



Consolidated Earnings Report for the First Quarter of Fiscal 2011 [Japanese GAAP]

July 26, 2010

Company Name:	KOITO MANUFACTURING CO., LTD.
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	7276
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Scheduled Payment of Dividends:	—
Supplementary explanatory materials prepared:	None
Explanatory meeting:	None

(¥ millions are rounded down)

1. Consolidated Results for the First Quarter of Fiscal 2011 (April 1, 2010 to June 30, 2010)

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

First Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2011	105,296	34.3%	9,263	—	7,729	—	2,900	—
Fiscal 2010	78,404	△30.5%	△1,220	—	△183	—	△4,365	—

First Quarter,	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2011	18.05	—
Fiscal 2010	△27.17	—

(2) Consolidated Financial Position

(¥millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
First Quarter of Fiscal 2010	350,077	174,566	42.1	917.61
Fiscal 2010	357,530	177,615	41.6	925.08

Reference: Equity: June 30, 2010: ¥147,462 million; March 31, 2010: ¥148,664 million

2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2010	—	8.00	—	10.00	18.00
Fiscal 2011	—				
Fiscal 2011 (forecast)		—	—	—	—

Notes: 1. Revisions to dividend forecasts during the first quarter: None

2. The dividend record dates are September 30 and March 31, as prescribed by Koito's Articles of Incorporation; the dividend forecast for record dates are currently undecided.

3. Forecast of Consolidated Results for Fiscal 2011 (April 1, 2010 to March 31, 2011)

(¥ millions; percentage figures represent year-on-year changes)

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	211,000	21.7%	17,500	210.8%	15,000	146.7%	5,500	—	34.22
Full year	425,000	4.1%	35,500	△1.5%	30,000	△16.6%	13,000	109.1%	80.89

Note: Revisions to forecast of consolidated results during the first quarter: Yes

4. Others (For Details, see “Other Information” on page 3)

(1) Changes to important subsidiaries during the first quarter: None

Note: Indicates whether there have been any changes to the scope of consolidation during the consolidated accounting period under review.

(2) Application of simplified accounting methods, and of special accounting methods in the preparation of quarterly consolidated financial statements: None

Note: Indicates whether there has been any application of simplified accounting methods, and of special accounting methods in the preparation of quarterly consolidated financial statements.

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

① Changes in accounting standards: Yes

② Other changes: None

Note: Indicates whether there have been any changes in accounting principles, procedures, methods of presentation, etc. associated with preparation of quarterly consolidated financial statements during the consolidated accounting period under review.

(4) Number of shares issued (common stock)

① Number of shares issued (including treasury stock)

② Number of treasury shares

③ Average number of shares during the first quarter

Fiscal 2011, 1Q	160,789,436	Fiscal 2010	160,789,436
Fiscal 2011, 1Q	86,057	Fiscal 2010	85,690
Fiscal 2011, 1Q	160,703,415	Fiscal 2010, 1Q	160,706,423

*Explanations concerning status of quarterly review procedures

This quarterly earnings report is not subject to the review procedures for quarterly reporting based on the Financial Instruments and Exchange Act. At the time of issue of this report, the review procedures for quarterly reporting based on the Financial Instruments and Exchange Act were being carried out.

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

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

2. The dividend forecast for the fiscal year ending March 31, 2011 has not been decided. Koito intends to promptly disclose the dividend forecast when able to do so.

《 For Reference Only 》

Forecast of Non-consolidated Results for Fiscal 2011 (April 1, 2010 to March 31, 2011)

(¥ millions; percentage figures represent year-on-year changes)

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	112,500	22.5%	8,500	315.6%	13,000	175.4%	7,300	108.5%	45.43
Full year	222,000	4.0%	15,500	0.8%	22,000	4.4%	12,800	165.5%	79.65

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

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

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

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1. Qualitative Information Concerning Financial Statements and Other Matters

(1) Qualitative Information Concerning Consolidated Operating Results

During the first quarter of fiscal 2011, the period under review, there were signs in certain areas of the economy of recovery from the global economic turmoil that began in the fall of 2008 as various economic measures implemented by countries around the world took effect. The world economy returned to positive growth, led by high economic growth in China, India and other emerging countries. However, the world economy remains unstable and the outlook unclear as a result of financial regulation in industrialized countries, financial unease in European nations, and labor issues in emerging countries.

In the auto industry, both domestic demand and exports were strong and production volume rose year on year as various government measures, such as tax breaks on environmentally friendly vehicles and incentives to scrap old vehicles, produced results in Japan and overseas, helping Japan's auto industry to put the worst of the recession behind it. Overseas as well, performance in regions such as North America and Europe was strong, and production rose in emerging countries such as China and Thailand, leading to an increase in automobile production worldwide.

In this climate, the Koito Group reported first-quarter consolidated net sales of ¥105.2 billion, up 34.3% year on year, due to growth in sales as a result of increased production in the mainstay automotive lighting equipment segment.

Results by geographical segment are outlined as follows.

[Japan]

Sales in Japan rose 27.8% to ¥61.4 billion. This reflected increased sales in the automotive lighting equipment segment as environmentally friendly vehicle production grew on the back of government measures to promote sales of these sorts of vehicles. Sales also rose in other segments, including information system equipment and railroad car equipment.

[North America]

Sales in North America increased 45.1% to ¥12.1 billion due to firm automobile production volumes as government economic measures took effect, as well as an increase in new orders and efforts to expand sales.

[China]

Sales in China climbed 56.3% to ¥21.2 billion. This was due to an ongoing increase in automobile production amid economic growth, as well as to stronger order-winning activities and efforts to expand sales.

[Asia]

Sales in Asia grew 41.5% to ¥7.2 billion as auto production increased significantly in Thailand and other countries and Koito worked to expand orders for automotive lighting equipment to tap this demand.

[Europe]

Sales in Europe declined 1.1% to ¥3.1 billion due to declines in production of automobile models for which Koito received orders, despite solid growth in overall automobile production in Europe and efforts to expand sales of automotive lighting equipment, mainly to local manufacturers.

On the earnings front, the Company moved back into the black, reporting operating income of ¥9.2 billion, recurring profit of ¥7.7 billion and net income of ¥2.9 billion. This turnaround from the losses in the corresponding period of the previous fiscal year reflected increased sales due to higher automobile production in Japan and overseas, as well as efforts with Group companies to streamline operations by enacting quality improvement programs, curtailing capital investments, and promoting robust measures to cut unit costs.

(2) Qualitative Information Concerning Consolidated Financial Position

- 1. Analysis of assets, liabilities and net assets

Total assets decreased ¥7.4 billion from March 31, 2010 to ¥350.0 billion, the result mainly of a decrease in trade notes and accounts receivable, a decrease in property, plant and equipment accompanying the curtailment of capital investments, and a decrease in investment securities, offset partly by increases in cash and time deposits.

Total liabilities decreased ¥4.4 billion from March 31, 2010 to ¥175.5 billion, reflecting a decrease in notes and accounts payable and repayment of loans.

Total net assets decreased ¥3.0 billion from March 31, 2010 to ¥174.5 billion, despite an increase in retained earnings from the net income result, due to the payment of dividends and a decrease in revaluations and translation adjustments.

- 2. Analysis of cash flows

Operating activities provided net cash of ¥22.2 billion after payment of taxes, mainly reflecting income before income taxes of ¥6.0 billion, depreciation of ¥5.1 billion and a decline in accounts receivable of ¥14.2 billion.

Investing activities used net cash of ¥17.6 billion, mainly reflecting payments into time deposits of ¥15.0 billion and capital investments of ¥3.9 billion.

Financing activities used net cash of ¥5.0 billion, the result mainly of ¥2.7 billion in debt repayment and a ¥2.2 billion in dividends paid.

As a result, cash and cash equivalents as of June 30, 2010 were ¥29.2 billion, ¥0.9 billion lower than on March 31, 2010.

(3) Qualitative Information Concerning Consolidated Forecast of Consolidated Results for Fiscal 2011

In fiscal 2011, ending March 31, 2011, although there are pockets of recovery, economic conditions inside and outside of Japan are expected to remain adverse, reflecting fiscal problems (sovereign risk) in various countries and fluctuations in stock prices and foreign currency rates, which will weigh on corporate earnings. The employment situation is also unstable.

Under these conditions, the Koito Group will enhance efforts to expand orders, boost productivity, and improve its mutually complementary supply network and structure. It will also pursue further restructuring to properly align operations with changes in production volume, and assertively develop measures to reduce costs, as it strives to improve operating performance going forward.

For fiscal 2011, the Koito Group is projecting increased sales on higher orders, mainly for hybrid cars and other environmentally friendly vehicles, and expanded sales of new products.

In terms of earnings, the Group will continue to strengthen measures in Japan and overseas to bolster productivity, reduce costs, curb capital expenditures and implement other activities to reduce expenses. Nevertheless, due to increased expenses related to problems with aircraft seats, operating income and recurring profit are expected to decline year on year. Net income, however, is projected to increase, due in part to a decrease in extraordinary losses related to marketable securities.

At this time, Koito has not yet decided the full-year dividend for fiscal 2011, as the business environment remains uncertain. The Company will announce interim and full-year dividend projections at a later date following close consideration of business trends going forward.

Looking ahead, we will continue in our efforts to achieve even higher earnings to meet the expectations of all shareholders.

2. Other Information

(1) Changes to important subsidiaries during the first quarter: None

(2) Application of simplified accounting methods, and of special accounting: None

(3) Changes in accounting principles, procedures, methods of presentation, etc.:

From the first quarter of fiscal 2011, the Company has applied the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No.18; March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No.21; March 31, 2008).

This change will have no effect on operating income, recurring profit, or income before income taxes.

The Company leases certain of its factories and structures as well as land, in Japan and overseas. Based on the real estate lease agreements, when vacating these properties the Company is obliged to return them to their original condition. However, it is uncertain how long these lease assets will be in use. As of the release of this report, there are no plans to relocate any of the relevant facilities, and the Company cannot reasonably estimate its asset retirement obligations for these assets. Therefore, these asset retirement obligations are not listed.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(¥ millions)

	First Quarter of Fiscal 2011 As of June 30, 2010	Fiscal 2010 As of March 31, 2010
Assets		
Current assets:		
Cash and time deposits	50,671	36,835
Trade notes and accounts receivable	72,154	86,937
Marketable securities	3,519	5,097
Inventories	43,551	42,153
Deferred income tax assets	6,180	6,238
Accrued income	14,235	14,697
Other current assets	4,296	3,577
Less: Allowance for doubtful accounts	△13,544	△13,320
Total current assets	181,066	182,216
Fixed assets:		
Property, plant and equipment		
Buildings and structures (net)	31,420	32,747
Machinery and transportation equipment (net)	27,279	29,840
Fixtures, equipment and tools (net)	9,756	10,665
Land	13,148	13,206
Construction in progress	2,902	1,530
Total property, plant and equipment	84,507	87,989
Intangible fixed assets	1,652	1,745
Investments and other assets:		
Investment securities	72,727	75,384
Loans	208	207
Deferred income tax assets	7,879	7,949
Other investments	2,269	2,272
Less: Allowance for doubtful accounts	△234	△234
Total investments and other assets	82,851	85,578
Total fixed assets	169,011	175,314
Total assets	350,077	357,530

(¥ millions)

	First Quarter of Fiscal 2011 As of June 30, 2010	Fiscal 2010 As of March 31, 2010
Liabilities		
Current liabilities:		
Trade notes and accounts payable	71,117	75,174
Short-term loans	32,543	35,714
Accrued expenses	18,334	15,769
Income taxes payable	3,916	3,305
Allowance for employees' bonuses	4,836	4,754
Allowance for directors' and corporate auditors' bonuses	78	322
Reserve for product warranties	1,400	1,400
Other current liabilities	6,552	6,264
Total current liabilities	138,779	142,704
Non-current liabilities:		
Long-term debt	6,141	6,967
Allowance for employees' retirement benefits	28,277	27,999
Allowance for directors' and corporate auditors' retirement benefits	1,377	1,486
Allowance for environmental strategies	234	—
Other non-current liabilities	699	755
Total non-current liabilities	36,731	37,209
Total liabilities	175,511	179,914
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	17,107	17,107
Retained earnings	113,919	112,626
Treasury common stock, at cost	△70	△70
Total shareholders' equity	145,227	143,934
Revaluations and translation adjustments:		
Valuation adjustment on investment securities	5,505	6,776
Translation adjustments	△3,269	△2,046
Total revaluations and translation adjustments	2,235	4,729
Minority interests	27,103	28,951
Total net assets	174,566	177,615
Total liabilities and net assets	350,077	357,530

(2) Quarterly Consolidated Statements of Income
(First quarter, for the three months ended June 30)

(¥ millions)

	First Quarter of Fiscal 2010 April 1, 2009 to June 30, 2009	First Quarter of Fiscal 2011 April 1, 2010 to June 30, 2010
Net sales	78,404	105,296
Cost of sales	71,003	87,500
Gross profit	7,400	17,795
Selling, general and administrative expenses	8,621	8,532
Operating income or loss	△1,220	9,263
Non-operating income:		
Interest income and dividends	539	490
Equity in earnings of affiliates	3	△3
Other non-operating income	820	446
Total non-operating income	1,363	932
Non-operating expenses:		
Interest expenses	227	162
Foreign exchange loss	—	516
Aircraft business safety measure expenses	—	1,733
Other non-operating expenses	98	55
Total non-operating expenses	325	2,467
Recurring profit or loss	△183	7,729
Extraordinary gains:		
Others	0	—
Total extraordinary gains	0	—
Extraordinary losses:		
Loss on sales and disposal of property and equipment	15	46
Loss on revaluation of investment securities	—	1,133
Loss on sales of marketable securities	4,369	—
Provision for bad debts	—	300
Provision for environmental strategies	—	234
Other	25	—
Total extraordinary losses	4,410	1,714
Income or loss before income taxes	△4,594	6,014
Income taxes	337	3,374
Income tax adjustment	△655	48
Total income taxes	△317	3,422
Income before minority interests	—	2,591
Minority interest or loss in consolidated subsidiaries	88	△308
Net income or loss	△4,365	2,900

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	First Quarter of Fiscal 2010 April 1, 2009 to June 30, 2009	First Quarter of Fiscal 2011 April 1, 2010 to June 30, 2010
Cash flows from operating activities		
Income or loss before income taxes	△4,594	6,014
Depreciation	5,888	5,112
Equity in earnings of affiliated companies	△3	3
Provision for allowance for doubtful accounts	2	263
Provision for accrued retirement benefits	△122	171
Provision for reserve for bonuses	251	160
Interest and dividends received	△539	△490
Interest payments	227	162
Loss on sale of marketable and investment securities	4,369	—
Loss on revaluation of marketable and investment securities	△5	1,133
Loss on sale of property and equipment	15	46
Changes in trade notes and accounts receivable	11,047	14,229
Changes in inventories	△1,781	△2,271
Changes in other current assets	103	△566
Changes in trade notes and accounts payable	△4,847	△2,406
Changes in accrued expenses and other current liabilities	3,313	2,827
Directors' and corporate auditors' bonuses paid	△329	△322
Others	982	545
Sub total	13,977	24,610
Interest and dividends received	539	490
Interest paid	△227	△162
Income taxes paid	△1,087	△2,699
Net cash provided by operating activities	13,202	22,239
Cash flows from investing activities		
Payments into time deposits	△45	△16,240
Proceeds from time deposits	91	1,152
Payments for purchase of marketable and investment securities	△1,399	△698
Proceeds from sale of marketable and investment securities	3,642	2,111
Payments for purchase of property and equipment	△4,144	△3,909
Proceeds from sale of property and equipment	67	90
Payments for new loans	△75	△26
Proceeds from loan repayments	130	56
Others	174	△164
Net cash used in investing activities	△1,559	△17,628
Cash flows from financing activities		
Decrease in short-term loans	△1,512	△2,640
Increase in long-term debt	1,133	3
Repayment of long-term debt	△396	△156
Payments for repurchase of treasury stock	0	0
Dividends paid by parent company	△1,150	△1,450
Dividends paid to minority shareholders	△295	△807
Net cash provided by or used in financing activities	△2,220	△5,050
Effect of exchange rate changes on cash and cash equivalents	△30	△490
Change in cash and cash equivalents	9,393	△929
Cash and cash equivalents at beginning of quarter	19,672	30,189
Cash and cash equivalents at end of quarter	29,065	29,260

(4) Going Concern Assumption

None

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

First quarter of fiscal 2010 (April 1, 2009 to June 30, 2009)

(¥ millions)

	Automotive Lighting Equipment	Non-Automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination	Consolidated total
Sales						
(1) Sales to outside customers	66,437	5,865	6,101	78,404	—	78,404
(2) Inter-segment sales and transfers	19,309	251	2,619	22,181	(22,181)	—
Total	85,747	6,117	8,721	100,586	(22,181)	78,404
Operating expenses	85,467	6,323	9,375	101,167	(21,542)	79,625
Operating income or loss	279	△206	△654	△581	(639)	△1,220

【Geographical Segment Information】

First quarter of fiscal 2010 (April 1, 2009 to June 30, 2009)

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	48,087	8,346	18,734	3,235	78,404	—	78,404
(2) Inter-segment sales and transfers	17,807	13	1,350	3,009	22,181	(22,181)	—
Total	65,895	8,359	20,085	6,245	100,586	(22,181)	78,404
Operating expenses	67,113	8,329	18,718	7,006	101,167	(21,542)	79,625
Operating income or loss	△1,218	30	1,367	△760	△581	(639)	△1,220

【Overseas Sales】

First quarter of fiscal 2010 (April 1, 2009 to June 30, 2009)

(¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	8,991	18,698	3,334	31,023
II. Consolidated sales	—	—	—	78,404
III. Overseas sales ratio (%)	11.5	23.8	4.3	39.6

[Segment Information]

1. Overview of Reporting Segments

The Koito Group produces primarily automotive lighting equipment in Japan and overseas, and supplies products to countries around the world as a global supplier. Each local subsidiary is an independent business entity, and the Group does business by establishing a comprehensive plan for each region. The Company's five reporting segments are therefore geographical segments based on production and sales structures, comprising Japan, North America, China, Asia and Europe. Within each of these geographical segments are segments that produce and sell automotive lighting equipment, railroad car control equipment, aircraft components, and seats for railroad cars and aircraft.

2. Information Concerning Net Sales and Operating Income for Each Segment

First quarter of fiscal 2011 (April 1, 2010 to June 30, 2010)

(¥ millions)

	Japan	North America	China	Asia	Europe	Total	Adjustment (Note 1)	Amount recorded on consolidated statement of income
Net sales								
Sales to outside customers	61,464	12,112	21,294	7,226	3,198	105,296	—	105,296
Inter-segment sales and transfers	25,938	10	725	674	3,033	30,383	△30,383	—
Total	87,403	12,122	22,020	7,901	6,231	135,679	△30,383	105,296
Segment operating income or loss	6,283	1,352	2,009	801	△492	9,955	△691	9,263

Note:

- The ¥△691 million adjustment in segment income (operating income) includes ¥112 million in inter-segment eliminations and ¥△804 million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the head office of the parent company.
- The breakdown of countries and regions other than Japan and China is as follows:
 - North America: United States
 - Asia: Thailand, Indonesia, Taiwan and India
 - Europe: Belgium, United Kingdom and Czech Republic

Additional Information

From the first quarter of fiscal 2011, the Company has applied the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Statement No.17; March 27, 2009) and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Guidance No. 20; March 21, 2008).

(6) Significant changes in shareholders' equity

None