《 For Reference Only 》

Consolidated Earnings Report for the First Half of Fiscal 2006 Oct. 24, 2005

Company Name: KOITO MANUFACTURING CO., LTD.
Stock Listing: 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 & CEO
Inquiries: Masahiro Ohtake, Executive Vice President, (03) 3443-7111
Meeting of the Board of Directors for the Approval of Results: October 24, 2005 U.S. GAAP: No

1. Consolidated Results of Operations for the First Half of Fiscal 2006 (April 1, 2005 – September 30, 2005)

(1) Consolidated Business Results (¥ millions, rounded down)

Six months ended	Net sales		Operating income		Recurring profit	
Sept. 30, '05	175,639	7.1 %	8,259	45.0 %	9,607	42.1 %
Sept. 30, '04	163,994	12.6%	5,694	101.8 %	6,762	92.8%
Year ended Mar. 31, '05	361,477		17,962		20,046	

Six months ended	Net income		Net income per share (¥)	Net income per share (diluted) (¥)
Sept. 30, '05	4,945	54.0%	30.86	—
Sept. 30, '04	3,211	108.1%	19.52	—
Year ended Mar. 31, '05	9,093		55.62	—

Notes:
a. Equity in earnings of affiliates:
Six months ended Sept. 2005: ¥56 million Six months ended Sept. 2004: ¥94 million Fiscal 2005: ¥262 million
b. Average number of shares outstanding (consolidated):
Six months ended Sept. 2005: 160,240,752 Six months ended Sept. 2004: 159,695,760 Fiscal 2005: 159,812,060
c. Changes in accounting methods: Yes
d. The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

(2) Consolidated Financial Position (¥ millions)

Six moths ended	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Sept. 30, '05	325,167	127,658	39.3	796.14
Sept. 30, '04	302,723	114,057	37.7	713.72
Mar. 31, '05	318,739	119,278	37.4	745.16

Note: Number of shares outstanding at end of period (consolidated):
Six months ended Sept. 2005: 160,347,189 Six months ended Sept. 2004: 159,806,092
Fiscal 2005: 160,069,988

(3) Consolidated Cash Flows (¥ millions)

Six months ended	Net cash provided by operating activities	Net cash (used in) provided by investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Sept. 30, '05	18,584	△ 18,879	△ 467	11,254
Sept. 30, '04	18,752	△ 17,592	3,557	16,604
Year ended Mar. 31, '05	29,919	△ 28,466	△ 1,433	11,925

(4) Scope of Consolidation and Application of the Equity Method
Consolidated subsidiaries 22
Unconsolidated subsidiaries accounted for by the equity method —
Affiliates accounted for by the equity method 3

(5) Changes in Scope of Consolidation and Application of the Equity Method
Consolidated subsidiaries:
New 1
Eliminated —
Affiliates accounted for under the equity method:
New —
Eliminated —

2. Consolidated Outlook for Fiscal 2006 (April 1, 2005 – March 31, 2006) (¥ millions)

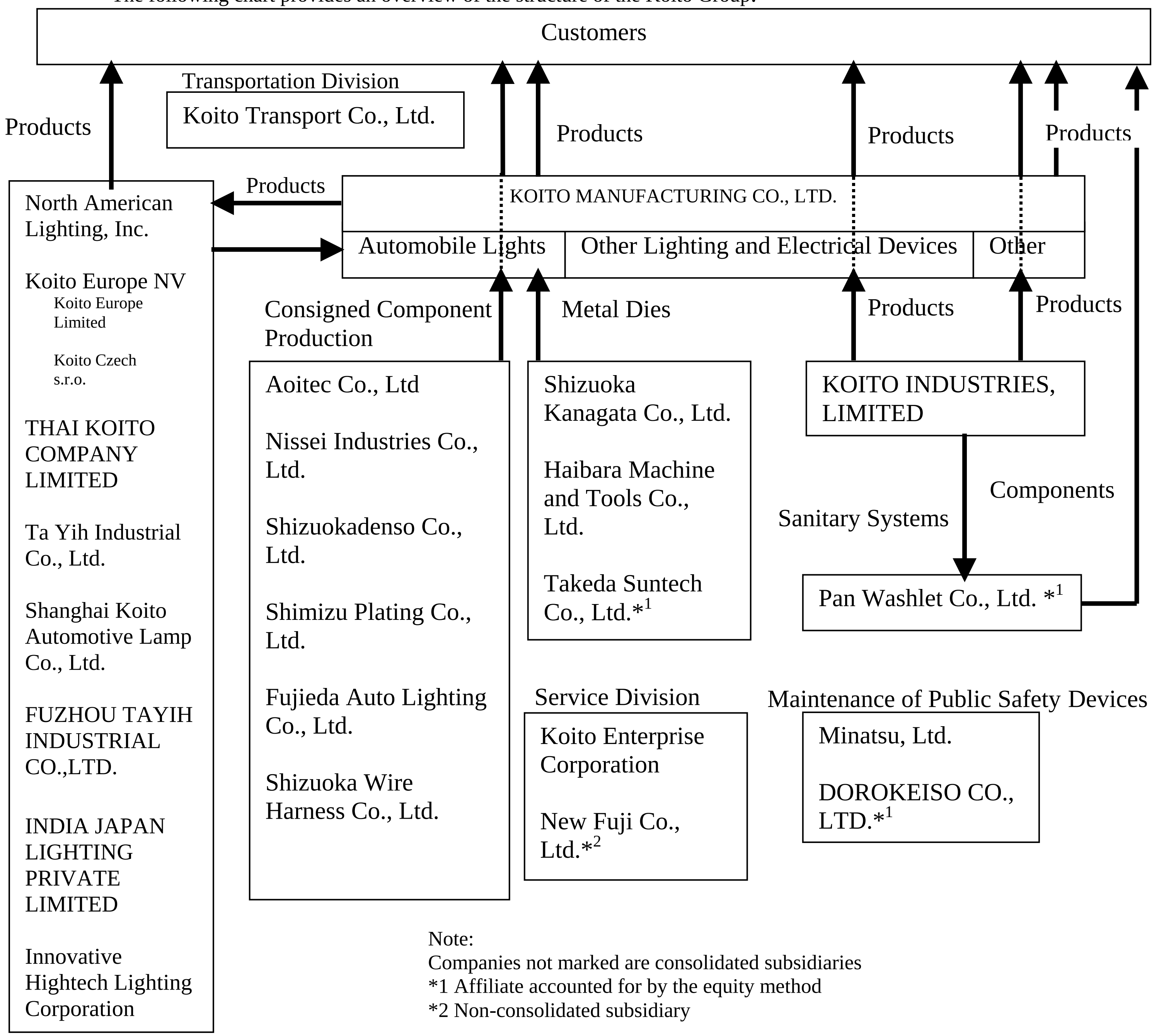
	Net sales	Recurring profit	Net income
For the year	389,600	25,400	12,800

Note: Projected net income per share for the year is ¥79.83
The above projections are based on information available at the time of release of this report. Actual results could differ significantly from projections due to a variety of factors.

Koito Group

The Koito Group comprises KOITO MANUFACTURING CO., LTD., its 22 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, Fuzhou Tayih Industrial Co., Ltd. became a consolidated subsidiary through an investment by Koito.

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



Note:
Companies not marked are consolidated subsidiaries
*1 Affiliate 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.

The Koito Group is also well aware of the importance of environmental issues. Accordingly, 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 its initiatives to protect the environment.

(2) Basic Earnings Distribution Policies

Under a basic policy of paying stable dividends to shareholders, the Koito Group pays dividends in line with a comprehensive range of factors, including operating results and business conditions. Aiming to maintain a corporate structure capable of responding with agility to future changes, Koito intends to use retained earnings mainly 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. Koito believes that reducing the trading unit will be an effective means of making it easier for investors to purchase its shares and broadening its shareholder base, including individual investors. The Koito Group will continue to consider the reduction of the trading unit, 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 "Entrusting Safety to Light," 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. Koito will implement the following strategies targeted at advancing and driving the Group to its next stage of growth:

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 Amid rapid advancement in information technology, the Koito Group will formulate timely and appropriate responses to Intelligent Transport System (ITS)-related fields. The Koito Group will bring attractive products to market by developing cutting-edge technologies that stay ahead of customer and market needs and commercializing products at the earliest opportunity.

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

④ The Koito Group will pursue the highest standards of quality and enforce 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.

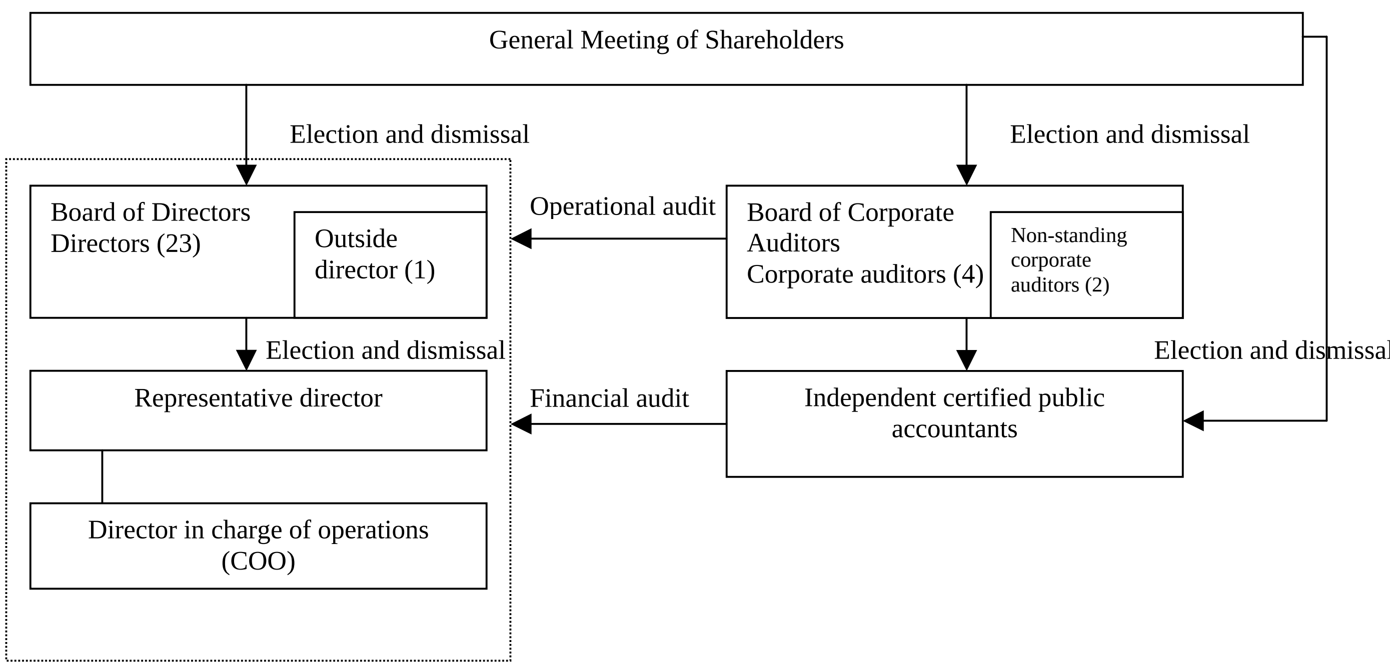
(5) Key Issues
The Koito Group is working to realign and reinforce its management framework and organization as a global supplier in response to structural shifts and other developments in the automobile industry. (Automobile manufacturers, for instance, are now seeking to establish strong local manufacturing 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 very important.

(6) Fundamental Philosophy and Measures Regarding Corporate Governance
1) Fundamental Philosophy Regarding Corporate Governance
To ensure that the Koito Group remains trusted by shareholders and all other stakeholders, Koito positions strengthening corporate governance and compliance as the most important management issues. Accordingly, from the standpoint of raising the soundness, efficiency, and transparency of management, Koito has structured governance frameworks appropriate for management decision-making, business execution and supervision, as well as for Group-wide controls and disclosure, while building the framework required to achieve this end.

2) Measures Regarding Corporate Governance
The Board of Directors meets once a month to discuss management policies and progress on management themes, as well as to determine whether businesses are being executed in conformity with statutes prescribed by the Japanese Commercial Code and other laws, and Koito's Articles of Incorporation and corporate ethics. Meetings of the Board of Directors are attended by an outside director and non-standing corporate auditors for the purpose of auditing senior management's ability to oversee the Company.

The Board of Corporate Auditors has four auditors, two of whom are non-standing corporate auditors, and is responsible for auditing directors' performance of their duties by monitoring the status of operations and finances of the Company, as well as attending every important meeting.

The Koito Group's financial statements and related materials are audited by independent certified public accountants to ensure conformity with generally accepted accounting practices in Japan and the proper presentation of financial statements.



Results of Operations and Financial Position

(1) Overview of the First Half of Fiscal 2006

During the interim period under review, the Japanese economy emerged from a standstill, underpinned by higher capital investments in line with improvements in corporate revenues and increased personal spending. The world economy also grew overall, despite the slackening growth of U.S. and Chinese economies due to such factors as soaring crude oil and raw material prices.

In the automobile industry, there was a slight increase in both automobile sales and exports in Japan. In particular, unit automobile production surpassed the previous year's figures. Overseas, automobile production in the U.S. showed a downward trend, while expanded production was reported in Asian countries such as China and Thailand. On the whole, worldwide automobile production grew at healthy levels.

In this climate, the Koito Group is aggressively boosting product development capabilities in the automotive lighting equipment segment to win more orders over the medium and long terms. In Japan, Koito finalized plans to construct a new plant specializing in automotive lighting equipment in Saga City, Saga Prefecture. This step responds to expanding production by automobile manufacturers in the Kyushu region, as well as the need to diversify risks to avert such disasters as a major earthquake in the Tokai region. The new plant is scheduled to come on stream in October 2006.

With respect to overseas businesses, in the continuously expanding Chinese market, Koito has began construction of a third plant for Shanghai Koito Automotive Lamp Co., Ltd., which will also be launched in January 2006.

Supported by a strong performance by its mainstay automotive lighting equipment segment, the Koito Group reported record-high net sales, which increased 7.1% year on year to ¥175.6 billion.

Results by business segment are outlined as follows.

Automotive Lighting Equipment Segment

Sales in the automotive lighting equipment segment rose 8.8% to ¥155.6 billion, fueled by greater installation 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 of orders for both signaling lamps and headlamps at overseas subsidiaries mainly in Europe, China and South Korea.

Non-Automotive Electrical Equipment

The non-automotive electrical equipment segment saw sales decline 12.1% to ¥9.2 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 ¥10.7 billion, up 2.6% 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 various fittings.

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 42.1% to ¥9.6 billion. Consequently, the Koito Group reported net income of ¥4.9 billion, a year-on-year increase of 54.0%. Recurring profit and net income both reached record highs compared to the previous interim period.

In the previous fiscal year, Koito paid a dividend of ¥14 per share for the full year, comprising a year-end dividend of ¥7 per share and an interim dividend of ¥7 per share. For the interim period under review, Koito plans to pay a dividend of ¥9 per share, which is ¥2 per share higher than the previous year, reflecting record-high growth in earnings. In addition, Koito plans to pay an year-end dividend of ¥10 per share, which will result in a full-year dividend of ¥19, or ¥3 per share higher year on year. This forecast reflects our resolve to pursue even higher sales and meet the expectations of all shareholders.

(2) Cash Flows

Operating activities provided net cash of ¥18.5 billion. Cash inflows of ¥23.0 billion, including income before income taxes of ¥9.0 billion and depreciation of ¥9.1 billion, were partly offset by income taxes paid.

Investing activities used net cash of ¥18.8 billion, reflecting capital investments of ¥10.5 billion to accommodate higher production and the acquisition of marketable and investment securities reflecting increased investments of funds.

Financing activities used net cash of ¥0.4 billion. Cash was used mainly by the payment of ¥2.5 billion in dividends, offset partly by an increase of ¥1.9 billion in long- and short-term loans and proceeds of ¥0.1 billion from the sale of treasury stock upon the exercise of stock options.

As a result, cash and cash equivalents as of September 30, 2005 were ¥11.2 billion, ¥0.6 billion lower than a year earlier.

(3) Outlook for Fiscal 2006

In fiscal 2006, the year ending March 31, 2006, 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, concerns over economic slowdowns in the U.S., Europe and elsewhere, combined with continuously high crude oil and raw materials prices, as well as foreign exchange movements and other issues, are creating an uncertain and challenging business environment for the Koito Group.

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 expanding orders and production capacity. The Company will also implement far-reaching cost-cutting and other measures Group-wide, with the goal of building a stronger organization and further improving operating results.

In light of the above, the Koito Group is forecasting consolidated net sales of ¥389.6 billion, recurring profit of ¥25.4 billion and net income of ¥12.8 billion for fiscal 2006.

Consolidated Balance Sheets

(¥ millions)

	As of Sept. 30, 2005	As of March 31, 2005	Increase/ (Decrease)	As of Sept. 30, 2004
Assets				
Current assets:				
Cash and time deposits	8,346	9,395	△1,049	12,110
Notes and accounts receivable—trade	71,986	87,730	△15,744	65,917
Marketable securities	12,864	9,949	2,915	14,893
Inventories	30,729	24,121	6,608	26,951
Deferred income taxes	5,553	5,630	△77	6,206
Other current assets	9,708	8,146	1,562	8,196
Less: Allowance for doubtful receivables	△912	△1,151	239	△1,062
Total current assets	138,276	143,822	△5,546	133,213
Fixed assets:				
Property, plant and equipment:				
Buildings and structures	29,577	28,915	662	29,609
Machinery and transportation equipment	28,807	29,094	△287	28,561
Tools and equipment	12,976	12,097	879	11,756
Land	11,430	11,824	△394	11,744
Construction in progress	2,779	1,604	1,175	1,080
Property, plant and equipment, net	85,572	83,536	2,036	82,752
Intangible fixed assets	586	607	△21	396
Other investments:				
Investment securities	94,748	82,359	12,389	79,432
Long-term loans	876	1,015	△139	936
Deferred income taxes	1,745	3,793	△2,048	3,658
Other investments	3,608	3,891	△283	2,619
Less: Allowance for doubtful receivables	△247	△286	39	△285
Total investments and other assets	100,731	90,773	9,958	86,361
Total fixed assets	186,890	174,916	11,974	169,510
Total assets	325,167	318,739	6,428	302,723

(¥ millions)

	As of Sept. 30, 2005	As of March 31, 2005	Increase/ (Decrease)	As of Sept. 30, 2004
Liabilities				
Current liabilities:				
Notes and accounts payable—trade	56,932	60,408	△3,476	51,843
Short-term loans	24,794	26,073	△1,279	35,807
Current portion of bonds	—	—	—	3,000
Accrued expenses	15,247	17,204	△1,957	14,985
Income taxes payable	3,683	4,343	△660	2,479
Accrued bonuses	4,546	4,486	60	4,529
Allowance for directors' and corporate auditors' bonuses	117	—	117	—
Reserve for product warranties	1,400	1,200	200	800
Other current liabilities	7,208	6,064	1,144	7,446
Total current liabilities	113,930	119,779	△5,849	120,891
Non-current liabilities:				
Long-term debt	28,151	24,624	3,527	15,885
Allowance for employees' retirement benefits	24,238	23,617	621	22,060
Allowance for directors' and corporate auditors' retirement benefits	1,249	1,593	△344	1,486
Others	617	762	△145	847
Total non-current liabilities	54,256	50,598	3,658	40,280
Total liabilities	168,187	170,377	△2,190	161,171
Minority interests	29,321	29,082	239	27,493
Shareholders' equity:				
Common stock	14,270	14,270	—	14,270
Additional paid-in capital	17,107	17,107	—	17,107
Retained earnings	83,449	79,912	3,537	75,151
Unrealized gain on securities	14,017	10,155	3,862	10,054
Foreign currency translation adjustments	△916	△1,723	807	△1,919
Treasury stock	△271	△445	174	△607
Total shareholders' equity	127,658	119,278	8,380	114,057
Total liabilities, minority interests and shareholders' equity	325,167	318,739	6,428	302,723

Consolidated Statements of Income

(¥ millions)

	Six months ended September 30, 2005	%	Six months ended September 30, 2004	%	Y-o-Y change	%	Year ended March 31, 2005	%
Net sales	175,639	100.0	163,994	100.0	11,645	7.1	361,477	100.0
Cost of sales	152,180	86.6	142,574	86.9	9,606		310,165	85.8
Gross profit	23,458	13.4	21,419	13.1	2,039		51,312	14.2
Selling, general and administrative expenses	15,198	8.7	15,724	9.6	△ 526		33,350	9.2
Operating income	8,259	4.7	5,694	3.5	2,565	45.0	17,962	5.0
Non-operating income	2,051		1,665		386		3,390	
Interest income and dividends	(833)		(611)		(222)		(1,332)	
Equity in earnings of affiliates	(56)		(94)		(△ 38)		(262)	
Other non-operating income	(1,161)		(958)		(203)		(1,794)	
Non-operating expenses	703		597		106		1,305	
Interest expenses and discounts	(468)		(392)		(76)		(826)	
Other non-operating expenses	(234)		(205)		(29)		(479)	
Recurring profit	9,607	5.5	6,762	4.1	2,845	42.1	20,046	5.5
Extraordinary gains	—		12		△ 12		107	
Extraordinary losses	566		649		△ 83		1,866	
Income before income taxes	9,041	5.1	6,125	3.7	2,916	47.6	18,287	5.1
Income taxes, inhabitants' taxes and enterprise taxes	4,132		3,405		727		8,328	
Deferred taxes	△605		△984		379		△1,102	
Total	3,526		2,420		1,106		7,225	
Minority interest in consolidated subsidiaries	△570		△493		△ 77		△1,968	
Net income	4,945	2.8	3,211	2.0	1,734	54.0	9,093	2.5

Consolidated Statements of Additional Paid-in Capital and Retained Earnings (¥ millions)

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005
Additional paid-in capital			
I Additional paid-in capital at beginning of period	17,107	17,107	17,107
II Additional paid-in capital at end of period	17,107	17,107	17,107
Retained earnings			
I Retained earnings at beginning of period	79,912	73,306	73,306
II Increase in retained earnings			
Net income	4,945	3,211	9,093
III Appropriations			
Dividends	1,120	1,117	2,236
Directors' and corporate auditors' bonuses	205	186	186
Loss on disposal of treasury stock	2	1	4
Other	79	61	61
IV Retained earnings at end of period	83,449	75,151	79,912

Consolidated Statements of Cash Flows

(¥ millions)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
I Cash flows from operating activities			
Income before income taxes	9,041	6,125	18,287
Depreciation and amortization	9,119	8,351	18,170
Equity in earnings of affiliates	△56	△94	△262
Increase (decrease) in allowance for doubtful receivables	△320	41	131
Increase in allowance for retirement benefits	250	1,358	2,952
Increase in allowance for bonuses	177	51	8
Interest and dividend income	△833	△611	△1,332
Interest expense paid	468	392	826
Loss on sale and revaluation of marketable securities	△89	△26	△326
Revaluation loss on golf memberships	31	1	1
Gain on sale and disposal of property, plant and equipment	566	103	231
Changes in notes and accounts receivable—trade	16,583	19,661	△2,082
Changes in inventories	△6,365	△6,098	△3,176
Changes in other receivables	△1,235	△4	207
Changes in notes and accounts payable—trade	△3,678	△7,090	1,518
Changes in accrued expenses and other current liabilities	△406	667	1,805
Directors' and corporate auditors' bonuses paid	△205	△207	△186
Subtotal	23,048	22,621	36,772
Interest and dividends received	833	611	1,332
Interest payments	△468	△392	△826
Income taxes	△4,829	△4,088	△7,359
Net cash provided by operating activities	18,584	18,752	29,919
II Cash flows from investing activities			
Increase in time deposits	△296	△604	△897
Proceeds from maturity of time deposits	332	95	1,382
Payments for purchase of marketable and investment securities	△28,246	△17,530	△39,014
Proceeds from sale of marketable and investment securities	19,339	9,060	29,561
Payments for purchase of property, plant and equipment	△10,550	△10,258	△20,988
Proceeds from sale of property, plant and equipment	259	625	1,146
Payments for new loans	△312	△338	△719
Proceeds from long-term loan repayments	329	296	514
Other payments relating to investments	266	1,062	549
Net cash used in investing activities	△18,879	△17,592	△28,466
III Cash flows from financing activities			
Increase (decrease) in short-term loans	△2,070	180	△18,146
Increase in long-term debt	4,034	5,565	20,002
Repayment of long-term debt	△49	△9	△121
Payments for purchase of treasury stock	△3	△4	△9
Proceeds from sale of treasury stock	174	128	291
Dividends paid by parent company	△1,120	△1,117	△2,236
Dividends paid to minority shareholders	△1,433	△1,185	△1,214
Net cash provided by (used in) financing activities	△467	3,557	△1,433
IV Effect of exchange rate changes on cash and cash equivalents	91	107	125
V Increase (decrease) in cash and cash equivalents	△671	4,824	145
VI Cash and cash equivalents at beginning of period	11,925	11,780	11,780
VII Cash and cash equivalents at end of period	11,254	16,604	11,925

Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

1. Scope of Consolidation
Number of consolidated subsidiaries: 22
Fuzhou Tayih Industrial Co., Ltd., which Koito invested in and made its subsidiary during the interim period under review, was 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. was excluded from the scope of affiliated companies accounted for by the equity method as it has a negligible effect on the interim consolidated net income and retained earnings of the Koito Group.

3. Interim period of Consolidated Subsidiaries
The interim period of consolidated subsidiaries KOITO INDUSTRIES, LIMITED, Koito Transport Co., Ltd., Minatsu, Ltd. and INDIA JAPAN LIGHTING PRIVATE LIMITED, is September 30, the same as for the parent company. Interim consolidated financial statements are prepared assuming an accounting period ending September 30 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 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 interim 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) Derivatives — Stated at market value

(3) Specified money trusts — Stated at market value

(4) Valuation standards and accounting treatment for 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.

(5) 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:
Intangible fixed assets are amortized using the straight-line method.

(6) 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 comprises 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 bonuses:
At the Company and its domestic consolidated subsidiaries, the allowance for employees' bonuses is based on the estimated requirements for the entire fiscal year. The recorded amount is applicable to the interim period.

(c) Allowance for directors' and corporate auditors' bonuses
At the Company and some of its domestic consolidated subsidiaries, an allowance is provided to pay bonuses to directors and corporate auditors. The amount is contingent upon an approval by the 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 interim 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 interim period under review, as prescribed by Company regulations.

(7) 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 interim accounting period. Gains or losses on such foreign currency translations are listed under minority interests and reported in shareholders' equity as translation adjustments.

(8) 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.

(9) Accounting for hedging
Cash flows and 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.

(10) Accounting treatment of consumption tax
Financial statements are prepared exclusive of consumption and regional consumption taxes.

5. 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 Interim Consolidated Financial Statements

Starting this interim accounting period, Koito has adopted new accounting standards for the impairment of fixed assets. ("Opinion Concerning Establishment of the Accounting Standard for the Impairment of Fixed Assets." (Business Accounting Council, August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (Financial Accounting Standard Implementation Guidance No. 6, October 31, 2003)). As a result, for the interim period under review, Koito posted an year-on-year decrease of ¥413 million in income before income taxes.

Cumulative impairment losses are deducted from each asset according to revised guidelines for the preparation of interim consolidated financial statements.

Notes

(¥ millions)

	As of Sept. 30, 2005	As of Sept. 30, 2004	As of March 31, 2005
1. Cumulative depreciation of property, plant and equipment	165,866	151,391	158,213
2. Liabilities for guarantees	29	36	33
3. Assets pledged as collateral			
Buildings and structures	1,420	1,559	1,198
Machinery	1,229	679	885
Land	1,909	1,835	1,919
Total	4,559	4,074	4,002

4. Selling, general and administrative expenses (¥ millions)

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005
(1) Selling expenses			
Freight expenses	1,140	1,009	2,152
Employee salaries	2,582	2,746	5,990
Packaging expenses	800	784	1,673
Transfer to allowance for bonuses	623	620	607
Retirement benefit expenses	307	312	809
(2) General and administrative expenses			
Employee salaries	3,185	3,291	5,955
Fringe benefits expenses	801	827	1,670
Transfer to allowance for bonuses	435	445	438
Retirement benefit expenses	457	380	592
Transfer to allowance for directors' retirement benefits	112	135	251

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

(¥ millions)

	As of Sept. 30, 2005	As of Sept. 30, 2004	As of March 31, 2005
Cash and deposits	8,346	12,110	9,396
Time deposits with maturities exceeding three months	△ 327	△ 1,301	△ 355
Marketable securities redeemable within three months	3,235	5,795	2,884
Cash and cash equivalents	11,254	16,604	11,925

Segment Information

(1) Industry Segment Information

Six months ended September 30, 2005 (¥ millions)

	Lighting Equipment Division	Other Electric Equipment Division	Others	Total	Corporate and elimination of inter-segment items	Consolidated total
Sales						
(1) Sales to outside customers	155,609	9,279	10,749	175,639	―	175,639
(2) Inter-segment sales and transfers	36,646	306	1,438	38,391	(38,391)	―
Total	192,255	9,586	12,188	214,030	(38,391)	175,639
Operating expenses	182,682	10,854	11,735	205,273	(37,893)	167,379
Operating income (loss)	9,572	△ 1,268	452	8,756	(497)	8,259

Six months ended September 30, 2004 (¥ millions)

	Lighting Equipment Division	Other Electric Equipment Division	Others	Total	Corporate and elimination of inter-segment items	Consolidated total
Sales						
(1) Sales to outside customers	142,967	10,553	10,473	163,994	―	163,994
(2) Inter-segment sales and transfers	20,502	293	1,444	22,240	(22,240)	―
Total	163,469	10,846	11,918	186,234	(22,240)	163,994
Operating expenses	156,059	12,027	11,422	179,509	(21,209)	158,299
Operating income (loss)	7,410	△ 1,180	495	6,725	(1,031)	5,694

Year Ended March 31, 2005 (¥ millions)

	Lighting Equipment Division	Other Electric Equipment Division	Others	Total	Corporate and elimination of inter-segment items	Consolidated total
Sales						
(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

Notes:
1. Industry segment figures are based on sales categories.
2. Major products of each division
(1) Lighting Equipment Division
Headlamps, miscellaneous car lamps, discharge headlamp systems, all-glass sealed beam lamp units, beacons, high-mount stop lamps, halogen bulbs, miniature bulbs and other special lighting products.
(2) Other Electric Equipment Division
Road traffic signals, traffic control systems and control systems for rail transport.
(3) Others
Aircraft lights 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)

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,717	1,652	3,137	Expenses related to the General Affairs Department of the parent company's head office

(2) Geographical Segment Information

Six months ended September 30, 2005 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales:							
(1) Sales to outside customers	109,933	23,869	31,965	9,870	175,639	—	175,639
(2) Inter-segment sales and transfers	27,405	—	1,313	9,672	38,391	(38,391)	—
Total	137,339	23,869	33,278	19,543	214,030	(38,391)	175,639
Operating expenses	130,867	23,067	31,510	19,827	205,273	(37,893)	167,379
Operating income (loss)	6,471	801	1,767	△ 284	8,756	(497)	8,259

Six months ended September 30, 2004 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	101,475	22,766	30,635	9,116	163,994	—	163,994
(2) Inter-segment sales and transfers	20,980	—	1,258	2	22,240	(22,240)	—
Total	122,455	22,766	31,893	9,119	186,234	(22,240)	163,994
Operating expenses	118,169	22,018	30,022	9,299	179,509	(21,209)	158,299
Operating income (loss)	4,286	748	1,870	△ 180	6,725	(1,031)	5,694

Year ended March 31, 2005 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
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

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, Korea, Thailand, India
   (3) Europe: United Kingdom, Czech Republic, Belgium

3. Significant components of corporate and elimination of inter-segment items are as follows:

(¥ millions)

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005	Significant items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,717	1, 652	3,137	Expenses related to the General Affairs Department of the parent company's head office

(3) Overseas Sales

Six months ended September 30, 2005 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	25,660	31,637	19,423	76,720
II Consolidated sales				175,639
III Overseas sales ratio (%)	14.6	18.0	11.1	43.7

Six months ended September 30, 2004 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	24,785	30,765	8,896	64,446
II Consolidated sales				163,994
III Overseas sales ratio (%)	15.1	18.8	5.4	39.3

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

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, Korea, Thailand, India
   (3) Europe: United Kingdom, Czech Republic, 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, accumulated depreciation and balance equivalents of leased assets as of the interim balance date

(¥ millions)

		Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005
Acquisition cost equivalents	Buildings	2,495	2,495	2,495
	Machinery and transportation equipment	1,522	1,422	1,605
	Tools and equipment	894	1,136	1,004
	Total	4,913	5,055	5,106
Accumulated depreciation equivalents	Buildings	195	122	158
	Machinery and transportation equipment	957	849	948
	Tools and equipment	497	679	551
	Total	1,649	1,652	1,657
Term-end balance equivalents	Buildings	2,300	2,373	2,337
	Machinery and transportation equipment	565	572	657
	Tools and equipment	397	457	452
	Total	3,263	3,403	3,448

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

(2) Interim (year-end) balances of outstanding lease commitments

(¥ millions)

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005
Within one year	313	275	427
More than one year	2,949	3,128	3,020
Total	3,263	3,403	3,448

Note: Outstanding lease commitments constituted an immaterial portion of interim 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)

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005
Lease charge payable	292	322	611
Depreciation equivalents	292	322	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)

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005
Outstanding lease commitments			
Within one year	168	158	148
More than one year	241	156	223
Total	410	315	371

Marketable Securities

Marketable securities as of September 30, 2005

1. Securities with market quotations to be held to maturity (¥ millions)

	Book value	Market value	Difference
(1) Government bonds/municipal bonds	752	749	△ 3
(2) Corporate bonds	—	—	—
(3) Others	53,585	52,719	△ 866
Total	54,337	53,468	△ 869

2. Other marketable securities with market quotations (¥ millions)

	Book value	Market value	Difference
(1) Shares	5,855	29,436	23,581
(2) Bonds			
Government bonds/municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	3,522	3,461	△ 61
(3) Other	8,678	8,897	219
Total	18,055	41,794	23,739

3. Marketable securities without market quotations (¥ millions)

	Book value	Details
(1) Bonds held to maturity		
Non-listed foreign bonds, other	164	
(2) Other securities		
Non-listed shares (excluding shares traded over-the-counter)	6,602	
Investments	215	

Marketable securities as of September 30, 2004

1. Securities with market quotations to be held to maturity (¥ millions)

	Book value	Market value	Difference
(1) Government bonds/municipal bonds	—	—	—
(2) Corporate bonds	—	—	—
(3) Others	29,470	28,934	△ 536
Total	29,470	28,934	△ 536

2. Other marketable securities with market quotations (¥ millions)

	Book value	Market value	Difference
(1) Shares	5,601	22,967	17,366
(2) Bonds			
Government bonds/municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	23,911	23,809	△ 102
(3) Other	7,430	7,337	△ 93
Total	36,942	54,113	17,171

3. Marketable securities without market quotations (¥ millions)

	Book value	Details
(1) Bonds held to maturity		
Non-listed foreign bonds	60	
(2) Other securities		
Non-listed shares (excluding shares traded over-the-counter)	1,177	
Investments	171	

Marketable securities as of March 31, 2005

1. Securities with market quotations to be held to maturity (¥ millions)

	Book value	Market value	Difference
(1) Government bonds/municipal bonds	903	904	1
(2) Corporate bonds	—	—	—
(3) Others	47,179	45,881	△ 1,298
Total	48,082	46,785	△ 1,297

2. Other marketable securities with market quotations (¥ millions)

	Book value	Market value	Difference
(1) Shares	5,358	22,833	17,475
(2) Bonds			
Government bonds/municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	2,905	2,863	△ 42
(3) Others	7,726	7,676	△ 50
Total	15,989	33,372	17,383

3. Marketable securities without market quotations (¥ millions)

	Book value	Details
(1) Bonds held to maturity		
Non-listed foreign bonds, other	164	
(2) Other securities		
Non-listed shares (excluding shares traded over-the-counter)	6,585	
Investments	224	

Derivative Transactions

Interim period under review (April 1, 2005 – September 30, 2005)
Previous interim period (April 1, 2004 – September 30, 2004)
Previous fiscal year (April 1, 2004 – March 31, 2005)

The Company applies hedge accounting to its derivative transactions. Accordingly, information is not disclosed.

《 For Reference Only 》

Non-consolidated Earnings Report for the First Half of Fiscal 2006 Oct. 24, 2005

Company Name: KOITO MANUFACTURING CO., LTD.
Stock Listing: 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 & CEO
Inquiries: Masahiro Ohtake, Executive Vice President, (03) 3443-7111
Meeting of the Board of Directors for the Approval of Interim Results: October 24, 2005
Interim Dividend System: Yes
Interim Dividend Payment Date: December 9, 2005
Tangen System: Yes (1 *tangen* = 1,000 shares)

1. Non-consolidated Results of Operations for First Half of Fiscal 2006 (April 1, 2005 – September 30, 2005)

(1) Non-consolidated Business Results

(¥ millions, rounded down)

Six months ended	Net sales		Operating income		Recurring profit	
Sept. 30 '05	98,003	15.1%	5,113	62.1%	8,019	50.2%
Sept. 30 '04	85,143	6.9%	3,154	84.8%	5,338	38.8%
Year ended Mar. 31, '05	178,689		8,920		13,112	

Six months ended	Net income		Net income per share (¥)
Sept. 30 '05	4,827	52.0%	30.12
Sept. 30 '04	3,176	40.1%	19.36
Year ended Mar. 31, '05	7,368		44.81

Notes: (1) Average number of shares outstanding:
Six months ended Sept. 2005: 160,284,552 Six months ended Sept. 2004: 159,739,560
Fiscal 2005: 159,855,860
(2) Changes in accounting methods: None
(3) The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

(2) Dividends

Six months ended	Interim dividend per share (¥)	Annual dividend per share (¥)
Sept. 30, '05	9.00	—
Sept. 30, '04	7.00	—
Year ended March 31, '05	—	14.00

(3) Non-consolidated Financial Position (¥ millions)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Sept. 30, '05	184,565	110,906	60.1	691.48
Sept. 30, '04	162,239	100,210	61.8	626.90
Mar. 31, '05	172,291	103,477	60.1	646.28

Notes: (1) Average number of shares issued and outstanding:
Six months ended Sept. 2005: 160,390,989 Six months ended Sept. 2004: 159,849,892
Year ended March 31, 2005: 160,113,788
(2) Number of treasury shares:
Sept. 30, 2005: 398,447 Sept. 30, 2004: 939,544
March 31, 2005: 675,648

2. Non-consolidated Outlook for Fiscal 2006 (April 1, 2005 – March 31, 2006)

(¥ millions)

	Net sales	Recurring profit	Net income	Year-end dividend (¥)	Total annual dividend (¥)
For the year	205,600	17,700	10,700	10.00	19.00

Note: Projected net income per share for the year is ¥66.71

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from projections due to a variety of factors.

Non-consolidated Balance Sheets

(¥ millions)

	As of Sept. 30, 2005	As of March 31, 2005	Increase/ (Decrease)	As of Sept. 30, 2004
Assets				
Current assets:				
Cash and time deposits	1,485	1,184	301	1,357
Notes receivable	663	726	△63	738
Accounts receivable–trade	38,758	36,152	2,606	32,738
Marketable securities	4,207	5,491	△1,284	6,105
Finished and semi-finished products	3,887	3,504	383	3,437
Work in progress	919	869	50	870
Raw materials and supplies	2,839	2,352	487	1,897
Accrued income	2,018	2,661	△643	1,385
Deferred income taxes	2,824	2,756	68	2,600
Other current assets	411	210	201	595
Less: Allowance for doubtful receivables	△110	△159	49	△118
Total current assets	57,904	55,749	2,155	51,607
Fixed assets:				
Property, plant and equipment				
Buildings	11,171	10,898	273	11,355
Structures	872	846	26	874
Machinery	4,379	4,430	△51	4,657
Vehicles	256	229	27	264
Tools and equipment	7,131	6,533	598	6,869
Land	5,230	5,230	—	5,251
Construction in progress	—	323	△323	30
Property, plant and equipment, net	29,041	28,492	549	29,303
Intangible fixed assets	142	151	△9	161
Other investments:				
Investment securities	75,360	64,063	11,297	59,071
Equity in subsidiary companies	20,551	20,551	—	20,307
Deferred income taxes	—	1,684	△1,684	1,186
Other investments	1,777	1,851	△74	854
Less: Allowance for doubtful receivables	△213	△253	40	△253
Total	97,476	87,897	9,579	81,166
Total fixed assets	126,660	116,541	10,119	110,632
Total assets	184,565	172,291	12,274	162,239

(¥ millions)

	As of Sept. 30, 2005	As of March 31, 2005	Increase/ (Decrease)	As of Sept. 30, 2004
Liabilities				
Current liabilities:				
Notes and accounts payable–trade	35,419	32,324	3,095	29,084
Payables	2,664	2,218	446	2,344
Accrued expenses	10,473	10,414	59	9,860
Reserve for bonuses	3,405	3,415	△10	3,321
Allowance for directors' and corporate auditors' bonuses	100	—	100	—
Reserve for product warranties	1,400	1,200	200	800
Income taxes payable	3,563	3,561	2	2,556
Other current liabilities	470	470	0	403
Total current liabilities	57,498	53,605	3,893	48,370
Non-current liabilities:				
Allowance for retirement benefits	13,620	12,901	719	11,841
Allowance for directors' retirement benefits	932	1,104	△172	1,014
Allowance for losses on overseas investments	1,500	1,200	300	800
Deferred income taxes	104	—	104	—
Others	2	2	—	2
Total non-current liabilities	16,159	15,207	952	13,658
Total liabilities	73,658	68,813	4,845	62,029
Shareholders' equity:				
Common stock	14,270	14,270	—	14,270
Capital surplus				
Additional paid-in capital	17,107	17,107	—	17,107
Retained earnings				
Profit reserve	3,567	3,567	—	3,567
Condensed reserve on trade-in assets	920	939	△19	939
Other reserve	55,000	50,000	5,000	50,000
Unappropriated retained earnings	6,727	8,209	△1,482	5,139
(Interim/full-year net income)	(4,827)	(7,368)	(△2,541)	(3,176)
Total retained earnings	66,216	62,717	3,499	59,646
Unrealized gain on securities	13,563	9,807	3,756	9,771
Treasury stock	△251	△425	174	△587
Total shareholders' equity	110,906	103,477	7,429	100,210
Total liabilities and shareholders' equity	184,565	172,291	12,274	162,239

Non-consolidated Statements of Income

(¥ millions)

	Six months ended Sept. 30, 2005		Six months ended Sept. 30, 2004		Y-o-Y change		Year ended March 31, 2005	
		%		%		%		%
Recurring Items								
Operating revenues								
Net sales	98,003	100.0	85,143	100.0	12,860	15.1	178,689	100.0
Operating expenses								
Cost of sales	84,273	86.0	73,246	86.0	11,027		152,366	85.3
Selling, general and administrative expenses	8,616	8.8	8,741	10.3	△ 125		17,402	9.7
Operating income	5,113	5.2	3,154	3.7	1,959	62.1	8,920	5.0
Non-operating income (expenses)								
Non-operating income	2,948		2,239		709		4,316	
Interest and dividend income	(1,803)		(1,368)		(435)		(2,161)	
Other	(1,145)		(871)		(274)		(2,155)	
Non-operating expenses	43		55		△ 12		125	
Recurring profit	8,019	8.2	5,338	6.3	2,681	50.2	13,112	7.3
Non-Recurring Items								
Extraordinary gains	—		—		—		58	
Gains on sales of property, plant and equipment	(—)		(—)		(—)		(58)	
Extraordinary losses	106		87		19		991	
Provision to reserve for product warranties	(—)		(—)		(—)		(400)	
Provision to reserve for losses on overseas investments	(—)		(—)		(—)		(400)	
Losses on sales and disposal of property, plant and equipment	(106)		(87)		(19)		(191)	
Income before income taxes	7,913	8.1	5,251	6.2	2,662	50.7	12,178	6.8
Income taxes—current	3,634		2,590		1,044		6,003	
Income taxes—deferred	△548		△516		△ 32		△1,192	
Total income taxes	3,086		2,074		1,012		4,810	
Net income	4,827	4.9	3,176	3.7	1,651	52.0	7,368	4.1
Retained earnings b/fwd.	1,902		1,964		△ 62		1,964	
Interim dividend	—		—		—		1,118	
Loss on disposal of treasury stock	2		1		1		4	
Unappropriated retained earnings	6,727		5,139		1,588		8,209	

Breakdown of Non-Consolidated Net Sales

(¥ millions)

	Six months ended Sept. 30, 2005		Six months ended Sept. 30, 2004		Y-o-Y change		Year ended March 31, 2005	
		%		%		%		%
Automobile Lighting Equipment	94,018	95.9	81,265	95.4	12,753	15.7	170,762	95.6
Aircraft Lights	1,155	1.2	1,402	1.7	△247	△17.6	2,935	1.6
Others	2,830	2.9	2,474	2.9	356	14.4	4,992	2.8
Total	98,003	100.0	85,143	100.0	12,860	15.1	178,689	100.0
(Portion accounted for by exports)	(10,928)	(11.2)	(9,363)	(11.0)	(1,565)	(16.7)	(19,197)	(10.7)

Significant Accounting Policies Used in Preparation of Non-consolidated Financial Statements

1. Marketable securities

Securities held for trading	Stated at market value (the selling price is mainly determined by the moving-average method)
Securities held to maturity	Depreciable-cost method (straight-line method)
Securities of subsidiaries and affiliates	Cost as determined by the moving-average method
Other securities	
Listed securities	Stated at market value, determined by the market price as of the end of the interim 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. Derivatives	Stated at market value
3. Money trusts	Stated at market value

4. Inventories

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

5. Method for depreciating and amortizing property, plant and equipment

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. Intangible fixed assets are depreciated using the straight-line method. Estimate useful lives are as follows:

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

6. Allowance for doubtful receivables

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

7. Allowance for bonuses

Provisions for employees' bonuses are based on the estimated requirements for the fiscal year. The amount recorded is that applicable to the interim period.

8. Allowance for directors' and corporate auditors' bonuses

Provisions for directors' and corporate auditors' bonuses are subject to the approval of the General Meeting of Shareholders. The amount recorded is that applicable to the interim period.

9. Reserve for product warranties

The Company provides for a reserve for possible expenses related to quality assurance issues.

10. 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 six-month 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 fiscal year following the fiscal year 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 fiscal year in which actuarial gains or losses arise.

11. Allowance for directors' and corporate auditors' retirement benefits

The Company and its subsidiaries provide an allowance for directors' retirement benefits to cover estimated payments of such benefits during the interim accounting period under review, as prescribed by Company regulations.

12. Reserve for losses on overseas investments

The allowance for losses on overseas investments provides for possible losses is made up by the estimated credit loss for investment losses based on an individual assessment of country risk and the financial soundness of overseas affiliates.

13. 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 interim period with gains and losses included in income.

14. 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.

15. Accounting for hedging

Cash flows and 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.

16. Accounting treatment of consumption taxes

Financial statements are prepared exclusive of consumption taxes and regional consumption taxes.

Notes

(¥ millions)

	As of Sept. 30, 2005	As of Sept. 30, 2004	Year ended March 31,2005
1. Cumulative depreciation of property, plant and equipment	97,397	95,367	97,142
2. Guarantees	29,632	16,015	27,316

Lease Transactions

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

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

(¥ millions)

		Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005
Acquisition cost equivalents	Machinery and transportation equipment	459	459	459
	Tools and equipment	104	245	248
	Total	563	704	707
Accumulated depreciation equivalents	Machinery and transportation equipment	306	255	255
	Tools and equipment	93	211	214
	Total	399	466	469
Balance equivalents	Machinery and transportation equipment	153	204	204
	Tools and equipment	10	34	33
	Total	163	238	238

Note: Outstanding lease commitments constituted an immaterial portion of interim 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)

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005
Within one year	1	2	74
More than one year	162	236	163
Total	163	238	238

Note: Outstanding lease commitments constituted an immaterial portion of interim 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)

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2004	Year ended March 31, 2005
Lease charge payable	74	105	108
Depreciation equivalents	74	105	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

Shares held by subsidiaries and affiliated companies with market quotations

As of September 30, 2005 (¥ millions)

	Book Value	Market value	Gain
1. Subsidiaries	7,370	10,813	3,443
2. Affiliated companies	1,332	2,378	1,046
Total	8,702	13,191	4,489

As of September 30, 2004 (¥ millions)

	Book Value	Market value	Gain
1. Subsidiary companies	7,370	9,711	2,341
2. Affiliated companies	1,332	3,248	1,916
Total	8,702	12,959	4,257

As of March 31, 2005 (¥ millions)

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