756
Changes in accrued expenses and other current liabilities	1,465
Directors' and corporate auditors' bonuses paid	△280
Sub total	26,805
Interest and dividends received	1,093
Interest paid	△689
Income taxes paid	△6,410
Net cash provided by operating activities	20,799
II. Cash flows from investing activities	
Payments into time deposits	△242
Proceeds from time deposits	355
Payments for purchase of marketable and investment securities	△20,982
Proceeds from sale of marketable and investment securities	14,858
Payments for purchase of property and equipment	△14,962
Proceeds from sale of property and equipment	194
Payments for new loans	△332
Proceeds from loan repayments	156
Other payments relating to investments	△612
Net cash used in investing activities	△21,567
III. Cash flows from financing activities	
Decrease in short-term loans	229
Repayment of long-term debt	△586
Payments for repurchase of treasury stock	△4
Proceeds from sale of treasury stock	1
Dividends paid by parent company	△1,767
Dividends paid to minority shareholders	△804
Net cash provided by or used in financing activities	△2,931
IV. Effect of exchange rate changes on cash and cash equivalents	62
V. Change in cash and cash equivalents	△3,637
VI. Cash and cash equivalents at beginning of period	19,996
VII. Cash and cash equivalents at end of period	16,359

(3) Segment Information**【Industry Segment Information】**

Second quarter of Fiscal 2008 (April 1, 2007 to September 30, 2007)

(¥ millions)

	Automotive Lighting Equipment	Non-Automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination	Consolidated total
Sales						
(1) Sales to outside customers	187,627	11,711	15,521	214,860	—	214,860
(2) Inter-segment sales and transfers	59,923	220	1,750	61,894	(61,894)	—
Total	247,550	11,932	17,272	276,755	(61,894)	214,860
Operating expenses	237,173	11,842	17,614	266,630	(61,409)	205,220
Operating income or loss	10,376	90	△341	10,125	(485)	9,639

【Geographical Segment Information】

Second quarter of Fiscal 2008 (April 1, 2007 to September 30, 2007)

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	129,546	28,904	43,915	12,494	214,860	—	214,860
(2) Inter-segment sales and transfers	46,220	—	3,466	12,208	61,894	(61,894)	—
Total	175,766	28,904	47,381	24,703	276,755	(61,894)	214,860
Operating expenses	168,814	27,687	45,256	24,871	266,630	(61,409)	205,220
Operating income or loss	6,952	1,216	2,124	△168	10,125	(485)	9,639

【Overseas Sales】

Second quarter of Fiscal 2008 (April 1, 2007 to September 30, 2007)

(¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	31,368	43,145	13,292	87,805
II. Consolidated sales				214,860
III. Overseas sales ratio (%)	14.6	20.1	6.2	40.9