《 For Reference Only 》

Consolidated Earnings Report for Fiscal 2006 April 25, 2006

Company Name: **KOITO MANUFACTURING CO., LTD.**
Stock Listing: First Section, Tokyo Stock Exchange
Code Number: 7276
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Meeting of the Board of Directors for the Approval of Results: April 25, 2006
U.S. GAAPs Applied: None

1. Consolidated Results of Operations for Fiscal 2006 (April 1, 2005 – March 31, 2006)
(1) Consolidated Business Results (¥ millions)

	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2006	397,509	10.0 %	22,262	23.9 %	25,640	27.9 %	12,731	40.0 %
Fiscal 2005	361,477	8.1 %	17,962	30.9 %	20,046	30.6 %	9,093	41.2 %

	Net income per share	Net income per share (diluted)	Return on equity	Recurring profit to equity ratio	Recurring profit ratio
Fiscal 2006	¥79.39	—	9.8 %	7.5 %	6.5 %
Fiscal 2005	¥55.62	—	7.9 %	6.5 %	5.5 %

Notes:
① Equity in earnings of affiliated companies: Fiscal 2006: ¥100 million Fiscal 2005: ¥262 million
② Weighted-average number of shares outstanding (consolidated) in the FY ended March 2006: 160,371,366 FY ended March 2005: 159,812,060
③ Changes in accounting standards were applicable to the above figures.
④ The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

(2) Consolidated Financial Position (¥ millions)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
March 31, 2006	366,254	139,849	38.2	871.00
March 31, 2005	318,739	119,278	37.4	745.16

Note: Number of shares outstanding (consolidated): March 31, 2006: 160,562,054; March 31, 2005: 160,069,988

(3) Consolidated Cash Flow (¥ millions)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
Fiscal 2006	37,200	△30,905	△2,663	15,773
Fiscal 2005	29,919	△28,466	△1,433	11,925

(4) Extent of Consolidation and Adoption of the Equity Method
Consolidated subsidiaries: 23; Non-consolidated subsidiaries accounted for by the equity method: 0;
Affiliates accounted for by the equity method: 3

(5) Changes in Extent of Consolidation and Affiliates Accounted for Under the Equity Method
Consolidated subsidiaries: New 3; Excluded 1
Affiliates accounted for by the equity method : New 0; Excluded 0

2. Consolidated Outlook for Fiscal 2007 (April 1, 2006 - March 31, 2007) (¥ millions)

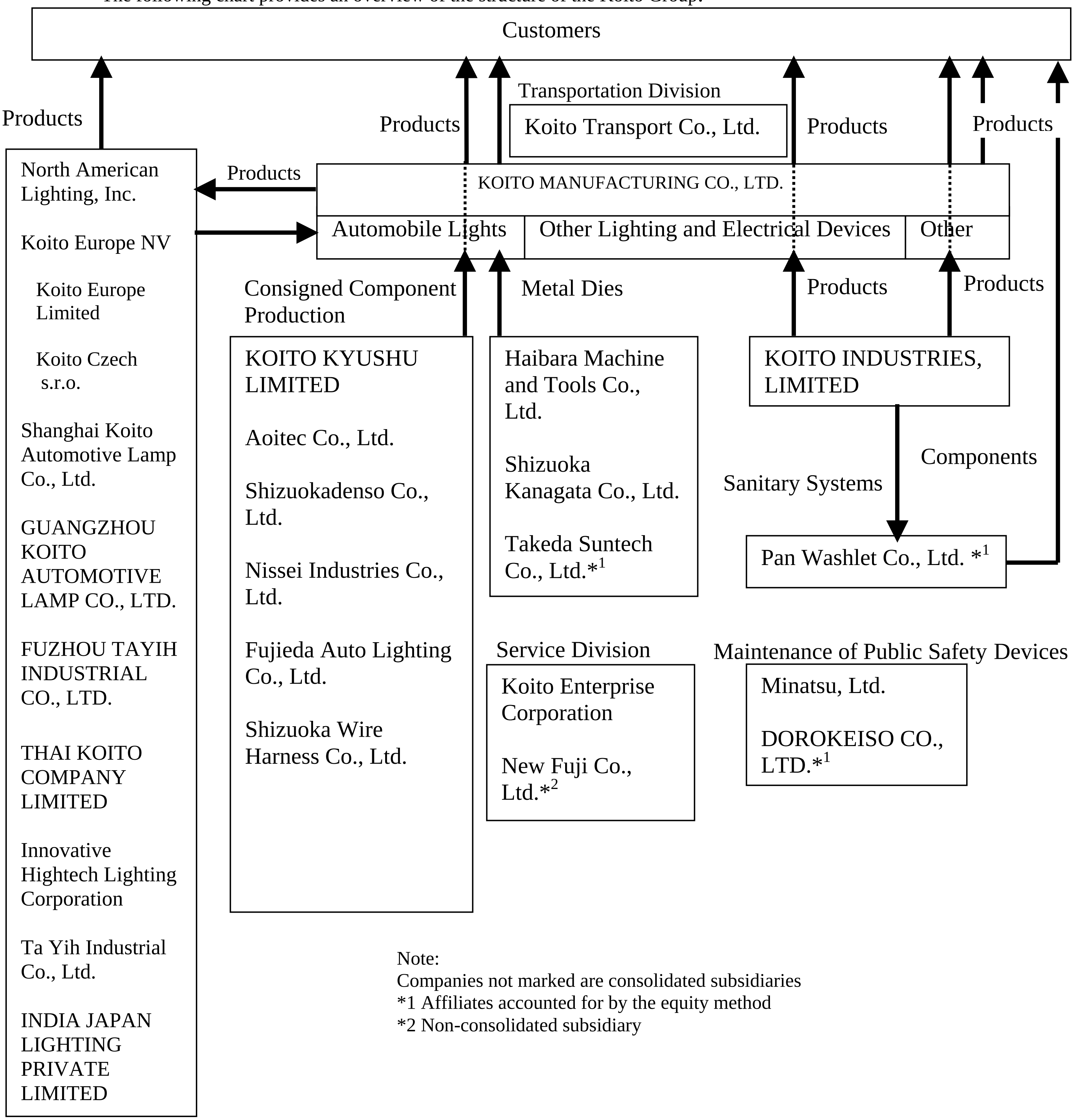
	Net sales	Recurring profit	Net income
Interim	196,400	10,500	5,600
Entire year	432,700	26,600	14,000

Reference – Predicted net income per share for the entire year: ¥87.19
*Figures less than one million yen are omitted.
*The above projections are based on information available at the time of release of this report. Actual results could differ from projections due to a variety of factors.

Koito Group

The Koito Group comprises KOITO MANUFACTURING CO., LTD., its 23 subsidiaries and 4 affiliates. It manufactures and sells automobile lights, components for airplanes, trains and railways, and a variety of electrical devices and measuring equipment. The Koito Group is also involved in related financial and distribution operations. In the period under review, Koito Kyushu Limited, Guangzhou Koito Automotive Lamp Co., Ltd. and Fuzhou Tayih Industrial Co., Ltd. became consolidated subsidiaries. On March 31, 2006, subsidiaries Shizuokadenso Co., Ltd. and Shimizu Plating Co., Ltd. merged, with Shizuokadenso Co., Ltd. remaining as the surviving subsidiary.

The following chart provides an overview of the structure of the Koito Group.



Note:
Companies not marked are consolidated subsidiaries
*1 Affiliates accounted for by the equity method
*2 Non-consolidated subsidiary

Management Policies

(1) Basic Management Policies

The Koito Group's basic management policies call for the stimulation of new customer demand for "lighting," while contributing to the progress of society and fostering mutually beneficial relationships with all stakeholders, including shareholders, customers, employees and business partners.

Recognizing the importance of global environmental issues too, the Koito Group adheres to the policy of "manufacturing products that put people and the environment first" in all its business activities, as part of initiatives to protect the environment.

(2) Basic Earnings Distribution Policies

The Koito Group views the payment of stable dividends in line with operating results and business conditions and other factors as one of its most important management policies. Koito intends to use retained earnings mainly to maintain a corporate structure capable of responding with agility to future changes in the operating environment, and to expand its business, develop new technologies and products, and streamline operations. In doing so, Koito will make the utmost effort to meet shareholders' expectations.

(3) Policy and Approach to Reducing the Trading Unit

The Koito Group views improving the liquidity of its shares and increasing the number of its shareholders as priority issues with respect to financial policies. By making it easier for investors to purchase its shares, Koito believes that reducing the trading unit is an effective means of broadening its shareholder base to include more individual investors. The size of the trading unit will continue to be reviewed, taking into account the timing of the introduction of a new system where stock certificates will no longer be issued and other factors.

(4) Medium- and Long-Term Management Strategies

Under its corporate slogan of "Lighting for Your Safety," the Koito Group, as a manufacturer of automotive lighting and electrical equipment, is committed to playing a part in creating a better society through the creation of new value sought by customers. Strategies for taking Koito forward are as follows:

① As a global supplier capable of meeting the needs of automobile manufacturers seeking to expand production, procurement and supply networks to optimal locations worldwide, the Koito Group will reinforce the product development, manufacturing and sales functions of its overseas bases while establishing a system to respond to the world's four key regional automobile markets (Japan, North America, Europe and Asia). This will include promoting a complementary supply structure and network within the Group.

② The Koito Group will bring attractive products to market by developing cutting-edge technologies that anticipate customer and market needs, rapidly commercializing products, and responding to the fast-evolving digital era in a timely and effective manner.

③ The Koito Group will reinforce its corporate and earnings structure by acquiring and effectively allocating resources.

④ The Koito Group will strive to earn the trust of corporate clients by pursuing the highest standards of quality and safety as well as enforcing strict environmental safeguards.

These four undertakings encapsulate Koito's commitment to providing satisfaction to shareholders, customers, employees and business partners, while fulfilling its vital mission of helping to preserve the environment.

(5) Key Issues

To maintain its international competitiveness as a global, multinational supplier, the Koito Group is working to realign and reinforce its management framework and organization in response to structural shifts in the automobile industry. (Automobile manufacturers, for instance, are now seeking to establish strong local manufacturing bases worldwide, to better serve the world's four key regional automobile markets.) Against this background, the most pressing issue for Koito is to build a stronger management structure. Key to this will be developing innovative new technologies and products that anticipate market and customer needs, shortening development times, and implementing cost cutting measures throughout the Group. Allocating resources effectively and establishing a complementary structure for doing so are also of paramount importance.

(6) Matters Concerning the Parent Company

Please refer to Transactions With Related Parties.

Results of Operations and Financial Position

(1) Overview of Fiscal 2006

During the fiscal year under review, the Japanese economy gradually improved, underpinned by higher capital investments in line with improvements in corporate revenues and increased personal spending, and supported by export-related industries bolstered by the depreciation of the yen. The world economy also grew overall, despite a slowdown in the U.S., European and other economies due to such factors as continually high crude oil and raw material prices, rising interest rates and fluctuations in foreign exchange rates.

In the automobile industry, there was a slight increase in both automobile sales in Japan and exports. In particular, domestic unit automobile production was slightly higher than in the previous year. Overseas, automobile production in North America and Europe were mostly flat, but output is expanding in Asian countries such as China and Thailand. Overall, worldwide automobile production is growing.

In this climate, the Koito Group has been aggressively boosting product development capabilities and implementing other measures in the automotive lighting equipment segment to win more orders over the medium and long terms. In Japan, Koito established Koito Kyushu Limited in November 2005 and is constructing a new automotive lighting equipment plant in Saga City, Saga Prefecture. The new plant is scheduled to come on stream in October 2006. This step responds to expanding production by various automakers in the Kyushu region, as well as the need to review the production framework and diversify risks to avert such disasters as a major earthquake in the Tokai region.

With respect to overseas business, in the continuously expanding Chinese market, Koito made Fuzhou Tayih Industrial Co., Ltd. a subsidiary in September 2005, and established Guangzhou Koito Automotive Lamp Co., Ltd. in November 2005, aiming to bring the plant in Guangzhou on stream in January 2007. Construction of the third plant for Shanghai Koito Automotive Lamp Co., Ltd. finished and it came on stream in April 2006. Koito is constructing a second plant in India and a fourth plant in the U.S. in Alabama, and making every effort to start operations at both plants in 2007.

Supported by a strong performance by its mainstay automotive lighting equipment segment both in Japan and overseas, the Koito Group reported record-high net sales, which increased 10.0% year on year to ¥397.5 billion.

Results by business segment are outlined as follows.

Automotive Lighting Equipment Segment

Sales in this segment rose 14.2% to ¥337.6 billion, fueled by greater installations of high-intensity discharge headlamps, intelligent Adaptive Front Lighting System (AFS) headlamps, LED rear combination lamps, and headlamp leveling systems in newly manufactured vehicles in Japan. Another contributing factor was steady growth in new orders for both headlamps and signaling lamps at overseas subsidiaries mainly in North America, Europe, China and South Korea.

Non-Automotive Electrical Equipment

The non-automotive electrical equipment segment saw sales decline 15.5% to ¥35.1 billion. This mainly reflected declining orders in the road lighting, information equipment and traffic systems divisions, which outweighed brisk sales of railroad car equipment.

Other Products

The other products segment recorded sales of ¥24.7 billion, up 1.7% from the previous fiscal year. This increase reflected significantly higher sales of automobile headlamp cleaners for vehicles, which offset struggling sales of aircraft seats and aircraft components.

On the earnings front, amid intensifying price competition in automotive lighting equipment in Japan and overseas, efforts by Koito and Group companies to streamline operations by aggressively promoting cost-cutting measures lifted recurring profit 27.9% to ¥25.6 billion. Consequently, the Koito Group reported net income of ¥12.7 billion, a year-on-year increase of 40.0%. Net sales and earnings both reached record highs for the fourth straight fiscal year.

In light of its strong business results, Koito increased the interim dividend ¥2 per share to ¥9 per share. To reflect the upturn in the operating environment and the record-high operating results, Koito plans to pay a year-end dividend of ¥11 per share, ¥1 higher than the interim-period forecast and ¥4 higher than the previous year-end dividend. Koito thus intends to pay a dividend of ¥20 per share for the full year, ¥6 per share higher than in the previous fiscal year, marking four consecutive years of dividend growth. Looking ahead, we will continue in our efforts to meet the expectations of all shareholders by achieving even higher earnings.

(2) Cash Flows

Operating activities provided net cash of ¥37.2 billion. Cash inflows of ¥44.8 billion, including income before income taxes of ¥23.2 billion and depreciation of ¥19.9 billion, were partly offset by income taxes paid.

Investing activities used net cash of ¥30.9 billion, mainly reflecting payments of ¥28.8 billion for the purchase of property and equipment to accommodate higher production of automotive lighting equipment and the acquisition of marketable and investment securities as a means of investing funds.

Financing activities used net cash of ¥2.6 billion. Cash was used mainly by the payment of ¥4.0 billion in dividends, offset partly by an increase of ¥1.0 billion in long- and short-term loans and proceeds of ¥0.3 billion from the sale of treasury stock upon the exercise of stock options.

As a result, cash and cash equivalents as of March 31, 2006 were ¥15.7 billion, ¥3.8 billion higher than a year earlier.

(3) Outlook for Fiscal 2007

In fiscal 2007, the year ending March 31, 2007, the Japanese economy is expected to remain on a gradual recovery track, driven by higher capital investments reflecting improvements in corporate revenues and greater consumer spending. Overseas, although forecasts call for continued high growth in Asia, there are concerns over a slowdown in the U.S., Europe and elsewhere. Compounded by continuously high crude oil and raw materials prices and rises in interest rates as well as foreign exchange movements and other issues, the Koito Group's business environment still requires caution.

In this uncertain and challenging business environment, the Koito Group has achieved integrated production of automotive lighting equipment, which encompasses all phases from creating lighting sources to manufacturing products. As a global supplier with a product development and manufacturing network covering the world's four key markets, the Koito Group will work to improve its mutual complementary supply network and structure, in addition to pursuing orders and ramping up production capacity. The Company will also implement far-reaching cost-cutting and other measures, with the goal of further improving operating results.

In light of the above, the Koito Group is forecasting consolidated net sales of ¥432.7 billion, recurring profit of ¥26.6 billion and net income of ¥14.0 billion for fiscal 2007.

Consolidated Balance Sheets

(¥ millions)

Item \ Period	Fiscal 2006 As of March 31, 2006	Fiscal 2005 As of March 31, 2005	YoY change
Assets			
Current assets:			
Cash and time deposits	10,214	9,395	818
Trade notes and accounts receivable	97,432	87,730	9,702
Marketable securities	12,432	9,949	2,482
Inventories	30,034	24,121	5,912
Deferred income taxes	6,053	5,630	422
Other current assets	10,651	8,146	2,504
Less: Allowance for doubtful accounts	△1,082	△1,151	68
Total current assets	165,736	143,822	21,913
Fixed assets:			
Property, plant and equipment			
Buildings and structures	29,926	28,915	1,011
Machinery and transportation equipment	32,024	29,094	2,930
Fixtures, equipment and tools	14,849	12,097	2,751
Land	12,862	11,824	1,037
Construction in progress	4,830	1,604	3,226
Property, plant and equipment, net	94,493	83,536	10,956
Intangible fixed assets	783	607	176
Investments and other assets:			
Investment securities	101,795	82,359	19,435
Loans	781	1,015	△233
Deferred income taxes	—	3,793	△3,793
Other investments	2,912	3,891	△978
Less: Allowance for doubtful accounts	△247	△286	38
Total investments and other assets	105,241	90,773	14,468
Total fixed assets	200,518	174,916	25,601
Total assets	366,254	318,739	47,514

(¥ millions)

Item / Period	Fiscal 2006 As of March 31, 2006	Fiscal 2005 As of March 31, 2005	YoY change
Liabilities			
Current liabilities:			
Trade notes and accounts payable	73,099	60,408	12,691
Short-term loans	24,470	26,073	△ 1,602
Accrued expenses	19,020	17,204	1,816
Income taxes payable	4,932	4,343	589
Provisions for employees' bonuses	4,442	4,486	△ 43
Allowance for directors' and corporate auditors' bonuses	270	—	270
Reserve for product warranties	1,400	1,200	200
Other current liabilities	10,107	6,064	4,043
Total current liabilities	137,743	119,779	17,964
Non-current liabilities:			
Long-term debt	28,826	24,624	4,201
Accrued retirement benefits	25,431	23,617	1,814
Directors' and corporate auditors' accrued retirement benefits	1,334	1,593	△ 259
Deferred income taxes	2,069	—	2,069
Other non-current liabilities	563	762	△ 199
Total non-current liabilities	58,224	50,598	7,626
Total liabilities	195,968	170,377	25,590
Minority interests	30,436	29,082	1,353
Shareholders' equity:			
Common stock	14,270	14,270	—
Additional paid-in capital	17,107	17,107	—
Retained earnings	89,548	79,912	9,635
Valuation adjustment on investment securities	18,679	10,155	8,524
Translation adjustments	382	△ 1,723	2,105
Treasury common stock, at cost	△ 140	△ 445	305
Total shareholders' equity	139,849	119,278	20,570
Total liabilities, minority interests and shareholders' equity	366,254	318,739	47,514

Consolidated Statements of Income

For the years ended March 31, (¥ millions)

Item / Period	Fiscal 2006	%	Fiscal 2005	%	YoY change	%
Net sales	397,509	100.0	361,477	100.0	36,031	10.0
Cost of sales	342,504	86.2	310,165	85.8	32,339	
Gross profit	55,005	13.8	51,312	14.2	3,692	
Selling, general and administrative expenses	32,743	8.2	33,350	9.2	△ 607	
Operating income	22,262	5.6	17,962	5.0	4,299	23.9
Non-operating income	4,901		3,390		1,511	
Interest income and dividends	(2,286)		(1,332)		(953)	
Equity in earnings of affiliates	(100)		(262)		(△ 161)	
Other non-operating income	(2,514)		(1,794)		(719)	
Non-operating expenses	1,523		1,305		217	
Interest expenses and discounts	(1,025)		(826)		(198)	
Other non-operating expenses	(498)		(479)		(19)	
Recurring profit	25,640	6.5	20,046	5.5	5,593	27.9
Extraordinary gains	44		107		△ 62	
Extraordinary losses	2,407		1,866		541	
Income before income taxes	23,277	5.9	18,287	5.1	4,990	
Income taxes	9,497		8,328		1,169	
Income tax adjustment	△ 419		△ 1,102		683	
Total	9,078		7,225		1,852	
Minority interest in consolidated subsidiaries	△ 1,468		△ 1,968		499	
Net income	12,731	3.2	9,093	2.5	3,637	40.0

Consolidated Statements of Retained Earnings At March 31

For the years ended March 31, (¥ millions)

Item / Period	Fiscal 2006	Fiscal 2005
(Additional paid-in capital)		
I Additional paid-in capital at beginning of period	17,107	17,107
II Additional paid-in capital at end of period	17,107	17,107
(Retained earnings)		
I Retained earnings at beginning of period	79,912	73,306
II Increase in retained earnings		
Net income	12,731	9,093
III Appropriations		
Dividends	2,564	2,236
Bonuses to directors and corporate auditors	205	186
Loss on disposal of treasury stock	4	4
Decrease in unfunded pension liabilities associated with pension accounting of overseas subsidiaries	159	—
Other	162	61
IV Retained earnings at end of period	89,548	79,912

Consolidated Statements of Cash Flows

For the years ended March 31 (¥ millions)

	Fiscal 2006	Fiscal 2005
I. Cash flows from operating activities		
Income before income taxes	23,277	18,287
Depreciation	19,920	18,170
Equity in earnings of affiliated companies	△ 100	△ 262
Provision for allowance for doubtful accounts	△ 191	131
Provision for accrued retirement benefits	1,447	2,952
Provision for reserve for bonuses	227	8
Interest and dividends received	△ 2,286	△ 1,332
Interest payments	1,025	826
Loss on sale and revaluation of marketable securities	△ 127	△ 326
Loss on revaluation of golf memberships	31	1
Loss on sale and disposal of property and equipment	285	231
Changes in trade notes and accounts receivable	△ 7,834	△ 2,082
Changes in inventories	△ 5,123	△ 3,176
Changes in other receivables	△ 1,814	207
Changes in trade notes and accounts payable	11,310	1,518
Changes in accrued expenses and other current liabilities	4,992	1,805
Directors' and corporate auditors' bonuses paid	△ 205	△ 186
Sub total	44,834	36,772
Interest and dividends received	2,286	1,332
Interest paid	△ 1,025	△ 826
Income taxes paid	△ 8,895	△ 7,359
Net cash provided by operating activities	37,200	29,919
II. Cash flows from investing activities		
Payments into time deposits	△ 688	△ 897
Proceeds from time deposits	583	1,382
Payments for purchase of marketable and investment securities	△34,897	△ 39,014
Proceeds from sale of marketable and investment securities	30,725	29,561
Payments for purchase of property and equipment	△ 28,895	△ 20,988
Proceeds from sale of property and equipment	1,483	1,146
Payments for new loans	△ 563	△ 719
Proceeds from loan repayments	569	514
Other payments relating to investments	778	549
Net cash used in investing activities	△ 30,905	△ 28,466
III. Cash flows from financing activities		
Decrease in short-term loans	△ 4,912	△ 18,146
Increase in long-term debt	6,126	20,002
Repayment of long-term debt	△ 148	△ 121
Payments for repurchase of treasury stock	△ 12	△ 9
Proceeds from sale of treasury stock	317	291
Dividends paid by parent company	△ 2,564	△ 2,236
Dividends paid to minority shareholders	△ 1,470	△ 1,214
Net cash used in financing activities	△ 2,663	△ 1,433
IV Effect of exchange rate changes on cash and cash equivalents	216	125
V Change in cash and cash equivalents	3,848	145
VI Cash and cash equivalents at beginning of year	11,925	11,780
VII Cash and cash equivalents at end of year	15,773	11,925

Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

1. Scope of Consolidation
Number of consolidated subsidiaries: 23
Koito Kyushu Limited and Guangzhou Koito Automotive Lamp Co., Ltd., which were established during the fiscal year ended March 31, 2006, and Fuzhou Tayih Industrial Co., Ltd., in which the Company invested during the fiscal year ended March 31, 2006, were included in the scope of consolidation.

2. Application of the Equity Method
Number of affiliates accounted for using the equity method: 3
Non-consolidated subsidiary New Fuji Co., Ltd. has been excluded from the scope of affiliated companies accounted for by the equity method as it has a negligible effect on consolidated net income and retained earnings of the Koito Group.

3. Fiscal Year of Consolidated Subsidiaries
The fiscal year end of consolidated subsidiaries KOITO INDUSTRIES, LIMITED, Koito Transport Co., Ltd., Minatsu, Ltd., Koito Kyushu Limited and India Japan Lighting Private Limited, is March 31, the same as for the parent company. Consolidated financial statements are prepared assuming an accounting period ending March 31 for the other consolidated subsidiaries (Aoitec Co., Ltd. and 17 other companies).

4. Summary of Significant Accounting Policies
(1) Valuation standards and accounting treatment for important assets
(a) Marketable securities

① Securities held for trading	Stated at market value (the selling price is determined mainly by the moving average method)
② Securities held to maturity	Depreciable cost method (straight-line method)
③ Other securities	
Listed securities	Stated at market value, determined by the market price as of the end of the period, with unrealized gains or losses reported in shareholders' equity and the selling price determined by the moving average method.
Non-listed	Stated at cost determined by the moving average method.
(b) Derivatives	Stated at market value
(c) Specified money trusts	Stated at market value

(d) Inventories
At the Company and its domestic subsidiaries, finished products, semi-finished products and work-in-progress are stated at cost, cost being determined by the gross-average method, whereas raw materials and supplies are stated at cost determined by the moving-average method. At overseas consolidated subsidiaries, inventories are stated at the lower of cost or market, determined by the moving-average method.

(2) Method for depreciating and amortizing important assets
(a) Property, plant and equipment:
At the Company and its domestic consolidated subsidiaries, assets are depreciated using the declining-balance method in accordance with Japan's corporate tax laws. At overseas consolidated subsidiaries, assets are depreciated using the straight-line method. Buildings purchased by domestic consolidated subsidiaries on or after April 1, 1998, excluding fixtures, are depreciated using the straight-line method.

Estimated useful lives are as follows:

Buildings and structures	7 – 50 years
Machinery and transportation equipment	3 – 7 years

(b) Intangible fixed assets:
The Company and its domestic consolidated subsidiaries amortize intangible fixed assets using the straight-line method. At overseas consolidated subsidiaries, intangible fixed assets are amortized using the straight-line method in accordance with the accounting principles generally accepted in each country.

(3) Accounting for allowances
(a) Allowance for doubtful accounts:
The allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up by two components: the estimated credit loss for doubtful receivables based on an individual assessment of each account, and a general reserve for accounts receivable calculated based on historical default rates. Overseas consolidated subsidiaries provide for the estimated credit loss for certain doubtful receivables based on an individual assessment of each account.

(b) Allowance for employees' bonuses:
At the company and its domestic consolidated subsidiaries, the allowance for employees' bonuses is based on the estimated requirements for the fiscal year. The amount recorded is that applicable to the full period.

(c) Allowance for directors' and corporate auditors' bonuses
The Company provides an allowance for directors' and corporate auditors' bonuses to adequately cover payments of such bonuses during the accounting period under review. These bonus payments are subject to approval at the regular general meeting of shareholders.

(d) Reserve for product warranties
The reserve for product warranties is provided to cover payments in response to possible liability claims made under product warranties based on historical claim rates.

(e) Allowance for employees' retirement benefits
At the Company and its consolidated subsidiaries, an allowance for retirement benefits is provided to adequately cover the pension costs of employees. The retirement benefit allowance is determined as of the end of the period on the basis of projected retirement benefit liabilities and pension assets at the fiscal year balance sheet date.

Actuarial gains or losses are amortized from the accounting period following the period in which actuarial gains or losses arise, using the straight-line method over a fixed number of years (5 to 10 years), but no more than the average remaining years of service of employees in the accounting period in which actuarial gains or losses arise.

(f) Allowance for directors' and corporate auditors' retirement benefits
The Company and its domestic consolidated subsidiaries provide an allowance for directors' and corporate auditors' retirement benefits to adequately cover payments of such benefits during the accounting period under review, as prescribed by Company regulations.

(4) Accounting for foreign currency denominated transactions:
All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date and included in income. Assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate prevailing at the balance date, while revenues and costs at overseas subsidiaries are translated into Japanese yen at the average exchange rate prevailing during the accounting period. Gains or losses on such foreign currency translations are listed under minority interests and reported in shareholders' equity as translation adjustments.

(5) Accounting for leases
Finance leases, other than those that transfer ownership of the leased assets to the lessees, are treated in the same way as ordinary operating leases for accounting purposes by the Company and domestic consolidated subsidiaries, and are treated by certain overseas subsidiaries as ordinary transactions.

(6) Accounting for hedging
Unrealized gains and losses arising from hedge transactions are recognized when the underlying hedge contracts are concluded and are included in income during the applicable accounting period.

(7) Accounting treatment of consumption tax
Financial statements are prepared exclusive of consumption tax.

5. Matters Concerning Valuation of Assets and Liabilities of Consolidated Subsidiaries
Assets and liabilities of consolidated subsidiaries are valued at market.

6. Amortization of Consolidated Adjustment Account
The consolidation adjustment account is amortized in equal installments over a 5-year period. Small amounts are amortized in the financial year in which they have accrued, and charged to income.

7. Matters Concerning Appropriation of Retained Earnings
The statement of consolidated retained earnings is prepared on the basis of appropriations of retained earnings approved by consolidated subsidiaries for the fiscal year under review.

8. Scope of Cash and Cash Equivalents in the Statement of Cash Flows
Cash and cash equivalents in the statement of cash flows comprise cash on hand, demand deposits, and highly liquid short-term investments with maturities of less than 3 months that can be readily converted into cash and carry little risk of fluctuation in value.

Significant Changes to Accounting Policies Used in Preparation of Consolidated Financial Statements

Beginning with the fiscal year ended March 31, 2006, Koito has adopted new accounting standards for the impairment of fixed assets ("Opinion on Establishment of Asset-impairment Accounting Standards" (Business Accounting Council, August 9, 2002) and "Implementation Guidance for the Asset-impairment Accounting Standards" (Financial Accounting Standard Implementation Guidance No. 6, October 31, 2003)). This change decreased income before income taxes by ¥413 million in the fiscal year ended March 31, 2006.
Cumulative impairment losses are deducted from each asset according to revised guidelines for the preparation of consolidated financial statements.

Notes

(¥ millions)

	Fiscal 2006 As of March 31, 2006	Fiscal 2005 As of March 31, 2005
1. Cumulative depreciation of property, plant and equipment	175,410	158,213
2. Liabilities for guarantees	27	33

3. Selling, general and administrative expenses

(¥ millions)

	Fiscal 2006	Fiscal 2005
(1) Selling expenses		
Freight expenses	2,496	2,152
Employee salaries	5,516	5,990
Packaging expenses	1,679	1,673
Transfer to allowance for bonuses	589	607
Transfer to allowance for retirement benefits	767	809
(2) General and administrative expenses		
Employee salaries	5,915	5,955
Employee benefit expenses	1,623	1,670
Transfer to allowance for bonuses	424	438
Transfer to allowance for retirement benefits	715	592
Transfer to allowance for directors' and corporate auditors' retirement benefits	197	251

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

(¥ millions)

	Fiscal 2006 As of March 31, 2006	Fiscal 2005 As of March 31, 2005
Cash and deposits	10,214	9,395
Time deposits with maturities exceeding three months	△ 489	△ 355
Marketable securities redeemable within three months	6,048	2,884
Cash and cash equivalents	15,773	11,925

Segment Information

(1) Industry Segment Information

Fiscal year ended March 31, 2006 (¥ millions)

	Automotive Lighting Equipment	Non-automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination of inter-segment items	Consolidated total
I. Sales and operating income						
(1) Sales to outside customers	337,604	35,160	24,745	397,509	—	397,509
(2) Inter-segment sales and transfers	80,229	1,228	3,093	84,551	(84,551)	—
Total	417,833	36,389	27,838	482,061	(84,551)	397,509
Operating expenses	394,569	37,445	26,583	458,599	(83,351)	375,247
Operating income (loss)	23,264	△ 1,056	1,255	23,462	(1,200)	22,262
II. Assets, depreciation, impairment losses and capital expenditures						
Assets	209,631	50,502	51,361	311,494	54,760	366,254
Depreciation	17,981	984	911	19,876	44	19,920
Impairment losses	—	—	—	—	413	413
Capital expenditures	23,537	834	564	24,935	—	24,935

Fiscal year ended March 31, 2005 (¥ millions)

	Automotive Lighting Equipment	Non-automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination of inter-segment items	Consolidated total
I. Sales and operating income						
(1) Sales to outside customers	295,537	41,599	24,340	361,477	—	361,477
(2) Inter-segment sales and transfers	45,183	1,601	2,902	49,687	(49,687)	—
Total	340,721	43,201	27,243	411,165	(49,687)	361,477
Operating expenses	322,812	42,904	25,761	391,478	(47,963)	343,515
Operating income (loss)	17,908	296	1,481	19,687	(1,724)	17,962
II. Assets, depreciation and capital expenditures						
Assets	172,354	54,375	50,825	277,554	41,185	318,739
Depreciation	16,474	892	757	18,123	47	18,170
Capital expenditures	19,491	1,118	491	21,100	—	21,100

Notes:
1. Industry segment figures are based on sales categories.
2. Major products of each segment
   (1) Automotive Lighting Equipment
   Headlamps, miscellaneous car lamps, discharge headlamp systems, all-glass sealed beam lamp units, signaling lamps, high-mount stop lamps, halogen bulbs, various miniature bulbs and other lighting products.
   (2) Non-automotive Electrical Equipment
   Control systems for rail transport, road traffic signals, traffic control systems.
   (3) Other Products & Services
   Aircraft equipment and electronic components, special-feature seats, environmental control systems, transportation, finance and insurance services.
3. Significant components of corporate and elimination of inter-segment items.

(¥ millions)

	Year ended March 31, 2006	Year ended March 31, 2005	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	3,339	3,137	Expenses related to the General Affairs Department of the parent company's head office

4. Assets at March 31, 2005 include ¥54,760 million that was included in corporate and elimination of inter-segment items as corporate assets. These comprise mainly cash equivalents (cash, deposits and marketable securities), long-term investments (investment securities) and assets relating to administrative divisions.

(2) Geographical Segment Information

Fiscal year ended March 31, 2006 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
I. Sales and operating income							
Sales							
(1) Sales to outside customers	252,825	51,418	72,118	21,146	397,509	—	397,509
(2) Inter-segment sales and transfers	60,940	—	2,842	20,769	84,551	(84,551)	—
Total	313,765	51,418	74,961	41,916	482,061	(84,551)	397,509
Operating expenses	296,503	49,255	70,954	41,885	458,599	(83,351)	375,247
Operating income (loss)	17,261	2,162	4,006	30	23,462	(1,200)	22,262
II. Assets	206,969	24,012	58,678	21,835	311,494	54,760	366,254

Fiscal year ended March 31, 2005 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
I. Sales and operating income							
Sales							
(1) Sales to outside customers	233,669	45,479	62,405	19,923	361,477	—	361,477
(2) Inter-segment sales and transfers	45,999	—	2,453	1,234	49,687	(49,687)	—
Total	279,669	45,479	64,858	21,158	411,165	(49,687)	361,477
Operating expenses	265,243	43,714	61,138	21,382	391,478	(47,963)	343,515
Operating income (loss)	14,426	1,765	3,720	△ 224	19,687	(1,724)	17,962
II. Assets	196,661	22,059	40,653	18,181	277,554	41,185	318,739

Notes:
1. Country and regional segments are based on geographic proximity.
2. Countries and regions included in each segment:
   (1) North America: United States
   (2) Asia: China, Taiwan, South Korea, Thailand, and India
   (3) Europe: United Kingdom, Czech Republic, and Belgium
3. Significant components of corporate and elimination of inter-segment items

(¥ millions)

	Year ended March 31, 2006	Year ended March 31, 2005	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	3,339	3,137	Expenses related to the General Affairs Department of the parent company's head office

(3) Overseas Sales

Fiscal year ended March 31, 2006 (¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	55,046	70,742	21,902	147,690
II. Consolidated sales				397,509
III. Overseas sales ratio (%)	13.8%	17.8%	5.5%	37.2%

Fiscal year ended March 31, 2005 (¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	49,533	62,356	20,761	132,651
II. Consolidated sales				361,477
III. Overseas sales ratio (%)	13.7%	17.3%	5.7%	36.7%

Note:
1. Countries and regions are classified according to their proximity.
2. The breakdown of regions in each segment is as follows:
   (1) North America: United States
   (2) Asia: China, Taiwan, South Korea, Thailand, and India
   (3) Europe: United Kingdom, Czech Republic and Belgium
3. Overseas sales are those of the parent company and its consolidated subsidiaries to countries and regions other than the country or region in which each is based.

Lease Transactions

1. Finance leases that do not transfer ownership of leased property to lessee

(1) Acquisition cost equivalents, accumulated depreciation equivalents and balance equivalents of leased assets as of the fiscal year-end

(¥ millions)

		Year ended March 31, 2006	Year ended March 31, 2005
Acquisition cost equivalents	Buildings	2,495	2,495
	Machinery and transportation equipment	1,434	1,605
	Tools and equipment	967	1,004
	Total	4,897	5,106
Accumulated depreciation equivalents	Buildings	233	158
	Machinery and transportation equipment	696	948
	Tools and equipment	570	551
	Total	1,500	1,657
Term-end balance equivalents	Buildings	2,262	2,337
	Machinery and transportation equipment	737	657
	Tools and equipment	397	452
	Total	3,397	3,448

Note: Acquisition cost equivalents constituted an immaterial portion of term-end balances of property, plant and equipment. Consequently, acquisition cost equivalents are accounted for by the paid interest method.

(2) Balance of outstanding lease commitments

(¥ millions)

	Year ended March 31, 2006	Year ended March 31, 2005
Within one year	468	427
More than one year	2,929	3,020
Total	3,397	3,448

Note: Outstanding lease commitments constituted an immaterial portion of term-end balances of property, plant and equipment. Consequently, outstanding lease commitments are accounted for by the paid interest method.

(3) Lease charge payable and depreciation equivalents

(¥ millions)

	Year ended March 31, 2006	Year ended March 31, 2005
Lease charge payable	495	611
Depreciation equivalents	495	611

(4) Accounting method for depreciation equivalents

Depreciation equivalents are accounted for by the straight-line method, assuming the lease period to be the useful lives and the residual value to be zero.

2. Operating lease transactions

(¥ millions)

	Year Ended March 31, 2006	Year Ended March 31, 2005
Outstanding lease commitments		
Within one year	163	148
More than one year	232	223
Total	396	371

Transactions with Related Parties

Year Ended March 31, 2006

(1) Parent company and major corporate shareholders (¥ millions)

Related party	Name of related company	Address	Paid-in capital or investment	Principal business or occupation	Controlling or controlled voting rights (%)	Joint directors	Relationship	Business relationship	Volume of transactions	Description of transactions	Account Resulting account balances
Corporation · Major shareholder	Toyota Motor Corporation	Toyoda City, Aichi prefecture	397,049	Manufacture and marketing of automobiles and automobile parts; marketing of industrial vehicles; manufacturing and marketing of housing.	Controlled (Direct: 20%)	—	Supply of automobile lighting equipment	Supply of automobile lighting equipment;	93,226	Trade Receivables	13,964
								Purchase of materials	5,127	Trade payables	1,052

Note: Resulting account balances are exclusive of consumption tax

(2) Subsidiaries (¥ millions)

Related party	Name of related company	Address	Paid-in capital or investment	Principal business or occupation	Controlling or controlled voting rights (%)	Joint directors	Relationship	Business relationship	Volume of transactions	Description of transactions	Account Resulting account balances
Affiliates	Takeda Suntech Co., Ltd.	Shizuoka City, Shizuoka Prefecture	15	Manufacture of dies for resin molded parts	Direct control: 20%	Directors: 2	Purchase of dies for resin moldings	Purchase of dies for resin moldings	1,877	Trade payables	349
								Supply of materials	89	Trade receivables-Other	2
	DORO KEISO Co., Ltd.	Chofu City, Tokyo	40	Installation and maintenance of axle weight measuring systems	Indirect control: 29.1%	–	–	–	–	–	–
	Pan Washlet Co., Ltd.	Kita Kyushu City, Fukuoka Prefecture	400	Manufacture of hygiene equipment	Indirect control 24.5%	–	–	–	–	–	–

Note: Resulting account balances are exclusive of consumption tax

Deferred Tax Accounting

Significant components of deferred tax assets and liabilities (¥ millions)

	As of March 31, 2006
Deferred tax assets	
Surplus in bonus reserve	1,851
Surplus in employees' retirement benefit reserve	8,847
Allowance for directors' and corporate auditors' retirement benefits	567
Excess accelerated depreciation	2,495
Loss on revaluation of investment securities	609
Loss on revaluation of land	507
Reserve for liability claims	914
Reserve for product warranties	528
Other	144
Total deferred tax assets	16,462
Deferred tax liabilities	
Reserve for reduction of asset costs	△ 535
Securities valuation adjustment	△ 11,942
Total deferred tax liabilities	△ 12,478
Net deferred tax assets (liabilities)	3,984

Marketable Securities

Fiscal 2006 (As of March 31, 2006)

(1) Securities held for trading purposes (¥ millions)

Book value on consolidated financial statements.	Unrealized gains/losses in the current accounting period of consolidated income statement.
4,334	△ 3

(2)Securities held to maturity (¥ millions)

	Type of security	Book value	Market value	Difference
Securities whose fair value exceeds book value	(1) Japanese government bonds and municipal bonds	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Others	16,111	16,465	354
	Subtotal	16,111	16,465	354
Securities whose fair value does not exceed book value	(1) Japanese government bonds and municipal bonds	991	972	△ 19
	(2) Corporate bonds	—	—	—
	(3) Others	35,700	33,449	△ 2,250
	Subtotal	36,691	34,421	△ 2,270
Total		52,803	50,887	△ 1,915

(3) Other listed securities (¥ millions)

	Type of security	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost	(1) Equity securities	10,400	39,938	29,537
	(2) Bonds			
	① Japanese government bonds, municipal bonds	—	—	—
	② Corporate bonds	—	—	—
	③ Other bonds	—	—	—
	(3) Other securities	4,538	4,670	132
	Subtotal	14,938	44,608	29,670
Securities whose book value does not exceed acquisition cost	(1) Equity securities	73	72	—
	(2) Bonds			
	① Japanese government bonds, municipal bonds	—	—	—
	② Corporate bonds	—	—	—
	③ Other bonds	2,400	2,227	△ 172
	(3) Other securities	4,080	3,990	△ 90
	Subtotal	6,553	6,290	△ 262
Total		21,492	50,899	29,407

(4) Other securities sold during fiscal 2006 (¥ millions)

Sales	Total gains on sales	Total losses on sales
57	39	—

(5) Schedule of non-listed securities (¥ millions)

Type of security	Book value	Remarks
(1) Bonds held to maturity		
Foreign bonds without market quotations	160	
(2) Other securities		
Equity securities without market quotations (excluding OTC registered securities)	5,756	
Investments	274	
Total	6,190	

(6) Maturities of securities with maturities and securities held to maturity (¥ millions)

Type of security	Within 1 year	1-5 years	5-10 years	Over 10 years
1. Bonds				
(1) Japanese government bonds and municipal bonds	—	991	—	—
(2) Corporate bonds	—	—	—	—
(3) Other bonds	8,352	16,518	—	27,965
2. Other securities	760	2,959	—	2,659
Total	9,113	20,470	—	30,625

Fiscal 2005 (As of March 31, 2005)

(1) Securities held for trading purposes (¥ millions)

Book value on consolidated financial statements.	Unrealized gains/losses in the current accounting period of consolidated income statement.
3,881	1

(2)Securities held to maturity (¥ millions)

	Type of security	Book value	Market value	Difference
Securities whose fair value exceeds book value	(1) Japanese government bonds and municipal bonds	602	603	1
	(2) Corporate bonds	—	—	—
	(3) Others	11,479	11,563	84
	Subtotal	12,081	12,166	85
Securities whose fair value does not exceed book value	(1) Japanese government bonds and municipal bonds	301	301	—
	(2) Corporate bonds	—	—	—
	(3) Others	35,700	34,318	△ 1,382
	Subtotal	36,001	34,619	△ 1,382
Total		48,082	46,785	△ 1,297

(3) Other listed securities (¥ millions)

	Type of security	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost	(1) Equity securities	5,309	22,786	17,477
	(2) Bonds			
	① Japanese government bonds, municipal bonds	—	—	—
	② Corporate bonds	—	—	—
	③ Other bonds	1,000	1,011	11
	(3) Other securities	3,789	3,845	56
	Subtotal	10,098	27,642	17,544
Securities whose book value does not exceed acquisition cost	(1) Equity securities	49	47	△ 2
	(2) Bonds			
	① Japanese government bonds, municipal bonds	—	—	—
	② Corporate bonds	—	—	—
	③ Other bonds	1,905	1,852	△ 53
	(3) Other securities	3,937	3,831	△ 106
	Subtotal	5,891	5,730	△ 161
Total		15,989	33,372	17,383

(4) Other securities sold during fiscal 2005 (¥ millions)

Sales	Total gains on sales	Total losses on sales
574	318	—

(5) Schedule of non-listed securities (¥ millions)

Type of security	Book value	Remarks
(1) Bonds held to maturity		
Foreign bonds without market quotations	164	
(2) Other securities		
Equity securities without market quotations (excluding OTC registered securities)	6,585	
Investments	224	
Total	6,973	

(6) Maturities of securities with maturities and securities held to maturity (¥ millions)

Type of security	Within 1 year	1-5 years	5-10 years	Over 10 years
1. Bonds				
(1) Japanese government bonds and municipal bonds	—	902	—	—
(2) Corporate bonds	—	—	—	—
(3) Other bonds	8,751	18,296	—	22,158
2. Other securities	2,098	2,474	—	—
Total	10,849	21,672	—	22,158

Retirement Benefits

1. Retirement benefit plan

Retirement benefit plans adopted by the Company and its consolidated subsidiaries

The Company and its consolidated subsidiary KOITO INDUSTRIES, LIMITED offer defined benefit plans that include a fund-type corporate pension plan and lump-sum retirement benefit plan. Other domestic consolidated subsidiaries offer a tax qualified pension plan and lump-sum retirement benefit plan. Certain overseas subsidiaries offer defined contribution plans or defined benefit plans.

2. Matters concerning retirement benefit obligations (¥ millions)

	As of March 31, 2006	As of March 31, 2005
Projected benefit obligations	△ 55,549	△ 51,256
Plan assets	25,534	23,492
Unfunded pension liabilities	△ 30,014	△ 27,764
Unrecognized net transition obligation	―	―
Unrecognized actuarial differences	4,582	4,146
Accrued retirement benefits on balance sheet	△ 25,431	△ 23,617
Allowance for retirement benefits	△ 25,431	△ 23,617

Note: Certain subsidiaries use the simplified method to calculate their retirement benefit obligations.

3. Matters concerning retirement benefit expenses (¥ millions)

	Fiscal 2006	Fiscal 2005
Service cost *1 *2	2,188	2,280
Interest cost	1,262	1,694
Expected return on plan assets	△ 581	△ 677
Amortization of transitional obligation	―	951
Actuarial loss *3	2,307	1,758
Net periodic cost	5,176	6,007

Notes:

1. Excludes employees' contributions to the fund-type corporate pension plan.
2. Retirement benefit expenses of consolidated subsidiaries using the simplified method are recorded in service cost.
3. Difference from estimated pension fund assets in previous period.

4. Basis of calculation of retirement benefit obligations

Method of distribution of estimated retirement benefit costs	Fixed amount
Discount rate	2.0%
Expected rate of return	2.0%
Duration of amortization of past period liabilities	Certain number of years (5-10), not exceeding average residual years to retirement
Duration of amortization of actuarial differences	Certain number of years (5-10), not exceeding average residual years to retirement
Duration of amortization of net transitional obligation	The Company: 1 year. Certain listed subsidiaries: 5 years

Going Concern Assumption

None.

《 For Reference Only 》

Non-Consolidated Earnings Report for Fiscal 2006 April 25, 2006

Company Name: **KOITO MANUFACTURING CO., LTD.**
Stock Listing: First Section, Tokyo Stock Exchange
Code Number: 7276
Head Office: 4-8-3, Takanawa, Minato-ku, Tokyo 108-8711
URL: http://www.koito.co.jp
Representative Director: Takashi Ohtake, President
Inquiries: Masahiro Ohtake, Executive Vice President
Tel: (03) 3443-7111
Meeting of the Board of Directors for the Approval of Results: April 25, 2006
Date of Regular General Shareholders' Meeting: June 29, 2006
Dividend Payment Commencement Date: June 30, 2006
Interim Dividend System: Yes
Tangen Trading Unit System: Yes (1 *tangen* = 1,000 shares)

1. Results for Fiscal 2006 (April 1, 2005 – March 31, 2006)

(1) Results of Operations

(¥ millions)

	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2006	209,502	17.2%	12,563	40.8%	18,554	41.5%	11,209	52.1%
Fiscal 2005	178,689	5.0%	8,920	32.3%	13,112	26.0%	7,368	22.1%

	Net income per share	Net income per share (diluted)	Return on equity	Ratio of recurring profit to shareholders' equity	Ratio of recurring profit to net sales
Fiscal 2006	¥69.88	—	10.0%	9.8%	8.9%
Fiscal 2005	¥44.81	—	7.3%	7.9 %	7.3%

Notes: (1) Weighted-average number of shares outstanding in the FY ended March 2006: 160,415,166
Weighted-average number of shares outstanding in the FY ended March 2005: 159,855,860
(2) Changes in accounting methods were applicable to the above figures.
(3) The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

(2) Dividends

	Dividend per share			Dividend paid (anuual)	Payout ratio	Ratio of dividends to shareholders' equity
		Interim	Year-end			
Fiscal 2006	¥20.00	¥9.00	¥11.00	3,210	28.6%	2.7%
Fiscal 2005	¥14.00	¥7.00	¥7.00	2,239	31.2%	2.2%

Note: Breakdown of fiscal 2006 year-end dividend: Commemorative: ¥ — per share Extraordinary: ¥ — per share

(3) Non-Consolidated Financial Position

	Total assets (¥ millions)	Shareholders' equity (¥ millions)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
March 31, 2006	205,510	120,414	58.6%	749.75
March 31, 2005	172,291	103,477	60.1%	646.28

Notes:
①Number of shares outstanding: March 31, 2006: 160,605,854 March 31, 2005: 160,113,788
②Number of treasury shares: March 31, 2006: 183,582 March 31, 2005: 675,648

2. Outlook for Fiscal 2007 (April 1, 2006 – March 31, 2007)

	Net sales (¥ millions)	Recurring profit (¥ millions)	Net income (¥ millions)	Total annual dividend per share (¥)		
				Interim	Year-end	
Interim	104,900	8,300	5,000	11.00	—	—
Entire year	222,000	20,000	12,000	—	11.00	22.00

Reference – Predicted net income per share for the entire year: ¥74.72

*Figures less than one million yen are omitted.
*The above projections are based on information available at the time of release of this report. Actual results could differ from projections due to a variety of factors.

Non-Consolidated Balance Sheets

(¥ millions)

Item \ Period	Fiscal 2006 As of March 31, 2006	Fiscal 2005 As of March 31, 2005	YoY Change
Assets			
Current assets:			
Cash and time deposits	1,375	1,184	191
Notes receivable	746	726	19
Accounts receivable–trade	45,183	36,152	9,031
Marketable securities	6,896	5,491	1,404
Finished and semi-finished products	3,617	3,504	113
Work in progress	923	869	54
Raw materials and supplies	2,889	2,352	536
Accrued income	3,201	2,661	539
Deferred income taxes	2,862	2,756	105
Other current assets	345	210	135
Less: Allowance for doubtful accounts	△ 132	△ 159	27
Total current assets	67,908	55,749	12,159
Fixed assets:			
Property, plant and equipment			
Buildings	10,845	10,898	△ 52
Structures	833	846	△ 13
Machinery	5,101	4,430	670
Vehicles	235	229	6
Tools and equipment	7,556	6,533	1,022
Land	6,363	5,230	1,132
Construction in progress	938	323	614
Property, plant and equipment, net	31,873	28,492	3,381
Intangible fixed assets	133	151	△ 18
Investments and other assets			
Investment securities	83,962	64,063	19,898
Subsidiary stock	20,651	20,551	100
Deferred income taxes	—	1,684	△ 1,684
Other investments	1,195	1,851	△ 655
Less: Allowance for doubtful accounts	△ 214	△ 253	38
Total	105,594	87,897	17,697
Total fixed assets	137,601	116,541	21,059
Total assets	205,510	172,291	33,219

(¥ millions)

Item / Period	Fiscal 2006 As of March 31, 2006	Fiscal 2005 As of March 31, 2005	YoY Change
Liabilities			
Current liabilities:			
Notes and accounts payable–trade	40,848	32,324	8,523
Payables	3,800	2,218	1,582
Accrued expenses	10,325	10,414	△ 88
Provisions for employees' bonuses	3,386	3,415	△ 29
Allowance for directors’ and corporate auditors’ bonuses	270	－	270
Reserve for product warranties	1,400	1,200	200
Income taxes payable	4,212	3,561	650
Other current liabilities	556	470	85
Total current liabilities	64,800	53,605	11,195
Non-current liabilities:			
Reserve for retirement allowances	14,413	12,901	1,512
Allowance for directors’ and corporate auditors’ retirement benefits	991	1,104	△ 113
Reserve for losses on overseas investments	1,500	1,200	300
Deferred income taxes	3,387	－	3,387
Others	2	2	0
Total non-current liabilities	20,294	15,207	5,087
Total liabilities	85,095	68,813	16,282
Shareholders’ equity:			
Common stock	14,270	14,270	－
Additional paid-in capital			
Capital Reserve	17,107	17,107	－
Retained earnings			
Profit reserve	3,567	3,567	－
Reserve for reduction of asset costs	920	939	△ 18
General reserve	55,000	50,000	5,000
Unappropriated retained earnings	11,663	8,209	3,454
(Net income)	(11,209)	(7,368)	(3,840)
Total retained earnings	71,152	62,717	8,435
Securities valuation adjustment.	18,003	9,807	8,196
Treasury stock	△ 120	△ 425	305
Total shareholders’ equity	120,414	103,477	16,936
Total liabilities and shareholders’ equity	205,510	172,291	33,219

Non-Consolidated Statements of Income

(¥ millions)

Item \ Period	Fiscal 2006		Fiscal 2005		YoY Change	
		%		%		%
(Recurring items)						
Income from operations						
Operating revenues						
Net sales	209,502	100.0	178,689	100.0	30,813	17.2
Operating expenses						
Cost of sales	179,361	85.6	152,366	85.3	26,995	
Selling, general and administrative expenses	17,578	8.4	17,402	9.7	175	
Operating income	12,563	6.0	8,920	5.0	3,642	40.8
Non-operating income(expenses)						
Non-operating income	6,054		4,316		1,737	
Interest and dividend income	(3,664)		(2,161)		(1,503)	
Other	(2,390)		(2,155)		(234)	
Non-operating expenses	63		125		△ 61	
Recurring profit	18,554	8.9	13,112	7.3	5,442	41.5
Extraordinary gains/losses						
Extraordinary gains	3		58		△ 54	
Gains on sales of property, plant and equipment	(3)		(58)		(△ 54)	
Extraordinary losses	182		991		△ 808	
Provision to reserve for product warranties	(－)		(400)		(△ 400)	
Provision to reserve for losses on overseas investments	(－)		(400)		(△ 400)	
Losses on sales and disposal of property, plant and equipment	(182)		(191)		(△ 8)	
Income before income taxes	18,375	8.8	12,178	6.8	6,196	50.9
Income taxes-current	7,307		6,003		1,304	
Income taxes-deferred	△ 141		△ 1,192		1,051	
Total income taxes	7,166		4,810		2,355	
Net income	11,209	5.4	7,368	4.1	3,840	52.1
Retained earnings b/fwd	1,902		1,964		△ 61	
Interim dividend	1,443		1,118		324	
Loss on disposal of treasury stock	4		4		0	
Unappropriated retained earnings	11,663		8,209		3,454	

Non-Consolidated Statements of Appropriation

(¥ millions)

Item \ Period	Fiscal 2006	Fiscal 2005
Unappropriated retained earnings	11,663	8,209
Withdrawal from reserve for deferred gains on replacement of assets	54	47
Total	11,718	8,256
To be appropriated as follows:		
Dividends	1,766	1,120
	・ ¥ 11 / common share	・ ¥ 7 / common share
Bonuses to directors and corporate auditors	—	205
(corporate auditors)	(—)	(15)
Reserve for reduction of asset costs	—	28
General reserve	7,000	5,000
Retained earnings carried forward	2,951	1,902

Note: Koito declared an interim dividend of ¥9 per share (Dividend amount: ¥1,443 million) on December 9, 2005.

Breakdown of Non-Consolidated Net Sales

(¥ millions)

Item \ Period	Fiscal 2006		Fiscal 2005		YoY Change	
		%		%		%
Automobile Lighting Equipment	201,010	96.0	170,762	95.6	30,248	17.7
Aircraft Equipment	2,779	1.3	2,935	1.6	△ 156	△ 5.3
Others	5,712	2.7	4,992	2.8	720	14.4
Total	209,502	100.0	178,689	100.0	30,813	17.2
(Portion accounted for by exports)	(22,777)	(10.9)	(19,197)	(10.7)	(3,580)	(18.6)

Significant Accounting Policies

1. Standards and methods for valuing marketable securities

①Securities held for trading:	Stated at market value (the selling price is mainly determined by the moving average method)
②Securities held to maturity:	Depreciable cost method (straight-line method)
③Securities of subsidiaries and affiliates:	Cost as determined by the moving average method
④Other marketable securities:	
Listed securities	Stated at market value, determined by the market price as of the end of the period, with unrealized gains or losses reported in shareholders' equity and the selling price determined by the moving average method.
Non-listed	Stated at cost determined by the moving average method.

2. Standards and methods for valuing derivatives and other instruments

①Derivatives:	Stated at market value
②Money trusts:	Stated at market value

3. Standards and methods for valuing inventories

(1) Finished and semi-finished products and work in progress:	Stated at cost, determined mainly by the gross average method
(2) Raw materials and supplies	Stated at cost, determined by the moving-average method

4. Method for depreciating and amortizing important assets

(1) Property, plant and equipment are depreciated using the declining-balance method, based on the estimated useful lives of the assets as permitted by the corporate tax laws. Estimated useful lives are as follows:

Buildings and structures	7 -50 years
Machinery and transportation equipment	3 – 7 years

(2) Intangible fixed assets are depreciated using the straight-line method.

5. Accounting for translation of foreign currency transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the end of the period with gains and losses included in income.

6. Standards for reserves

(1) Allowance for doubtful receivables

The allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated credit loss for doubtful receivables based on an individual assessment of each account, and a reserve for general receivables calculated based on historical default rates.

(2) Allowances for employees' bonuses

Provisions for employees' bonuses are based on the estimated requirements for the fiscal year.

(3) Allowance for directors' and corporate auditors' bonuses

The Company provides an allowance for directors' and corporate auditors' bonuses to adequately cover payments of such bonuses during the accounting period under review. These bonus payments are subject to approval at the regular general meeting of shareholders.

(4) Reserve for product warranties

The reserve for product warranties provides for possible liability claims made under product warranties based on historical claim rates.

(5) Allowance for retirement benefits

An allowance for retirement benefits is provided to adequately cover the pension costs of employees. The allowance is determined as of the end of the period on the basis of projected retirement benefit liabilities and pension assets at the fiscal year balance sheet date.

Actuarial gains or losses are amortized from the accounting period following the period in which actuarial gains or losses arise, using the straight-line method over a fixed number of years (5 years), but no more than the average remaining years of service of employees in the accounting period in which actuarial gains or losses arise.

(6) Allowance for directors' and corporate auditors' retirement benefits

The Company provides an allowance for directors' and corporate auditors' retirement benefits to adequately cover estimated payments of such benefits during the accounting period under review, as prescribed by company regulations.

(7) Reserve for losses on overseas investments

The allowance for losses on overseas investments is based on the estimated credit loss for investment losses based on an individual assessment of country risk, foreign exchange risk and the financial soundness of overseas affiliates.

7. Accounting for leases

Finance leases, other than those that transfer ownership to lessees, are treated in the same way as operating leases.

8. Accounting for hedging

Hedge accounting methods

Unrealized gains and losses arising from hedge transactions are recognized when the underlying hedge contracts are concluded and are included in income during the applicable accounting period.

9. Financial statements are prepared exclusive of consumption tax.

Notes

(¥ millions)

	Year ended March 31, 2006	Year ended March 31, 2005
1. Cumulative depreciation of property, plant and equipment	98,163	97,142
2. Liabilities for guarantees	29,201	27,316

3. Selling, general and administrative expenses

(¥ millions)

	Year Ended March 31, 2006	Year Ended March 31, 2005
(1) Selling expenses		
Freight expenses	3,989	3,579
Employee salaries	2,346	2,351
Packaging expenses	1,447	1,454
Transfer to allowance for bonuses	335	318
Retirement benefit expenses	328	324
(2) General and administrative expenses		
Employee salaries	2,235	2,424
Employee benefit expenses	1,116	1,180
Transfer to allowance for bonuses	328	354
Transfer to allowance for retirement benefits	416	352
Research expenses	180	206
Transfer to allowance for directors' and corporate auditors' retirement benefits	135	179

Lease Transactions

1. Finance leases that do not transfer ownership of leased property to lessee

(1) Acquisition cost equivalents, accumulated depreciation equivalents and balance equivalents of leased assets as of the term-end.

(¥ millions)

		Year ended March 31, 2006	Year ended March 31, 2005
Acquisition cost equivalents	Machinery and transportation equipment	459	459
	Tools and equipment	94	248
	Total	553	707
Accumulated depreciation equivalents	Machinery and transportation equipment	306	255
	Tools and equipment	85	214
	Total	392	469
Balance equivalents	Machinery and transportation equipment	153	204
	Tools and equipment	8	33
	Total	161	238

Note: Acquisition cost equivalents constituted an immaterial portion of term-end balances of property, plant and equipment. Consequently, acquisition cost equivalents are accounted for by the paid interest method.

(2) Balance of outstanding lease commitments (¥ millions)

	Year ended March 31, 2006	Year ended March 31, 2005
Within one year	59	74
More than one year	102	163
Total	161	238

Note: Outstanding lease commitments constituted an immaterial portion of term-end balances of property, plant and equipment. Consequently, outstanding lease commitments are accounted for by the paid interest method.

(3) Lease charge payable and depreciation equivalents (¥ millions)

	Year ended March 31, 2006	Year ended March 31, 2005
Lease charge payable	75	108
Depreciation equivalents	75	108

(4) Accounting method for depreciation equivalents

Depreciation equivalents are accounted for by the straight-line method, assuming the lease period to be the useful lives and the residual value to be zero.

Marketable Securities

As of March 31, 2006
Shares held by subsidiaries and affiliated companies with market quotations

(¥ millions)

	Book value	Market value	Gain (loss)
①Subsidiaries	7,370	12,247	4,877
②Affiliated companies	1,332	2,564	1,232
Total	8,702	14,811	6,109

As of March 31, 2005
Shares held by subsidiaries and affiliated companies with market quotations

(¥ millions)

	Book value	Market value	Gain (loss)
①Subsidiaries	7,370	11,208	3,837
②Affiliated companies	1,332	2,990	1,657
Total	8,702	14,198	5,495

Deferred Tax Accounting

Significant components of deferred tax assets and liabilities (¥ millions)

	Fiscal 2006 As of March 31, 2006
Deferred tax assets	
Surplus in bonus reserve	1,428
Surplus in employees' retirement benefit reserve	3,944
Officers' retirement benefit reserve	424
Excess accelerated depreciation	2,308
Reserve for losses on overseas investments	556
Loss on revaluation of investment securities	610
Loss on revaluation of land	507
Reserve for liability claims	853
Reserve for product warranties	528
Other	356
Total deferred tax assets	11,520
Deferred tax liabilities	
Reserve for reduction of asset costs	△ 535
Securities valuation adjustment	△ 11,510
Total deferred tax liabilities	△ 12,046
Net deferred tax assets (liabilities)	△ 525