

Consolidated Earnings Report for the First Three Quarters of Fiscal 2004

Company Name: KOITO MANUFACTURING CO., LTD.
 Stock Listings: First Section, Tokyo Stock Exchange
 Head Office: Tokyo
 Code Number: 7276
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1. Notes on Presentation of Quarterly Operating Results

Changes in accounting standards of financial accounts in most recent fiscal year: None

Changes in scope of consolidation or number of equity-method affiliates: Excluded one consolidated subsidiary

2. Consolidated Results of Operations for First Three Quarters of Fiscal 2004 (April 1, 2003–December 31, 2003)

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

First Three Quarters,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2004	229,913	6.7%	5,558	31.2%	6,698	65.8%	3,077	105.1%
Fiscal 2003	215,515		4,237		4,041		1,500	
(Ref.) Full Year Fiscal 2003	311,133		13,157		12,997		5,826	

First Three Quarters,	Net income per share	Net income per share (diluted)
Fiscal 2004	¥19.28	
Fiscal 2003	¥9.40	
(Ref.) Full Year Fiscal 2003	¥35.51	

Notes:

The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

Koito began quarterly disclosure in the first quarter of fiscal 2004. Accordingly, comparisons of results for the previous fiscal year's first three quarters and the corresponding period of the preceding fiscal year are not presented.

(2) Consolidated Financial Position

	Total assets (¥ millions)	Shareholders' equity (¥ millions)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
December 31, 2003	281,912	107,623	38.2	674.49
March 31, 2003	290,397	102,475	35.3	642.22

(3) Consolidated Cash Flows

(¥ millions)

	Operating activities	Investing activities	Financing activities	End of period cash and cash equivalents
First Three Quarters, Fiscal 2004	9,849	2,385	11,008	11,723
(Ref.) Full Year Fiscal 2003	27,756	22,149	5,389	15,494

Overview of the First Three Quarters of Fiscal 2004**Consolidated Results**

During the first three quarters of fiscal 2004, the nine-month period from April 1, 2003 to December 31, 2003, the economic outlook in Japan remained cloaked in uncertainty, partly due to a rapid appreciation of the yen, despite some signs of an economic recovery such as improved results at export-oriented companies and an upturn in stock prices.

In the Japanese automotive industry, domestic sales were strong, benefiting from the introduction of new compact cars and replacement demand for trucks. However, automobile exports declined due to an increase in local production. Consequently, domestic automobile production dropped marginally.

In this difficult climate, the Koito Group performed comparatively well, particularly in the automotive lighting equipment segment.

As a result, net sales for the first three quarters of fiscal 2004 amounted to ¥229.9 billion. Operating income, recurring profit and net income were all higher, achieving results of ¥5.5 billion, ¥6.6 billion and ¥3.0 billion, respectively.

Financial Position

As of December 31, 2003, the shareholders' equity ratio of the Koito Group had improved 2.9 points to 38.2%, the result of an increase of ¥5.1 billion in shareholders' equity and a decline in total assets of ¥8.4 billion. Significant changes in assets included a decrease of ¥13.5 billion in trade notes and accounts receivable and a decrease of ¥5.8 billion in investment securities. In property, plant and equipment, there was a decrease in buildings and structures of ¥0.9 billion and an increase in machinery, equipment and tools of ¥1.4 billion. Total liabilities decreased ¥13.1 billion. The main components of this decrease were ¥4.9 billion in trade notes and accounts payable and ¥7.0 billion in long-term bank loans.

Cash Flows

Cash and cash equivalents had decreased ¥3.7 billion from March 31, 2003 to ¥11.7 billion as of December 31, 2003.

Operating activities provided net cash of ¥9.8 billion. The main sources of cash were depreciation of ¥12.3 billion and a decrease in trade notes and accounts receivable of ¥12.5 billion. Investing activities used net cash of ¥2.3 billion, mainly for the acquisition of property, plant and equipment. Financing activities used net cash of ¥11.0 billion, mainly to repay short-term bank loans and pay cash dividends.

3. Consolidated Outlook for Fiscal 2004 (April 1, 2003 - March 31, 2004) (¥ millions)

	Net sales	Recurring profit	Net income	Net income per share
Previous forecast (October 28, 2003)	327,700	14,800	6,100	¥37.23
Revised forecast	330,700	15,700	6,700	¥40.99
Change	3,000	900	600	¥3.76
Change (%)	0.9	6.1	9.8	—
Fiscal 2003	311,133	12,997	5,826	¥35.51
Change	19,567	2,703	874	¥5.48
Change (%)	6.3	20.8	15.0	—

Outlook for Fiscal 2004

The Koito Group performed well during the nine-month period from April 1, 2003 to December 31, 2003, particularly in the mainstay automotive lighting equipment segment. After carefully reviewing our forecasts, the Company anticipates that both consolidated and non-consolidated results for fiscal 2004 will surpass the previous forecasts announced on October 28, 2003.

The Company is forecasting record net sales, recurring profit and net income for fiscal 2004. The Company expects recurring profit to increase 20.8% to ¥15.7 billion due to increased net sales and a group-wide drive to reduce cost of sales led by the Company. Last fiscal year, the Company booked record extraordinary gains, partly due to a gain of ¥5.3 billion on the return of the substitutional component of the Employees Welfare Annuity Fund to the Japanese government. Although this year's extraordinary gains are likely to be much lower, the Company still expects to increase net income by 15.0% to a record ¥6.7 billion due to the positive factors outlined above.

Non-Consolidated Outlook for Fiscal 2004 (April 1, 2003 - March 31, 2004) (¥ millions)

	Net sales	Recurring profit	Net income	Net income per share	
				End of period	
Previous forecast (October 28, 2003)	166,100	9,000	5,300	¥5.00	¥10.00
Revised forecast	168,900	10,200	6,100	¥5.00	¥10.00
Change	2,800	1,200	800		
Change (%)	1.7	13.3	15.1		
Fiscal 2003	156,967	7,981	5,894	¥6.00	¥10.00
Change	11,933	2,219	206		
Change (%)	7.6	27.8	3.5		

*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.

Consolidated Balance Sheets

(¥ millions)

Item	Period	Third Quarter Fiscal 2004 As of December 31, 2003	Fiscal 2003 As of March 31, 2003	Change
Assets				
Current assets:				
Cash and time deposits		10,158	11,670	1,512
Trade notes and accounts receivable		63,866	77,396	13,530
Marketable securities		13,778	19,674	5,896
Inventories		27,920	19,906	8,014
Deferred income taxes		5,694	5,069	625
Other current assets		11,183	5,391	5,792
Less: Allowance for doubtful accounts		904	931	27
Total current assets		131,698	138,177	6,479
Fixed assets:				
Property, plant and equipment				
Buildings and structures		29,947	30,893	946
Fixtures and transportation equipment		25,298	23,890	1,408
Machinery, equipment and tools		10,408	11,558	1,150
Land		11,285	11,448	163
Construction in progress		895	2,814	1,919
Property, plant and equipment, net		77,836	80,605	2,769
Intangible fixed assets		413	430	17
Investments and other assets:				
Investment securities		64,444	59,716	4,728
Loans		1,041	1,455	414
Deferred income taxes		3,183	5,116	1,933
Other investments		3,636	5,195	1,559
Less: Allowance for doubtful accounts		342	299	43
Total investments and other assets		71,964	71,184	780
Total fixed assets		150,213	152,220	2,007
Total assets		281,912	290,397	8,485

(¥ millions)

Item	Period	Third Quarter Fiscal 2004 As of December 31, 2003	Fiscal 2003 As of March 31, 2003	Change
Liabilities				
Current liabilities:				
Notes and accounts payable-trade		50,605	55,544	4,939
Short-term loans		24,880	27,660	2,780
Accrued expenses		14,301	13,794	507
Income taxes payable		913	2,802	1,889
Provisions for employees' bonuses		4,532	4,681	149
Other current liabilities		8,904	7,031	1,873
Total current liabilities		104,138	111,514	7,376
Non-current liabilities:				
Bonds		3,000	3,000	—
Long-term debt		18,362	25,379	7,017
Accrued retirement benefits		20,605	19,033	1,572
Directors' and corporate auditors' accrued retirement benefits		1,320	1,441	121
Other non-current liabilities		846	1,066	220
Total non-current liabilities		44,134	49,920	5,786
Total liabilities		148,272	161,435	13,163
Minority interests		26,016	26,487	471
Shareholders' equity:				
Common stock		14,270	14,270	—
Additional paid-in capital		17,107	17,107	—
Retained earnings		69,944	68,782	1,162
Valuation adjustment on investment securities		9,472	4,892	4,580
Translation adjustments		2,401	1,809	592
Treasury common stock, at cost		770	768	2
Total shareholders' equity		107,623	102,475	5,148
Total liabilities, minority interests and shareholders' equity		281,912	290,397	8,485

Consolidated Statements of Income

(¥ millions)

Item	Period	Fiscal 2004 First Three Quarters April 1, 2003 to December 31, 2003		Fiscal 2003 First Three Quarters April 1, 2002 to December 31, 2002		Change		Fiscal 2003 April 1, 2002 to March 31, 2003	
			(%)		(%)		(%)		(%)
Net Sales		229,913	100.0	215,515	100.0	14,398	6.7	311,133	100.0
Cost of Sales		199,499	86.8	187,230	86.9	12,269		265,023	85.2
Gross Profit		30,414	13.2	28,284	13.1	2,130		46,110	14.8
Selling, general and administrative expenses		24,856	10.8	24,046	11.1	810		32,953	10.6
Operating income		5,558	2.4	4,237	2.0	1,321	31.2	13,157	4.2
Non-operating income		2,609		1,565		1,044		2,070	
Interest income and dividends		(756)		(614)		(142)		(802)	
Equity in earnings of affiliates		(148)		(121)		(27)		(149)	
Other non-operating income		(1,704)		(829)		(875)		(1,119)	
Non-operating expenses		1,468		1,761		293		2,230	
Interest expenses and discounts		(468)		(638)		(170)		(827)	
Other non-operating expenses		(999)		(1,122)		(123)		(1,402)	
Recurring profit		6,698	2.9	4,041	1.9	2,657	65.8	12,997	4.2
Extraordinary gains		448		197		251		5,553	
Extraordinary losses		999		1,485		486		5,784	
Income before income taxes		6,147	2.7	2,753	1.3	3,394		12,766	4.1
Incomes taxes		4,483		2,371		2,112		5,503	
Deferred income taxes		2,024		1,269		755		390	
Total		2,459		1,101		1,358		5,113	
Minority interest in consolidated subsidiaries		610		152		458		1,826	
Net income		3,077	1.3	1,500	0.7	1,577	105.1	5,826	1.9

Consolidated Statements of Retained Earnings

(¥ millions)

Item	Period	Fiscal 2004 First Three Quarters April 1, 2003 to December 31, 2003	Fiscal 2003 April 1, 2002 to March 31, 2003
(Additional paid-in capital)			
I Additional paid-in capital at beginning of period			
Beginning balance		17,107	17,107
II Additional paid-in capital at end of period		17,107	17,107
(Retained earnings)			
I Retained earnings at beginning of period			
Consolidated retained earnings, beginning of period		68,782	64,373
II Increase in retained earnings			
Net income		3,077	5,826
III Appropriations			
Dividends		1,755	1,277
Bonuses to directors and corporate auditors		160	140
IV Retained earnings at end of period		69,944	68,782

Consolidated Statements of Cash Flows

(¥ millions)

Item	Period	Fiscal 2004 First Three Quarters April 1, 2003 to December 31, 2003	Fiscal 2003 April 1, 2002 to March 31, 2003
I. Cash flows from operating activities			
Income before income taxes		6,147	12,766
Depreciation		12,340	17,004
Equity in earnings of affiliated companies		148	149
Provision for allowance for doubtful accounts		50	56
Provision for accrued retirement benefits		1,498	2,759
Provision for reserve for bonuses		149	102
Interest and dividends received		756	802
Interest payments		468	827
Loss on sale and revaluation of marketable securities		591	1,588
Loss on revaluation of golf memberships		40	326
Loss on sale and disposal of property and equipment		183	192
Loss on revaluation of landholdings		—	1,290
Trade notes and accounts receivable		12,549	791
Inventories		8,426	504
Other receivables		6,002	400
Trade notes and accounts payable		3,958	988
Accrued expenses and other current liabilities		2,727	748
Directors' and corporate auditors' bonuses paid		180	168
Sub total		15,792	31,918
Interest and dividends received		756	802
Interest paid		468	827
Income taxes paid		6,231	4,137
Net cash provided by operating activities		9,849	27,756
II. Cash flows from investing activities			
Payments into time deposits		1,050	2,619
Proceeds from time deposits		1,193	2,148
Payments for purchase of marketable and investment securities		19,183	32,146
Proceeds from sale of marketable and investment securities		26,423	28,051
Payments for purchase of property and equipment		12,321	18,682
Proceeds from sale of property and equipment		622	397
Increase in loans receivable		301	698
Proceeds from collection of loans receivable		714	1,211
Other payments relating to investments		1,518	189
Net cash used in investing activities		2,385	22,149
III. Cash flows from financing activities			
Increase (decrease) in short-term loans		10,231	3,697
Increase in long-term debt		2,125	12,148
Repayment of long-term debt		401	14,815
Redemption of bonds		—	2,518
Payment for eliminating employees' savings deposits		—	1,772
Payments for purchase of treasury stock		2	33
Dividends paid by parent company		1,755	1,277
Dividends paid to minority shareholders		744	819
Net cash used in financing activities		11,008	5,389
IV Effect of exchange rate changes on cash and cash equivalents		227	173
V Change in cash and cash equivalents		3,771	45
VI Cash and cash equivalents at beginning of period		15,494	15,449
VII Cash and cash equivalents at end of period		11,723	15,494

Segment Information

(1) Industry Segment Information

Nine months ended December 31, 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	192,628	22,420	14,864	229,913	—	229,913
(2) Inter-segment sales and transfers	30,812	767	2,040	33,620	(33,620)	—
Total	223,441	23,187	16,904	263,533	(33,620)	229,913
Operating expenses	215,061	24,424	16,824	256,310	(31,955)	224,355
Operating income (loss)	8,380	1,236	79	7,223	(1,665)	5,558

Nine months ended December 31, 2002

(¥ 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	176,306	24,701	14,508	215,515	—	215,515
(2) Inter-segment sales and transfers	32,485	1,162	2,227	35,874	(35,874)	—
Total	208,791	25,863	16,735	251,390	(35,874)	215,515
Operating expenses	202,039	26,702	16,924	245,666	(34,388)	211,277
Operating income (loss)	6,751	839	188	5,723	(1,485)	4,237

(2) Geographical Segment Information

Nine months ended December 31, 2003

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales:							
(1) Sales to outside customers	152,373	32,301	37,045	8,191	229,913	—	229,913
(2) Inter-segment sales and transfers	32,208	—	1,380	31	33,620	(33,620)	—
Total	184,582	32,301	38,426	8,223	263,533	(33,620)	229,913
Operating expenses	179,257	31,645	36,083	9,324	256,310	(31,955)	224,355
Operating income (loss)	5,324	656	2,343	1,100	7,223	(1,665)	5,558

Nine months ended December 31, 2002

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	144,317	32,956	32,514	5,726	215,515	—	215,515
(2) Inter-segment sales and transfers	34,845	—	1,021	7	35,874	(35,874)	—
Total	179,163	32,956	33,536	5,734	251,390	(35,874)	215,515
Operating expenses	175,411	32,080	31,110	7,064	245,666	(34,388)	211,277
Operating income (loss)	3,752	875	2,425	1,329	5,723	(1,485)	4,237