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Consolidated Earnings Report for the First Half of Fiscal 2005 Oct. 27, 2004

Company Name: KOITO MANUFACTURING CO., LTD.
Stock Listing: Tokyo Stock Exchange
Code Number: 7276
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Meeting of the Board of Directors for the Approval of Results: October 27, 2004 U.S. GAAP: No

1. Consolidated Results of Operations for the First Half of Fiscal 2005 (April 1, 2004 – September 30, 2004)

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

Six months ended	Net sales		Operating income		Recurring profit	
Sept. 30, ‘04	163,994	12.6%	5,694	101.8 %	6,762	92.8%
Sept. 30, ‘03	145,633	5.0%	2,821	△11.5%	3,508	21.3%
Year ended Mar. 31, ‘04	334,254		13,723		15,345	

Six months ended	Net income		Net income per share (¥)	Net income per share (diluted) (¥)
Sept. 30, ‘04	3,211	108.1%	19.52	—
Sept. 30, ‘03	1,543	46.7%	9.67	—
Year ended Mar. 31, ‘04	6,440		39.19	—

Notes:
a. Equity in earnings of affiliates:
Six months ended Sept. 2004 ¥94 million Six months ended Sept. 2003 ¥58 million Fiscal 2004: ¥206 million
b. Average number of shares outstanding (consolidated):
Six months ended Sept. 2004: 159,695,760 Six months ended Sept. 2003: 159,563,259 Fiscal 2004: 159,566,592
c. Changes in accounting methods: None
d. 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 (¥)
Sept. 30, ‘04	302,723	114,057	37.7	713.72
Sept. 30, ‘03	277,703	106,343	38.3	666.47
Mar. 31, ‘04	299,344	111,707	37.3	699.88

Note: Number of shares outstanding at end of period (consolidated):
Six months ended Sept. 2004: 159,806,092 Six months ended Sept. 2003: 159,562,341
Fiscal 2004: 159,609,348

(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, ‘04	18,752	△ 17,592	3,557	16,604
Sept. 30, ‘03	8,575	64	△7,466	16,510
Year ended Mar. 31, ‘04	18,419	△ 12,852	△ 9,038	11,780

(4) Scope of Consolidation and Application of the Equity Method
Consolidated subsidiaries 20
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 —
Eliminated —
Affiliates accounted for under the equity method:
New —
Eliminated —

2. Consolidated Outlook for Fiscal 2005 (April 1, 2004 – March 31, 2005)

(¥ millions)

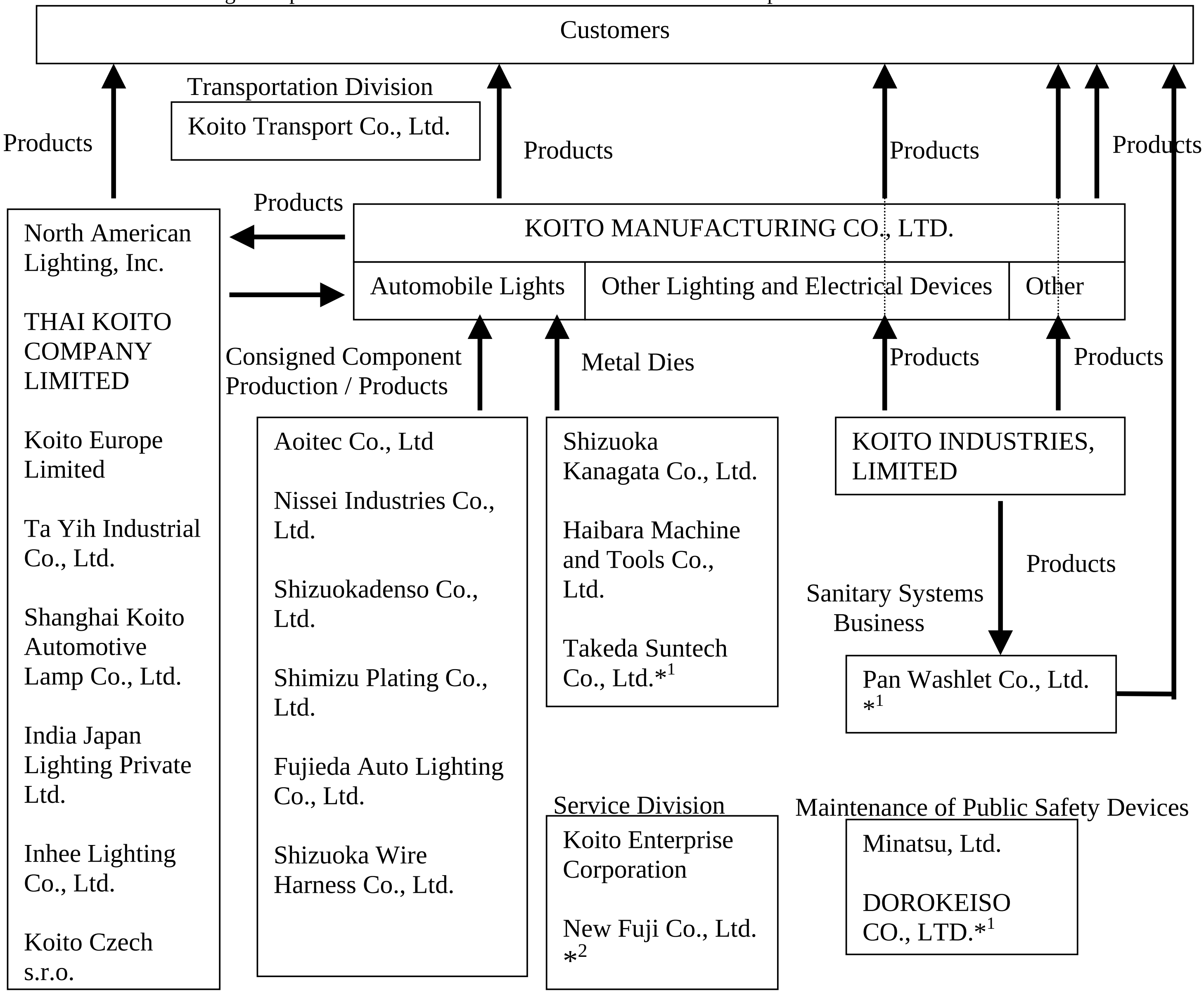
	Net sales	Recurring profit	Net income
For the year	360,000	19,000	8,600

Reference – Projected net income per share for the year: ¥52.65
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 20 subsidiaries and 4 affiliates. It manufactures and sells automobile lights, components for airplanes, trains and railways, a wide variety of electrical devices and measuring equipment. The Koito Group is also involved in related financial and distribution operations.

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 Unconsolidated subsidiary

Management Policies

(1) Basic Management Policies

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 among shareholders, customers, employees and business partners.

Koito Group is also well aware of the importance of environmental issues. Accordingly, the Koito Group’s environmental policy sets an ambitious program of environmental stewardship for all business activities under the banner of “manufacturing products that put people and the environment first.”

(2) Basic Earnings Distribution Policies

The Koito Group views the payment of stable dividends in line with operating results and business conditions as one of its most important management policies. Maintaining a corporate structure capable of responding with agility to future changes in market conditions is vital. Accordingly, Koito intends to build up retained earnings to expand its business, develop new technologies and products, streamline operations and lower costs. The overriding goal is to improve earnings and meet shareholders’ expectations.

(3) Medium- and Long-Term Management Strategies

As a first-rate manufacturer of automotive lighting and electrical equipment, the Koito Group is committed to creating value for customers while remaining steadfast to its polestar of “Entrusting safety to light.” With this in mind, Koito Group will implement the following strategies targeted at expanding its business.

1. As a global supplier capable of meeting the needs of automobile manufacturers seeking to establish overseas production bases and the expansion of procurement to optimal locations worldwide, the Koito Group will reinforce the product development and manufacturing functions of its overseas bases while promoting a structure of complementarity within the Group. This will enable the Group to respond effectively to market needs in Japan, the U.S., Asia, and Europe.

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 optimally allocate and utilize resources to establish a powerful corporate and earnings structure.

4. The Koito Group will strive to earn the trust of corporate clients by pursuing the highest standards of quality and safety, while 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 preserve the environment.

(4) Key Issues

To establish an unassailable position as a global company and supplier that can compete successfully worldwide, 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. Vital 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 structure of complementarity are also of paramount importance.

(5) Fundamental Philosophy and Measures Regarding Corporate Governance

The Koito Group is strongly aware of the importance of observing ethical standards and upholding the integrity of management. Strengthening corporate governance and legal compliance is therefore viewed as a key priority. Koito has implemented measures to ensure greater transparency and impartiality in management decision-making procedures and operational execution. These measures include the appointment of outside directors, corporate auditors and the formation of various committees, in addition to actions taken to strengthen the Board of Auditors.

Going forward, Koito will explore the feasibility of introducing a Committee System of management, as well as a variety of other ways of enhancing corporate governance.

Results of Operations and Financial Position

(1) Overview of the First Half of Fiscal 2005

During the first half of fiscal 2005, Japan's economy continued to steadily recover against the backdrop of increased capital investments accompanying improved corporate profits and higher exports. Overseas, the U.S. economy was healthy due mainly to growth in capital investments and improved employment conditions. China's economic expansion benefited other Asian countries and regions, and economic performance throughout most of Europe steadily recovered.

Japan's automobile industry saw a slight decline in automobile sales due partly to the completion of the latest cycle of launches of new compact car models. Exports were brisk, however, resulting in a modest rise in automobile production in Japan to 5.11 million units. Overseas, automobile production expanded in Asia, especially in newly industrializing economies, despite a slowdown in North America. On the whole, worldwide automobile production was firm.

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. To the same end, the Group is developing and marketing the world's first mercury-free discharge headlamp and introducing other environmentally-friendly new products.

Koito is taking measures to boost production capacity overseas, especially in the continuously expanding Chinese market. The Company has decided to build a third plant for Shanghai Koito Automotive Lamp Co., Ltd., and to open a Canton Office to build a plant in the fast-growing South China region.

The Koito Group's healthy showing in the automotive lighting equipment segment during the interim period lifted net sales 12.6% year on year to a record ¥163.9 billion.

Results by business segment are outlined below.

Automotive Lighting Equipment Segment

In the automotive lighting equipment segment, sales increased by 14.8% to ¥142.9 billion. In Japan, factors driving growth included advances in larger, multi-functional headlamps, and growing adoption of high-intensity gas discharge headlamps (GDHLs), the Intelligent Adaptive Front Lighting System (AFS) and headlamp leveling systems. Overseas subsidiaries, meanwhile, also witnessed an increase in orders for both headlamps and signaling lamps especially in Europe, China and South Korea.

Non-Automotive Electrical Equipment

The non-automotive electrical equipment segment saw sales decline 8.4% to ¥10.5 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 ¥10.4 billion, up 9.9% from the previous fiscal year. This increase reflected higher sales of automobile headlamp cleaners for vehicles exported to North America and Europe, higher sales of aircraft seats and various fittings due to a recovery in aircraft production, and efforts to win new orders.

On the earnings front, amid intensifying price competition in automotive lighting equipment in Japan and elsewhere, efforts by Koito and group companies to streamline operations by aggressively promoting cost-cutting measures lifted recurring profit 92.8% to ¥6.7 billion. Net income for the interim period rose 108.1% year on year to ¥3.2 billion. Net sales, recurring profit and net income all reached record highs on an interim basis.

The dividend for fiscal 2004 was ¥12 per share, including a year-end dividend of ¥7 per share, ¥2 higher than in the preceding fiscal year, and an interim dividend of ¥5 per share.

In light of its strong business results, Koito plans to raise the interim dividend per share by ¥2 to ¥7, and maintain the year-end dividend at ¥7 per share. This will lift the dividend for fiscal 2005 to ¥14 per share.

(2) Cash Flows

Operating activities provided net cash of ¥18.7 billion. Major cash inflows totaling ¥22.6 billion, centered on income before income taxes and minority interests of ¥6.1 billion and depreciation of ¥8.3 billion, were partially offset by income taxes paid.

Investing activities used net cash of ¥17.5 billion arising from capital expenditures of ¥10.2 billion accompanying increased production, and purchases of marketable and investment securities and other items.

Financing activities provided net cash of ¥3.5 billion. This was the result of an increase of ¥5.7 billion in long- and short-term loans and the sale of ¥0.1 billion in treasury stock upon the exercise of stock options, offset partly by ¥2.3 billion for the payment of dividends.

As a result, cash and cash equivalents as of September 30, 2004 had increased ¥4.8 billion from the previous fiscal year-end to ¥16.6 billion.

(3) Outlook for Fiscal 2005

In fiscal 2005, the Japanese economy is expected to achieve relatively steady growth, against a backdrop of improved corporate earnings underpinned by exports and capital expenditures as before. Overseas, the U.S. and Europe as well as China have maintained momentum, and the global economy appears stable. However, Koito's business environment remains uncertain due to a variety of factors, including soaring oil prices, the growth of the U.S. current-account deficit, and concerns over a slowdown in the Chinese and European economies.

In Japan, automobile sales should remain brisk, and exports are expected to decline in step with growing local production in the Asian region. Overseas, production in China and other parts of the Asian region should continue to expand, contributing to brisk worldwide automobile production.

Despite difficult conditions and uncertainties, the Koito Group will redouble its efforts to expand orders, mainly for automotive lighting equipment, in the world's four key automobile markets. At the same time, the company will continue to advance its mutual supply network and structure of complementarity. Strengthening order-winning activities and production capabilities, and implementing further cost-cutting measures are also priorities.

As a result of the above, the Koito Group forecasts consolidated net sales of ¥360.0 billion, recurring profit of ¥19.0 billion and net income of ¥8.6 billion for the fiscal year ending March 31, 2005.

Consolidated Balance Sheets

(¥ millions)

	As of Sept. 30, 2004	As of March 31, 2004	Increase/ (Decrease)	As of Sept. 30, 2003
(Assets)				
Current assets:				
Cash and time deposits	12,110	9,550	2,560	10,659
Notes and accounts receivable—trade	65,917	84,848	△18,931	57,656
Marketable securities	14,893	15,138	△245	20,459
Inventories	26,951	20,481	6,470	26,367
Deferred income taxes	6,206	6,021	185	5,686
Other current assets	8,196	7,897	299	8,787
Less: Allowance for doubtful receivables	△1,062	△979	△83	△ 980
Total current assets	133,213	142,958	△9,745	128,635
Fixed assets:				
Property, plant and equipment:				
Buildings and structures	29,609	29,640	△31	29,764
Machinery and transportation equipment	28,561	26,183	2,378	24,782
Tools and equipment	11,756	11,158	598	10,595
Land	11,744	11,625	119	11,389
Construction in progress	1,080	1,393	△313	1,349
Property, plant and equipment, net	82,752	80,003	2,749	77,880
Intangible fixed assets	396	409	△13	423
Other investments:				
Investment securities	79,432	68,992	10,440	61,317
Long-term loans	936	992	△56	1,180
Deferred income taxes	3,658	2,713	945	3,606
Other investments	2,619	3,601	△982	4,998
Less: Allowance for doubtful receivables	△285	△327	42	△ 336
Total investments and other assets	86,361	75,973	10,388	70,765
Total fixed assets	169,510	156,386	13,124	149,068
Total assets	302,723	299,344	3,379	277,703

(¥ millions)

	As of Sept. 30, 2004	As of March 31, 2004	Increase/ (Decrease)	As of Sept. 30, 2003
(Liabilities)				
Current liabilities:				
Notes and accounts payable—trade	51,843	58,504	△6,661	46,939
Short-term loans	35,807	32,969	2,838	23,194
Current portion of bonds	3,000	3,000	–	–
Accrued expenses	14,985	14,842	143	13,652
Income taxes payable	2,479	3,358	△879	1,691
Accrued bonuses	4,529	4,478	51	4,784
Other current liabilities	8,246	7,720	526	6,985
Total current liabilities	120,891	124,873	△3,982	97,247
Non-current liabilities:				
Bonds	–	–	–	3,000
Long-term debt	15,885	12,255	3,630	23,006
Allowance for employees' retirement benefits	22,060	20,788	1,272	19,850
Allowance for directors' retirement benefits	1,486	1,363	123	1,262
Others	847	882	△35	1,101
Total non-current liabilities	40,280	35,290	4,990	48,220
Total liabilities	161,171	160,163	1,008	145,467
Minority interests	27,493	27,472	21	25,891
(Shareholders' equity)				
Common stock	14,270	14,270	—	14,270
Additional paid-in capital	17,107	17,107	—	17,107
Retained earnings	75,151	73,306	1,845	69,208
Unrealized gain (loss) on securities	10,054	10,658	△604	8,431
Foreign currency translation adjustments	△1,919	△2,904	985	△ 1,905
Treasury stock	△607	△731	124	△ 769
Total shareholders' equity	114,057	111,707	2,350	106,343
Total liabilities, minority interests and shareholders' equity	302,723	299,344	3,379	277,703

Consolidated Statements of Income

(¥ millions)

	Six months ended September 30, 2004		Six months ended September 30, 2003		Y-o-Y Change		Year ended March 31, 2004	
		%		%		%		%
Net sales	163,994	100.0	145,633	100.0	18,361	12.6	334,254	100.0
Cost of sales	142,574	86.9	127,321	87.4	15,253		287,013	85.9
Gross profit	21,419	13.1	18,312	12.6	3,107		47,241	14.1
Selling, general and administrative expenses	15,724	9.6	15,491	10.7	233		33,517	10.0
Operating income	5,694	3.5	2,821	1.9	2,873	101.8	13,723	4.1
Non-operating income	1,665		1,714		△ 49		3,574	
Interest income and dividends	(611)		(490)		(121)		(1,231)	
Equity in earnings of affiliates	(94)		(58)		(36)		(206)	
Other non-operating income	(958)		(1,166)		(△ 208)		(2,136)	
Non-operating expenses	597		1,028		△ 431		1,952	
Interest expenses and discounts	(392)		(306)		(86)		(626)	
Other non-operating expenses	(205)		(721)		(△ 516)		(1,326)	
Recurring profit	6,762	4.1	3,508	2.4	3,254	92.8	15,345	4.6
Extraordinary gains	12		445		△ 433		465	
Extraordinary losses	649		645		4		1,750	
Income before income taxes	6,125	3.7	3,308	2.3	2,817	85.2	14,061	4.2
Income taxes, inhabitants' taxes and enterprise taxes	3,405		2,953		452		8,074	
Deferred taxes	△984		△ 1,629		645		△2,519	
Total	2,420		1,323		1,097		5,554	
Minority interest in consolidated subsidiaries	△493		△ 440		△ 53		△2,066	
Net income	3,211	2.0	1,543	1.1	1,668	108.1	6,440	1.9

Consolidated Statements of Additional Paid-in Capital and Retained Earnings

(¥ millions)

	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Y-o-Y Change	Year ended March 31,2004
(Additional paid-in capital)				
I Additional paid-in capital at beginning of period				
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				
Consolidated retained earnings at beginning of period	73,306	68,782	4,524	68,782
II Increase in retained earnings				
Net income	3,211	1,543	1,668	6,440
III Appropriations				
Dividends	1,117	957	160	1,755
Directors' bonuses	186	160	26	160
Other	61	—	61	—
Loss on disposal of treasury stock	1	—	1	0
IV Retained earnings at end of period	75,151	69,208	5,943	73,306

Consolidated Statements of Cash Flows

(¥ millions)

	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
I Cash flows from operating activities			
Income before income taxes	6,125	3,308	14,061
Depreciation and amortization	8,351	7,848	16,580
Equity in earnings of affiliates	△94	△ 58	△206
Increase (decrease) in allowance for doubtful receivables	41	94	156
Increase in allowance for retirement benefits	1,358	633	1,710
Increase in allowance for bonuses	52	103	△203
Interest and dividend income	△611	△ 490	△1,231
Interest expense paid	392	306	626
Gain on sale and revaluation of marketable securities	△26	△ 580	△563
Revaluation loss on golf memberships	1	40	40
Gain on sale and disposal of property, plant and equipment	103	131	296
Decrease in notes and accounts receivable—trade	19,661	19,172	△8,602
Decrease in inventories	△6,098	△ 6,571	△1,093
Increase in other receivables	△4	△ 3,422	△2,430
Increase in notes and accounts payable—trade	△7,090	△ 8,112	4,005
Accrued expenses and other liabilities	667	155	2,195
Directors' bonuses paid	△207	△ 180	△180
Sub total	22,621	12,377	25,161
Interest and dividends received	611	490	1,231
Interest payments	△392	△ 306	△626
Income taxes	△4,088	△ 3,986	△7,347
Net cash provided by operating activities	18,752	8,575	18,419
II Cash flows from investing activities			
Increase in time deposits	△604	△ 782	△1,117
Proceeds from maturity of time deposits	95	839	1,300
Payments for purchase of marketable and investment securities	△17,530	△ 13,843	△26,581
Proceeds from sale of marketable and investment securities	9,060	19,877	30,830
Payments for purchase of property, plant and equipment	△10,258	△ 6,763	△19,752
Proceeds from sale of property, plant and equipment	625	314	777
Payments for new loans	△338	△ 224	△717
Proceeds from long-term loan repayments	296	499	900
Other payments relating to investments	1,062	147	1,508
Net cash provided by (used in) investing activities	△17,592	64	△12,852
III Cash flows from financing activities			
Increase (decrease) in short-term loans	180	△ 5,995	△10,250
Increase in long-term debt	5,565	224	4,631
Repayment of long-term debt	△9	△ 7	△948
Payments for purchase of treasury stock	△4	△ 1	△3
Proceeds from sale of treasury stock	128	—	40
Dividends paid by parent company	△1,118	△ 957	△1,755
Dividends paid to minority shareholders	△1,185	△ 730	△753
Net cash provided by (used in) financing activities	3,557	△ 7,466	△9,038
IV Effect of exchange rate changes on cash and cash equivalents	107	△ 157	△243
V Increase in cash and cash equivalents	4,824	1,016	△3,714
VI Cash and cash equivalents at beginning of period	11,780	15,494	15,494
VII Cash and cash equivalents at end of period	16,604	16,510	11,780

Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

1. Scope of Consolidation
Number of consolidated subsidiaries: 20

2. Application of the Equity Method
Number of affiliates accounted for using the equity method: 3
The influence on consolidated income and consolidated retained earnings of affiliate New Fuji Co., Ltd., which is not accounted for using the equity method, is considered immaterial.

3. Fiscal Year of Consolidated Subsidiaries
The interim accounting period of KOITO INDUSTRIES, LIMITED, Koito Transport Co., Ltd., Minatsu, Ltd. and India Japan Lighting Private Ltd., ends on September 30, as does that of the parent company.
Interim financial statements are prepared assuming an interim accounting period ending September 30 for the other consolidated subsidiaries (Aoitec Co., Ltd. and 15 other companies).

4. Summary of Significant Accounting Policies

(1) Valuation standards and accounting treatment for marketable securities

Securities held for trading	Stated at market value (the selling price is determined mainly by the moving average method)
Securities held to maturity	Depreciable cost method (straight-line 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) Specified money trusts	Stated at market value

(4) Valuation standards and accounting treatment for inventories
Finished products, semi-finished products and work-in-progress are stated at cost, cost being determined by the gross-average method. 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 in accordance with the accounting principles generally accepted in each country. 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 receivables, such as 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 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 fiscal year. The amount recorded is that applicable to the interim period.

(c) Allowance for product warranties
The Company provides an allowance for estimated expenses related to quality assurance issues.

(d) Allowance for employees’ retirement benefits

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 six-month period on the basis of projected retirement benefit liabilities and pension assets at the fiscal year balance sheet date.

Certain listed subsidiaries are amortizing their obligations in equal amounts over a period of five years.

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.

(e) Allowance for directors’ retirement benefits

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

(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 interim balance date and included in income. Assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate prevailing at the interim 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.

(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

Hedge accounting methods

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 taxes

Financial statements are prepared exclusive of consumption taxes, including regional consumption tax.

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.

Notes

(¥ millions)

	As of Sept. 30, 2004	As of Sept. 30, 2003	As of March 31, 2004
1. Cumulative depreciation of property, plant and equipment	151,391	143,427	145,992
2. Liabilities for guarantees	36	42	38
3. Assets pledged as collateral			
Buildings and structures	3,195	1,020	1,345
Machinery	679	838	811
Land	198	1,856	1,776
Total	4,074	3,714	3,933

4. Selling, general and administrative expenses

(¥ millions)

	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year Ended March 31, 2004
(1) Selling expenses			
Freight expenses	1,009	890	2,272
Employee salaries	2,077	2,197	6,352
Packaging expenses	784	722	1,561
Transfer to allowance for bonuses	620	724	668
Retirement benefit expenses	312	329	844
(2) General and administrative expenses			
Employee salaries	2,543	2,440	5,805
Fringe benefits expenses	827	779	1,508
Transfer to allowance for bonuses	445	407	408
Retirement benefit expenses	380	291	581
Transfer to allowance for directors' retirement benefits	135	145	246

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

(¥ millions)

	As of Sept. 30, 2004	As of Sept. 30, 2003	Year ended March 31, 2004
Cash and deposits	12,110	10,659	9,550
Time deposits with maturities exceeding three months	△ 1,301	△ 942	△ 767
Marketable securities redeemable within three months	5,795	6,793	2,997
Cash and cash equivalents	16,604	16,510	11,780

Segment Information

(1) Industry Segment Information

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

Six months ended September 30, 2003 (¥ 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	124,577	11,522	9,532	145,633	—	145,633
(2) Inter-segment sales and transfers	20,589	459	1,520	22,568	(22,568)	—
Total	145,166	11,981	11,053	168,202	(22,568)	145,633
Operating expenses	140,680	12,840	10,964	164,484	(21,672)	142,811
Operating income (loss)	4,486	△ 858	89	3,717	(895)	2,821

Year Ended March 31, 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	264,613	46,912	22,728	334,254	—	334,254
(2) Inter-segment sales and transfers	41,506	1,609	2,906	46,023	(46,023)	—
Total	306,120	48,522	25,635	380,278	(46,023)	334,254
Operating expenses	292,831	47,067	24,822	364,721	(44,189)	320,531
Operating income (loss)	13,289	1,454	813	15,557	(1,833)	13,723

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, 2004	Six months ended Sept. 30, 2003	Year ended March 31, 2004	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,652	1,558	2,917	Expenses related to the General Affairs Department of the parent company's head office

(2) Geographical Segment Information

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

Six months ended September 30, 2003 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	94,842	21,584	24,051	5,154	145,633	—	145,633
(2) Inter-segment sales and transfers	21,670	—	871	26	22,568	(22,568)	—
Total	116,513	21,584	24,922	5,181	168,202	(22,568)	145,633
Operating expenses	113,723	21,380	23,349	6,030	164,484	(21,672)	142,811
Operating income (loss)	2,789	203	1,573	△ 849	3,717	(895)	2,821

Year ended March 31, 2004 (¥ millions)

Sales	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
(1) Sales to outside customers	229,500	43,087	50,234	11,432	334,254	—	334,254
(2) Inter-segment sales and transfers	43,990	—	2,001	31	46,023	(46,023)	—
Total	273,491	43,087	52,235	11,463	380,278	(46,023)	334,254
Operating expenses	260,796	42,126	48,820	12,977	364,721	(44,189)	320,531
Operating income (loss)	12,694	961	3,414	△ 1,513	15,557	(1,833)	13,723

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
3. Significant components of corporate and elimination of inter-segment items

(¥ millions)

	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year March 31, 2004	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,652	1,558	2,917	Expenses related to the General Affairs Department of the parent company's head office

(3) Overseas Sales

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

Six months ended September 30, 2003 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	22,379	23,847	4,408	50,634
II Consolidated sales				145,633
III Overseas sales ratio (%)	15.4	16.4	3.0	34.8

Year Ended March 31, 2004 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	47,770	50,529	10,224	108,523
II Consolidated sales				334,254
III Overseas sales ratio (%)	14.3	15.1	3.1	32.5

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
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 interim balance date

(¥ millions)

		Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended March 31, 2004
Acquisition cost equivalents	Buildings	2,495	2,495	2,495
	Machinery and transportation equipment	1,422	1,504	1,377
	Tools and equipment	1,136	1,214	1,014
	Total	5,055	5,214	4,887
Accumulated depreciation equivalents	Buildings	122	50	86
	Machinery and transportation equipment	849	795	705
	Tools and equipment	679	745	593
	Total	1,652	1,592	1,385
Term-end balance equivalents	Buildings	2,373	2,445	2,409
	Machinery and transportation equipment	572	708	672
	Tools and equipment	457	468	420
	Total	3,403	3,622	3,502

Note: Outstanding lease commitments 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)

	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended March 31, 2004
Within one year	275	267	462
More than one year	3,128	3,355	3,040
Total	3,403	3,622	3,502

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)

	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended March 31, 2004
Lease charge payable	322	335	547
Depreciation equivalents	322	335	547

(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 September 30, 2004	Six months ended September 30, 2003	Year Ended March 31, 2004
Outstanding lease commitments			
Within one year	158	128	202
More than one year	156	199	196
Total	315	327	399

Marketable Securities

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, other	60	
(2)Other securities		
Non-listed shares (excluding shares traded over-the-counter)	1,177	
Investments	171	

Marketable securities as of September 30, 2003

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

	Book value	Market value	Difference
(1)Government bonds/municipal bonds	—	—	—
(2)Corporate bonds	1,003	1,003	0
(3)Others	21,341	21,243	△ 98
Total	22,344	22,246	△ 98

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

	Book value	Market value	Difference
(1) Shares	6,050	20,103	14,053
(2) Bonds			
Government bonds/municipal bonds	—	—	—
Corporate bonds	2,099	2,102	3
Others	19,733	19,694	△ 39
(3) Other	5,197	5,229	32
Total	33,079	47,128	14,049

3. Marketable securities without market quotations (¥ millions)

	Book value	Details
(1)Bonds held to maturity Non-listed foreign bonds	328	
(2)Other securities		
Non-listed shares (excluding shares traded over-the-counter)	1,072	
Investments	188	

Marketable securities as of March 31, 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	501	502	1
(3)Others	23,561	23,376	△ 185
Total	24,062	23,878	△ 184

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

	Book value	Market value	Difference
(1) Shares	5,589	23,884	18,295
(2) Bonds			
Government bonds/municipal bonds	—	—	—
Corporate bonds	1,000	996	△ 4
Others	18,734	18,676	△ 58
(3) Other	5,910	5,965	55
Total	31,233	49,521	18,288

3. Marketable securities without market quotations (¥ millions)

	Book value	Details
(1)Bonds held to maturity Non-listed foreign bonds, other	33	
(2)Other securities		
Non-listed shares (excluding shares traded over-the-counter)	1,105	
Investments	177	

Derivative Transactions

Current accounting period of consolidation (April 1, 2004 – September 30, 2004)
Previous corresponding accounting period of consolidation (April 1, 2003 – September 30, 2003)
Previous accounting period of consolidation (April 1, 2003 – March 31, 2004)

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 2004 Oct. 27, 2004

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 Senior Managing Director, (03) 3443-7111
Meeting of the Board of Directors for the Approval of Interim Results: October 27, 2004
Interim Dividend System: Yes
Interim Dividend Payment Date: December 9, 2004
Tangen System: Yes (1 *tangen* = 1,000 shares)

1. Non-Consolidated Results of Operations for First Half of Fiscal 2005 (April 1, 2004 – September 30, 2004)
(1) Non-Consolidated Business Results

(¥ millions, rounded down)

Six months ended	Net sales		Operating income		Recurring profit	
Sept. 30 '04	85,143	6.9%	3,154	84.8%	5,338	38.8%
Sept. 30, '03	79,660	5.1%	1,707	26.8%	3,845	29.2%
Year ended Mar. 31, '04	170,115		6,743		10,402	

Six months ended	Net income		Net income per share (¥)
Sept. 30 '04	3,176	40.1%	19.36
Sept. 30, '03	2,267	24.8%	14.21
Year ended Mar. 31, '04	6,036		36.78

Notes: (1) Average number of shares outstanding:
Six months ended Sept. 2004: 159,739,560 Six months ended Sept. 2003: 159,607,059
Fiscal 2004: 159,610,392
(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, '04	7.00	—
Sept. 30, '03	5.00	—
Year ended March 31, '04	—	12.00

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

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Sept. 30, '04	162,239	100,210	61.8	626.90
Sept. 30, '03	150,001	93,550	62.4	586.13
Mar. 31, '04	160,268	98,675	61.6	618.06

Notes: (1) Average number of shares issued and outstanding:
Six months ended Sept. 2004: 159,849,892 Six months ended Sept. 2003: 159,606,141
Year ended March 31, 2004: 159,653,148
(2) Number of treasury shares:
Sept. 30, 2004: 939,544 Sept. 30, 2003: 1,183,295
March 31, 2004: 1,136,288

2. Non-Consolidated Outlook for Fiscal 2004 (April 1, 2004 – March 31, 2005)

(¥ millions)

	Net sales	Recurring profit	Net income	Year-end dividend (¥)	Total annual dividend (¥)
For the year	176,100	12,200	7,300	7.00	14.00

Reference – Projected net income per share for the year: ¥44.63
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, 2004	As of March 31, 2004	Increase /(Decrease)	As of Sept. 30, 2003
(Assets)				
Current assets:				
Cash and time deposits	1,357	1,518	△161	1,670
Notes receivable	738	804	△66	745
Accounts receivable–trade	32,738	35,473	△2,735	30,860
Marketable securities	6,105	5,093	1,012	7,601
Finished and semi-finished products	3,437	3,005	432	4,456
Work in progress	870	788	82	871
Raw materials and supplies	1,897	1,816	81	1,471
Accrued income	1,385	1,491	△106	1,085
Deferred income taxes	2,600	2,602	△2	2,441
Other current assets	595	430	165	522
Less: Allowance for doubtful receivables	△118	△118	—	△ 133
Total current assets	51,607	52,905	△1,298	51,593
Fixed assets:				
Property, plant and equipment				
Buildings	11,355	11,703	△348	12,152
Structures	874	907	△33	919
Machinery	4,657	4,451	206	4,460
Vehicles	264	234	30	268
Tools and equipment	6,869	6,349	520	6,198
Land	5,251	5,251	—	5,063
Construction in progress	30	45	△15	78
Property, plant and equipment, net	29,303	28,944	359	29,141
Intangible fixed assets	161	171	△10	182
Other investments:				
Investment securities	59,071	56,973	2,098	45,164
Equity in subsidiary companies	20,307	20,307	—	20,307
Deferred income taxes	1,186	358	828	918
Other investments	854	898	△44	3,012
Less: Allowance for doubtful receivables	△253	△290	37	△ 319
Total	81,166	78,247	2,919	69,083
Total fixed assets	110,632	107,362	3,270	98,407
Total assets	162,239	160,268	1,971	150,001

(¥ millions)

	As of Sept. 30, 2004	As of March 31, 2004	Increase /(Decrease)	As of Sept. 30, 2003
(Liabilities)				
Current liabilities:				
Notes and accounts payable–trade	29,084	30,087	△1,003	27,271
Payables	2,344	1,916	428	1,607
Accrued expenses	9,860	8,780	1,080	9,075
Reserve for bonuses	3,321	3,327	△6	3,258
Reserve for product warranties	800	800	—	450
Income taxes payable	2,556	3,071	△515	1,839
Other current liabilities	403	638	△235	679
Total current liabilities	48,370	48,623	△253	44,182
Non-current liabilities:				
Allowance for retirement benefits	11,841	11,243	598	10,597
Allowance for directors' retirement benefits	1,014	924	90	868
Allowance for losses on overseas investments	800	800	—	800
Others	2	2	—	2
Total non-current liabilities	13,658	12,969	689	12,267
Total liabilities	62,029	61,592	437	56,450
(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	939	938	1	938
Other reserve	50,000	46,500	3,500	46,500
Unappropriated retained earnings	5,139	6,749	△1,610	3,779
(Interim/full-year net income)	(3,176)	(6,036)	(△2,860)	(2,267)
Total retained earnings	59,646	57,755	1,891	54,785
Unrealized gain on securities	9,771	10,247	△476	8,130
Treasury stock	△587	△706	119	△ 744
Total shareholders' equity	100,210	98,675	1,535	93,550
Total liabilities and shareholders' equity	162,239	160,268	1,971	150,001

Non-Consolidated Statements of Income

(¥ millions)

	Six months ended Sept. 30, 2004	%	Six months ended Sept. 30, 2003	%	Y-o-Y Change	%	Year Ended March 31, 2004	%
(Recurring Items)								
Operating revenues								
Net sales	85,143	100.0	79,660	100.0	5,483	6.9	170,115	100.0
Operating expenses								
Cost of sales	73,246	86.0	69,346	87.1	3,900		146,142	85.9
Selling, general and administrative expenses	8,741	10.3	8,606	10.8	135		17,230	10.1
Operating income	3,154	3.7	1,707	2.1	1,447	84.8	6,743	4.0
Non-operating income (expenses)								
Non-operating income	2,239		2,242		△ 3		3,830	
Interest and dividend income	(1,368)		(893)		(475)		(1,472)	
Other	(871)		(1,348)		(△ 477)		(2,357)	
Non-operating expenses	55		104		△ 49		170	
Recurring profit	5,338	6.3	3,845	4.8	1,493	38.8	10,402	6.1
(Non-Recurring Items)								
Extraordinary gains	—		—		—		54	
Gains on sales of property, plant and equipment	(—)		(—)		(—)		(54)	
Extraordinary losses	87		66		21		479	
Provision to reserve for product warranties	(—)		(—)		(—)		(350)	
Losses on sales and disposal of property, plant and equipment	(87)		(66)		(21)		(129)	
Income before income taxes	5,251	6.2	3,779	4.7	1,472	39.0	9,977	5.9
Income taxes—current	2,590		2,565		25		5,865	
Income taxes-deferred	△516		△ 1,053		537		△1,924	
Total income taxes	2,074		1,511		563		3,940	
Net income	3,176	3.7	2,267	2.8	909	40.1	6,036	3.5
Retained earnings b/fwd.	1,964		1,511		453		1,511	
Interim dividend	—		—		—		798	
Loss on disposal of treasury stock	1		—		1		0	
Unappropriated retained earnings	5,139		3,779		1,360		6,749	

Breakdown of Non-Consolidated Net Sales

(¥ millions)

	Six months ended Sept. 30, 2004		Six months ended Sept. 30, 2003		Y-o-Y Change		Year ended March 31, 2004	
		%		%		%		%
Automobile Lighting Equipment	81,265	95.4	75,786	95.1	5,479	7.2	162,316	95.4
Aircraft Lights	1,402	1.7	1,267	1.6	135	10.7	2,760	1.6
Others	2,474	2.9	2,607	3.3	△133	△5.1	5,038	3.0
Total	85,143	100.0	79,660	100.0	5,483	6.9	170,115	100.0
(Portion accounted for by exports)	(9,363)	(11.0)	(6,203)	(7.8)	(3,160)	(50.9)	(15,832)	(9.3)

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: 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.

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 product warranties

The Company provides for an allowance for possible expenses related to quality assurance issues.

9. 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.

Past service obligations are amortized using the straight-line method over a fixed number of years, but no more than the average remaining years of service of all employees in the accounting period in which past service obligations arise.

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.

10. Allowance for directors' retirement benefits

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

11. 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.

12. 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.

13. 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.

14. Accounting for hedging

Hedge accounting methods

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.

15. Accounting treatment of consumption taxes

Financial statements are prepared exclusive of consumption taxes, including regional consumption taxes.

Notes

(¥ millions)

	As of Sept. 30, 2004	As of Sept. 30, 2003	Year ended March 31, 2004
1. Cumulative depreciation of property, plant and equipment	95,367	95,227	95,742
2. Guarantees	16,015	13,036	15,430

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)

		Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended March 31, 2004
Acquisition cost equivalents	Machinery and transportation equipment	459	459	459
	Tools and equipment	245	283	245
	Total	704	742	704
Accumulated depreciation equivalents	Machinery and transportation equipment	255	204	204
	Tools and equipment	211	192	156
	Total	466	396	360
Balance equivalents	Machinery and transportation equipment	204	255	255
	Tools and equipment	34	90	88
	Total	238	345	343

Note: Outstanding lease commitments 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)

	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended March 31, 2004
Within one year	2	5	107
More than one year	236	340	235
Total	238	345	343

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)

	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Year ended March 31, 2004
Lease charge payable	105	107	109
Depreciation equivalents	105	107	109

(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, 2004

(¥ millions)

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

As of September 30, 2003

(¥ millions)

	Book Value	Market value	Gain (loss)
1. Subsidiary companies	7,370	7,257	△ 113
2. Affiliated companies	1,332	2,616	1,284
Total	8,702	9,873	1,171

As of March 31, 2004

(¥ millions)

	Book Value	Market value	Gain (loss)
1. Subsidiaries	7,370	10,293	2,923
2. Affiliated companies	1,332	3,636	2,303
Total	8,702	13,929	5,226