Consolidated Earnings Report for Fiscal 2008

April 23, 2008

Company Name: **KOITO MANUFACTURING CO., LTD.**
Stock Listing: First Section, Tokyo Stock Exchange
Code Number: 7276
URL: http://www.koito.co.jp
Representative Director: Masahiro Ohtake, President
Inquiries: Mizuo Yamamuro, Executive Senior Managing Director
Tel: +81-3-3443-7111

Planned Date of the General Meeting of Shareholders: June 27, 2008
Planned Date of Filing of Annual Securities Report: June 30, 2008
Planned Date of Dividends Payment: June 30, 2008

(¥ millions are rounded down)

1. Consolidated Results for Fiscal 2008 (April 1, 2007 to March 31, 2008)

(1) Consolidated Operating Results

(¥ millions, the percentages show changes from the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2008	470,648	4.0 %	28,959	35.8 %	30,397	23.6 %	15,581	16.5 %
Fiscal 2007	452,520	13.8 %	21,328	△4.2 %	24,600	△4.1 %	13,374	5.1 %

	Net income per share (¥)	Net income per share (diluted) (¥)	Return on equity (%)	Recurring profit to total assets ratio (%)	Operating income to net sales ratio (%)
Fiscal 2008	96.95	—	10.3	7.9	6.2
Fiscal 2007	83.23	—	9.2	6.5	4.7

Reference: Equity in earnings of affiliated companies: Fiscal 2008: ¥8 million Fiscal 2007: ¥42 million

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
Fiscal 2008	388,585	184,348	39.0	944.01
Fiscal 2007	385,300	180,434	38.8	930.54

Reference: Equity: March 31, 2008: ¥151,713 million; March 31, 2007: ¥149,553 million

(3) Consolidated Cash Flows (¥ millions)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
Fiscal 2008	40,522	△42,591	△1,019	16,709
Fiscal 2007	38,553	△32,640	△1,814	19,996

2. Dividends

	Dividend per share (¥)			Dividend paid (annual) (¥ millions)	Payout ratio (Consolidated) (%)	Ratio of dividends to net assets (Consolidated) (%)
(Recording Date)	First half	Year-end	Full year			
Fiscal 2007	11.00	11.00	22.00	3,535	26.4	2.4
Fiscal 2008	11.00	12.00	23.00	3,696	23.7	2.5
Fiscal 2009 (forecast)	12.00	12.00	24.00		24.4	

3. Forecast of Consolidated Results for Fiscal 2009 (April 1, 2008 to March 31, 2009)

(¥ millions; Percentages show changes from the same period of the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	220,200	2.5 %	11,100	15.2 %	11,700	11.7 %	6,000	8.1 %	37.33
Full year	474,600	0.8 %	29,500	1.9 %	30,800	1.3 %	15,800	1.4 %	98.31

*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 projections due to a variety of factors.

4. Others
(1) Changes in Scope of Consolidation of Major Consolidated Subsidiaries: Yes
（New 3; Excluded －）
(2) Changes in Accounting Principles, Standards or Procedures for Preparing Consolidated Financial Statements
① Changes in accounting standards: Yes
② Other changes: None
(3) Number of shares issued (common stock)
① Number of shares issued (including treasury stock): March 31, 2008 160,789,436, March 31, 2007 160,789,436
② Number of treasury stock: March 31, 2008 77,449, March 31, 2007 72,713

《 For Reference Only 》

Non-consolidated Earnings Report for Fiscal 2008

1. Non-consolidated Results for Fiscal 2008 (April 1, 2007 to March 31, 2008)
(1) Non-consolidated Operating Results

(¥ millions; Percentages show changes from the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2008	247,896	8.4 %	15,026	28.4 %	21,232	17.0%	12,866	7.1 %
Fiscal 2007	228,723	9.2 %	11,699	△6.9 %	18,150	△2.2%	12,014	7.2 %

	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2008	80.06	－
Fiscal 2007	74.76	－

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

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
Fiscal 2008	221,105	130,289	58.9	810.70
Fiscal 2007	215,689	128,033	59.4	796.64

Note: Equity: March 31, 2008: ¥130,289 million, March 31, 2007: ¥128,033 million

2. Forecast of Non-consolidated Results for Fiscal 2009 (April 1, 2008 to March 31, 2009)

(¥ millions; Percentages show changes from the same period of the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	123,000	7.3 %	6,500	12.2 %	10,300	16.8 %	6,200	16.8 %	38.58
Full year	259,700	4.8 %	16,100	7.1 %	22,900	7.9 %	13,800	7.3 %	85.87

*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.

1. Results of Operations

(1) Analysis of Operations

－1. Overview of Fiscal 2008

During fiscal 2008, the period under review, the Japanese economy experienced modest expansion with improved corporate earnings amid a weaker yen in the first half of the fiscal year, and increased capital expenditure and consumer spending. In the second half of the fiscal year, however, the real economy showed strong signs of a slowdown, mainly due to a rapid appreciation of the yen and plummeting share prices arising from worldwide financial instability linked to the U.S. sub-prime loan problem.

The world economy grew firmly overall as a result of continued economic growth in China and some other newly developing countries. This came despite modest growth in the U.S., European and some other economies due to such factors as much higher crude oil and materials prices, and the negative impact of the financial instability.

In the auto industry, unit automobile production in Japan increased year on year as exports to Europe, Asia, the Middle and Near East, and elsewhere more than compensated for lower domestic demand. Overseas, automobile production in North America and Europe declined, whereas higher production was reported in Asian countries such as China and Thailand. On the whole, worldwide unit automobile production rose.

In this climate, the Koito Group boosted product development capabilities and production capacity, and aggressively sought to win more orders, with the view to expand automotive lighting equipment sales over the medium and long terms.

In May 2007, Koito became first in the world to commercialize an LED (light-emitting diode) headlamp. Using a high-output white LED, and its own optical control system, Koito achieved world-leading levels of brightness. LED headlamps also promise much from an environmental viewpoint, since they last longer, conserve energy and take up less space.

As regards new production bases, Koito commenced production in July 2007 at the fourth plant of North American Lighting, Inc. in Alabama, U.S., and the following September the second plant at INDIA JAPAN LIGHTING PRIVATE LIMITED in the northern region of Haryana, India, came onstream. In December 2007, KOITO KYUSHU LIMITED began constructing a second plant, which should be operational in September 2008.

The Koito Group reported consolidated net sales of ¥470.6 billion, a 4.0% increase and a record result. This reflected increased sales resulting from higher unit automobile production, expanded sales of new products and other factors in Japan, as well as a strong performance overseas by its mainstay automotive lighting equipment segment.

Results by business segment are outlined as follows:

〔Automotive Lighting Equipment〕

Segment sales rose 2.1% to ¥391.8 billion, fueled in Japan by greater adoption of discharge headlamps, intelligent Adaptive Front Lighting System (AFS) headlamps, LED rear combination lamps and other automotive lighting equipment in new vehicles, as well as the launch of LED headlamps. Other contributing factors were efforts made to win new orders and increase new product sales in response to higher unit automobile production at overseas subsidiaries in China, Thailand and some other newly developing countries.

〔Non-Automotive Electrical Equipment〕

Segment sales increased 12.8% to ¥42.9 billion, reflecting steady sales growth of road information equipment and certain other products, as well as increased sales of railroad car equipment for a new bullet train and other uses.

〔Other Products & Services〕

Segment sales were ¥35.8 billion, up 16.6% from the previous fiscal year due to higher sales of seats mainly due to significantly increased orders for railroad car seats for the new bullet train, as well as higher sales of automotive headlamp cleaners and other products.

On the earnings front, amid intensifying price-based competition in automotive lighting equipment worldwide, operating income increased 35.8% year on year to ¥28.9 billion. The increase in operating income reflected efforts by Koito and Group companies to streamline operations by conducting quality improvement activities and aggressively promoting cost-cutting measures. It also reflected smooth new product launches at new production bases such as KOITO KYUSHU LIMITED and GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. Recurring profit rose 23.6% to ¥30.3 billion, despite ¥1.8 billion in exchange rate losses associated with the yen’s second-half appreciation. Net income increased 16.5% to ¥15.5 billion. Net sales and net income both increased for the sixth consecutive fiscal year to record levels.

−2. Outlook for Fiscal 2009

In fiscal 2009, ending March 31, 2009, the global economy is expected to create an unpredictable business environment for Koito. Among the factors cloaking the outlook with uncertainty are U.S. sub-prime-related financial instability, exchange rate and share price fluctuations, and crude oil and material price trends, combined with slowing U.S. and European economies.

As a global supplier with a product development and manufacturing network covering the world's four key markets, the Koito Group will continue working to expand orders and production capacity, and to improve its mutual complementary supply network and structure. The Company will also extend cost-cutting and other measures, with the goal of improving operating results.

For fiscal 2009, the Koito Group is projecting a rise in consolidated net sales to ¥474.6 billion on a projected increase in orders for products used in new models of automobiles and sales of new products. Operating income, recurring profit and net income are each forecast to remain flat, despite an expected improvement in non-consolidated results and earnings at Japanese and overseas affiliates. This is mainly because of the negative impact of increased fixed expenses associated with the start of operations of the second plant at KOITO KYUSHU LIMITED and unpredictable trends in exchange rates.

(2) Analysis of Financial Position

−1. Balance sheet

Total assets increased ¥3.2 billion to ¥388.5 billion, the result mainly of an increase in investment securities under fixed assets, despite sales of marketable securities and other decreases of current assets.

Total liabilities declined ¥0.6 billion to ¥204.2 billion, reflecting a decrease in accounts payable and other trade notes and accounts payable.

Total net assets increased ¥3.9 billion to ¥184.3 billion. This was mainly attributable to a decrease in the valuation adjustment on investment securities despite an increase in retained earnings due to net income of ¥15.5 billion.

−2. Cash flows

Operating activities provided net cash of ¥40.5 billion. Cash of ¥50.9 billion, mainly reflecting income before income taxes of ¥30.0 billion and depreciation of ¥25.1 billion, was partly offset by income taxes paid.

Investing activities used net cash of ¥42.5 billion, reflecting capital investments of ¥28.3 billion, primarily to increase production capacity of automotive lighting equipment, and to raise quality, and acquisitions of marketable securities and investment securities totaling ¥13.0 billion.

Financing activities used net cash of ¥1.0 billion, the result mainly of a ¥4.3 billion total dividend payment.

As a result, cash and cash equivalents as of March 31, 2008 were ¥16.7 billion, ¥3.2 billion lower than March 31, 2007.

(3) Basic Earnings Distribution Policies and Dividend Payments for Fiscal 2008 and Fiscal 2009

The Koito Group views the payment of stable dividends in line with operating results, business conditions and other factors as a fundamental management policy. Koito intends to use retained earnings mainly to maintain a corporate structure capable of responding to future changes in the operating environment, and to expand its business, develop new technologies and products, and streamline operations.

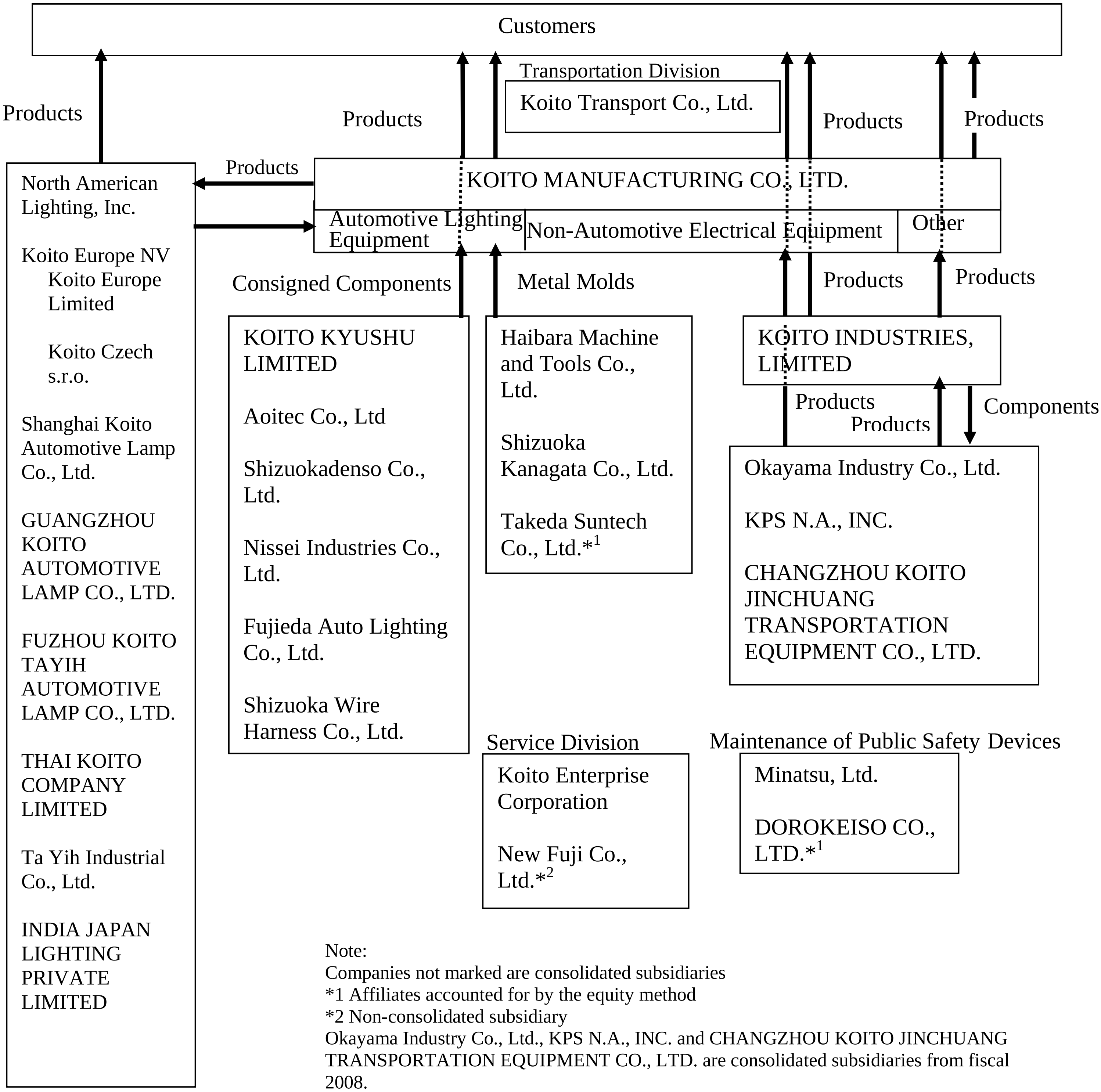
For the interim period of the fiscal year under review, Koito paid a dividend to shareholders of ¥11 per share, which is the same amount as the previous year. Koito plans to pay a year-end dividend of ¥12 per share, ¥1 per share higher than the previous year, in light of its significantly better results. Including the interim dividend, this would result in a full year dividend of ¥23 applicable to fiscal 2008, ¥1 per share higher than fiscal 2007. This would also mark the sixth consecutive year that Koito has increased the dividend.

For fiscal 2009, Koito plans to pay a full year dividend of ¥24 per share, comprising interim and year-end dividends of ¥12 per share. This would represent a seventh consecutive year of dividend growth. Looking ahead, we will continue our efforts to achieve even higher earnings to meet the expectations of all shareholders.

2. Koito Group

The Koito Group comprises KOITO MANUFACTURING CO., LTD., its 25 subsidiaries and 3 affiliates. The Group manufactures and sells automotive lighting equipments, components for airplanes, trains and railways, and a variety of electrical devices and measuring equipment. The Koito Group is also involved in related financial and distribution operations.

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



Note:
Companies not marked are consolidated subsidiaries
*1 Affiliates accounted for by the equity method
*2 Non-consolidated subsidiary
Okayama Industry Co., Ltd., KPS N.A., INC. and CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD. are consolidated subsidiaries from fiscal 2008.

3. Management Policies

(1) Basic Management Policies

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

The Koito Group addresses CSR (corporate social responsibility) and other issues by engaging in environmental preservation measures and social contribution activities and also adheres to the policy of "Manufacturing Friendly to people and the Earth" in all its business activities.

(2) Management Targets

To sustain its business and pay stable dividends to shareholders, the Koito Group views net sales, operating income, recurring profit and net income as important management targets to preserve earnings. Koito also considers ROE to be an important target from the viewpoint of investment efficiency and corporate evaluation.

Koito aims to strengthen and refine its corporate structure to enable it to respond with agility to future changes in the business environment, develop new technologies and products, and streamline operations. In doing so, Koito will strive to meet shareholders' expectations by expanding its business in the medium- and long-term, improving performance and paying stable dividends.

(3) Medium- and Long-Term Management Strategies

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

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

－2. The Koito Group will bring attractive products to market in good time 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 pursue the highest standards of quality and safety, and enforce strict environmental safeguards.

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

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

(4) Key Issues

As a global supplier, the Koito Group is working to realign and reinforce its management framework and organization to be able to respond flexibly to worldwide trends in the automobile industry, to establish development, production and sales systems, and enhance internal controls on corporate activities.

In this context, Koito is building a stronger management structure. Key to this will be developing innovative new technologies and products that anticipate market and customer needs, shortening development times, increasing environmental preservation measures, ramping up production capacity to respond to increased orders, and implementing cost cutting measures throughout the Group. Improving quality, allocating resources effectively and establishing a complementary structure for doing so are also of paramount importance.

As regards internal controls, to ensure that the Koito Group remains trusted by shareholders and all other stakeholders, Koito recognizes the importance of corporate ethics, and is enhancing corporate governance and strengthening compliance to ensure sound management, and transparent and fair management decision-making and business execution.

4. Consolidated financial statements

Consolidated Balance Sheets

(¥ millions)

Item \ Period	Fiscal 2008 As of March 31, 2008	Fiscal 2007 As of March 31, 2007	Change
Assets			
Current assets:			
Cash and time deposits	11,609	12,624	△1,015
Trade notes and accounts receivable	95,951	98,092	△2,141
Marketable securities	13,107	16,603	△3,495
Inventories	39,810	38,547	1,263
Deferred income tax assets	6,365	6,036	328
Other current assets	12,587	9,107	3,479
Less: Allowance for doubtful receivables	△936	△ 1,127	190
Total current assets	178,494	179,885	△1,391
Fixed assets:			
Property, plant and equipment			
Buildings and structures	34,096	32,877	1,219
Machinery and transportation equipment	36,598	36,607	△8
Fixtures, equipment and tools	13,180	15,160	△1,980
Land	12,591	12,415	176
Construction in progress	5,211	5,985	△774
Total property, plant and equipment	101,677	103,045	△1,367
Intangible fixed assets	972	966	5
Investments and other assets:			
Investment securities	98,921	97,716	1,205
Loans	598	529	68
Deferred income tax assets	3,502	—	3,502
Other investments	4,644	3,399	1,245
Less: Allowance for doubtful receivables	△227	△ 242	14
Total investments and other assets	107,440	101,403	6,037
Total fixed assets	210,090	205,415	4,675
Total assets	388,585	385,300	3,284

(¥ millions)

Item \ Period	Fiscal 2008 As of March 31, 2008	Fiscal 2007 As of March 31, 2007	Change
Liabilities			
Current liabilities:			
Trade notes and accounts payable	78,378	80,395	△2,017
Short-term loans	33,846	36,313	△2,467
Accrued expenses	17,948	18,229	△281
Income taxes payable	5,101	5,126	△25
Allowance for employees' bonuses	4,865	4,482	383
Allowance for directors' and corporate auditors' bonuses	397	280	118
Reserve for product warranties	1,400	1,400	—
Other current liabilities	9,745	9,474	269
Total current liabilities	151,681	155,703	△4,021
Non-current liabilities:			
Long-term debt	23,513	19,936	3,577
Allowance for employees' retirement benefits	26,549	26,107	442
Allowance for directors' and corporate auditors' retirement benefits	1,543	1,582	△39
Deferred income tax assets	—	861	△861
Other non-current liabilities	948	675	273
Total non-current liabilities	52,554	49,162	3,392
Total liabilities	204,236	204,866	△629
Net assets			
Shareholders' equity:			
Common stock	14,270	14,270	—
Additional paid-in capital	17,107	17,107	—
Retained earnings	110,980	99,299	11,680
Treasury common stock, at cost	△61	△ 54	△7
Total shareholders' equity	142,297	130,624	11,673
Revaluation and translation adjustments:			
Valuation adjustment on investment securities	10,292	17,731	△7,439
Translation adjustments	△876	1,196	△2,072
Total revaluations and translation adjustments	9,415	18,928	△9,512
Minority interests	32,635	30,881	1,753
Total net assets	184,348	180,434	3,914
Total liabilities and net assets	388,585	385,300	3,284

Consolidated Statements of Income

(¥ millions)

Item \ Period	Fiscal 2008 April 1, 2007 to March 31, 2008		Fiscal 2007 April 1, 2006 to March 31, 2007		Y-o-Y change	
		%		%		%
Net sales	470,648	100.0	452,520	100.0	18,128	4.0
Cost of sales	404,414	85.9	395,650	87.4	8,763	
Gross profit	66,234	14.1	56,869	12.6	9,364	16.5
Selling, general and administrative expenses	37,274	7.9	35,540	7.9	1,734	
Operating income	28,959	6.2	21,328	4.7	7,630	35.8
Non-operating income	6,163		5,091		1,071	
Interest income and dividends	(2,249)		(1,893)		(355)	
Equity in earnings of affiliates	(8)		(42)		(△34)	
Other non-operating income	(3,906)		(3,155)		(750)	
Non-operating expenses	4,725		1,819		2,905	
Interest expenses and discounts	(1,399)		(1,387)		(12)	
Other non-operating expenses	(3,325)		(432)		(2,893)	
Recurring profit	30,397	6.5	24,600	5.4	5,796	23.6
Extraordinary gains	47		1,035		△988	
Extraordinary losses	347		837		△490	
Income before income taxes	30,097	6.4	24,799	5.5	5,297	21.4
Income taxes	11,302		10,411		890	
Income tax adjustment	375		△ 789		1,164	
Total	11,678		9,622		2,055	
Minority interest in consolidated subsidiaries	△2,837		△ 1,802		△1,034	
Net income	15,581	3.3	13,374	3.0	2,207	16.5

Consolidated Changes in Shareholders' Equity

Fiscal 2008 (April 1, 2007 to March 31, 2008) (¥ millions)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balances as of March 31, 2007	14,270	17,107	99,299	△ 54	130,624
Changes in the fiscal year					
Dividends from retained earnings	—	—	△ 3,535	—	△3,535
Net income for the fiscal year	—	—	15,581	—	15,581
Purchases of treasury stock	—	—	0	△ 7	△6
Change associated with increase in consolidated subsidiaries	—	—	△365	—	△365
Net change in non-shareholders' equity items for the fiscal year	—	—	—	—	—
Total changes for the fiscal year	—	—	11,680	△7	11,673
Balances as of March 31, 2008	14,270	17,107	110,980	△61	142,297

	Revaluations and translation adjustments			Minority interests	Total net assets
	Valuation adjustment on investment securities	Translation adjustments	Total revaluations and translation adjustments		
Balances as of March 31, 2007	17,731	1,196	18,928	30,881	180,434
Changes in the fiscal year					
Dividends from retained earnings	—	—	—	—	△3,535
Net income for the fiscal year	—	—	—	—	15,581
Purchases of treasury stock	—	—	—	—	△6
Change associated with increase in consolidated subsidiaries	—	—	—	—	△365
Net change in non-shareholders' equity items for the fiscal year	△7,439	△2,072	△9,512	1,753	△7,758
Total changes for the fiscal year	△7,439	△2,072	△9,512	1,753	3,914
Balances as of March 31, 2008	10,292	△876	9,415	32,635	184,348

Fiscal 2007 (April 1, 2006 to March 31, 2007) (¥ millions)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balances as of March 31, 2006	14,270	17,107	89,548	△ 140	120,786
Changes in the fiscal year					
Dividends from retained earnings	—	—	△ 3,534	—	△ 3,534
Net income for the fiscal year	—	—	13,374	—	13,374
Purchases of treasury stock	—	—	—	△ 6	△ 6
Disposal of treasury stock	—	—	0	92	92
Other	—	—	△ 88	—	△ 88
Net change in non-shareholders' equity items for the fiscal year	—	—	—	—	—
Total changes for the fiscal year	—	—	9,751	85	9,837
Balances as of March 31, 2007	14,270	17,107	99,299	△ 54	130,624

	Revaluations and translation adjustments			Minority interests	Total net assets
	Valuation adjustment on investment securities	Translation adjustments	Total revaluations and translation adjustments		
Balances as of March 31, 2006	18,679	382	19,062	30,436	170,285
Changes in the fiscal year					
Dividends from retained earnings	—	—	—	—	△ 3,534
Net income for the fiscal year	—	—	—	—	13,374
Purchases of treasury stock	—	—	—	—	△ 6
Disposal of treasury stock	—	—	—	—	92
Other	—	—	—	—	△ 88
Net change in non-shareholders' equity items for the fiscal year	△ 948	814	△ 133	444	311
Total changes for the fiscal year	△ 948	814	△ 133	444	10,148
Balances as of March 31, 2007	17,731	1,196	18,928	30,881	180,434

Consolidated Statements of Cash Flows

(¥ millions)

Item / Period	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
I. Cash flows from operating activities		
Income before income taxes	30,097	24,799
Depreciation	25,140	22,347
Equity in earnings of affiliated companies	△8	△42
Provision for allowance for doubtful accounts	△71	82
Provision for accrued retirement benefits	426	1,892
Provision for reserve for bonuses	780	39
Interest and dividends received	△2,249	△1,893
Interest payments	1,399	1,387
Loss on sale and revaluation of marketable securities	△4	△882
Loss on sale of property and equipment	225	428
Changes in trade notes and accounts receivable	△231	△2,910
Changes in inventories	△2,534	△8,498
Changes in other receivables	△3,663	2,124
Changes in trade notes and accounts payable	158	9,825
Changes in accrued expenses and other current liabilities	1,772	△145
Directors’ and corporate auditors’ bonuses paid	△280	△270
Sub total	50,957	48,283
Interest and dividends received	2,249	1,893
Interest paid	△1,399	△1,387
Income taxes paid	△11,285	△10,236
Net cash provided by operating activities	40,522	38,553
II. Cash flows from investing activities		
Payments into time deposits	△306	△452
Proceeds from time deposits	429	356
Payments for purchase of marketable and investment securities	△41,830	△29,592
Proceeds from sale of marketable and investment securities	28,829	32,523
Payments for purchase of property and equipment	△28,306	△34,988
Proceeds from sale of property and equipment	403	404
Payments for new loans	△642	△461
Proceeds from loan repayments	330	488
Other payments relating to investments	△1,498	△918
Net cash used in investing activities	△42,591	△32,640
III. Cash flows from financing activities		
Decrease in short-term loans	△6,242	△961
Increase in long-term debt	11,025	4,548
Repayment of long-term debt	△1,427	△727
Payments for repurchase of treasury stock	△8	△7
Proceeds from sale of treasury stock	1	93
Dividends paid by parent company	△3,524	△3,532
Dividends paid to minority shareholders	△844	△1,228
Net cash provided by or used in financing activities	△1,019	△1,814
IV. Effect of exchange rate changes on cash and cash equivalents	△199	159
V. Change in cash and cash equivalents	△3,287	4,258
VI. Cash and cash equivalents at beginning of year	19,996	15,773
VII. Decrease in cash and cash equivalents due to exclusion from scope of consolidation	–	△35
VIII. Cash and cash equivalents at end of year	16,709	19,996

Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

1. Scope of Consolidation
Number of consolidated subsidiaries: 25
From fiscal 2008, Okayama Industry Co., Ltd., KPS N.A., INC. and CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD. are included in the scope of consolidation.

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

3. Fiscal Year of Consolidated Subsidiaries
The fiscal year-end of consolidated subsidiaries KOITO KYUSHU LIMITED, KOITO INDUSTRIES, LIMITED, Koito Transport Co., Ltd., Minatsu, Ltd., Okayama Industry Co., Ltd. and INDIA JAPAN LIGHTING PRIVATE LIMITED is March 31, the same as for the parent company. Consolidated financial statements are prepared assuming an accounting period ending March 31 for the other consolidated subsidiaries (Aoitec Co., Ltd. and 18 other companies).

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

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

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

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

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

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

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

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

c) Allowance for directors’ and corporate auditors’ bonuses:
At the Company and certain domestic consolidated subsidiaries, an allowance is provided in the amount incurred in the fiscal year under review to pay bonuses to directors and corporate auditors as decided at the General Meeting of Shareholders.

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

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

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

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

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

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

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

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

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

6. Amortization of Goodwill and Negative Goodwill
Goodwill is amortized by the straight-line method over a 5-year period.

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

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

(Changes to depreciation method for tangible fixed assets)
Recent revisions to the Corporate Tax Law have resulted in changes to the depreciation method for tangible fixed assets. Effective from the fiscal year under review, the method for calculating depreciation of tangible fixed assets of domestic consolidated subsidiaries has been changed on the basis of the recent revisions to the Corporate Tax Law.

Notes

(¥ millions)

	Fiscal 2008 As of March 31, 2008	Fiscal 2007 As of March 31, 2007
1. Cumulative depreciation of property, plant and equipment	190,410	182,515
2. Liabilities for guarantees	7	14

3. Selling, general and administrative expenses

(¥ millions)

	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
(1) Selling expenses		
Freight expenses	3,294	3,058
Employee salaries	5,173	5,306
Packaging expenses	2,095	1,763
Transfer to allowance for bonuses	559	560
Retirement benefit expenses	519	719
(2) General and administrative expenses		
Employee salaries	6,606	6,397
Fringe benefits expenses	1,792	1,687
Transfer to allowance for bonuses	517	444
Transfer to allowance for directors' bonuses	397	280
Retirement benefit expenses	517	630
Transfer to allowance for directors' retirement benefits	264	296

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

(¥ millions)

	Fiscal 2008 As of March 31, 2008	Fiscal 2007 As of March 31, 2007
Cash and deposits	11,609	12,624
Time deposits with maturities exceeding three months	△341	△ 470
Marketable securities redeemable within three months	5,441	7,842
Cash and cash equivalents	16,709	19,996

Segment Information

(1) Industry Segment Information

Fiscal 2008 (April 1, 2007 to March 31, 2008) (¥ millions)

	Automotive Lighting Equipment	Non-Automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination	Consolidated total
I. Sales and operating income						
Net Sales						
(1) Sales to outside customers	391,829	42,943	35,875	470,648	—	470,648
(2) Inter-segment sales and transfers	125,284	2,058	10,132	137,475	(137,475)	—
Total	517,114	45,001	46,007	608,124	(137,475)	470,648
Operating expenses	490,132	42,284	45,673	578,090	(136,400)	441,689
Operating income or loss	26,981	2,717	334	30,034	(1,075)	28,959
II. Assets, depreciation, impairment losses and capital expenditures						
Assets	232,751	46,781	62,008	341,540	47,045	388,585
Depreciation	23,129	927	1,032	25,088	52	25,140
Capital expenditures	26,295	778	604	27,677	—	27,677

Fiscal 2007 (April 1, 2006 to March 31, 2007) (¥ millions)

	Automotive Lighting Equipment	Non-Automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination	Consolidated total
I. Sales and operating income						
Net Sales						
(1) Sales to outside customers	383,668	38,071	30,780	452,520	—	452,520
(2) Inter-segment sales and transfers	93,916	984	3,400	98,302	(98,302)	—
Total	477,585	39,055	34,181	550,822	(98,302)	452,520
Operating expenses	455,715	38,395	34,368	528,479	(97,287)	431,191
Operating income or loss	21,870	660	△ 187	22,343	(1,014)	21,328
II. Assets, depreciation, impairment losses and capital expenditures						
Assets	228,785	49,406	56,639	334,830	50,470	385,300
Depreciation	20,596	944	766	22,306	41	22,347
Capital expenditures	33,283	688	518	34,489	—	34,489

Notes:
1. Industry segment figures are based on sales categories.
2. Major products of each division
(1) Automotive Lighting Equipment: LED headlamps, Discharge headlamps, miscellaneous car lamps, rear lamps, high-mount stop lamps, halogen bulbs, various miniature bulbs and other lighting products.
(2) Non-Automotive Electrical Equipment: Control systems for rail transports, road traffic signals, and traffic control systems.
(3) Other Products & Services: Aircraft equipments and electronic components, aircraft and train seats, environmental control systems, transportation, finance and insurance services.
3. Significant components of corporate and elimination of inter-segment items (¥ millions)

	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007	Significant Items
Unallocated operating expenses in corporate and elimination	3,670	3,454	Expenses related to the General Affairs Department of the parent company's head office

4. Assets at March 31, 2008 include ¥47,045 million that was included in corporate and elimination of inter-segment items as corporate assets. These comprise mainly surplus operational funds at the parent company (cash, deposits and marketable securities), long-term investments (investment securities) and assets relating to administrative divisions.

(2) Geographical Segment Information

Fiscal 2008 (April 1, 2007 to March 31, 2008) (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
I. Sales and operating income Net Sales							
(1) Sales to outside customers	296,554	58,241	90,881	24,971	470,648	—	470,648
(2) Inter-segment sales and transfers	104,365	8	8,499	24,602	137,475	(137,475)	—
Total	400,919	58,250	99,380	49,574	608,124	(137,475)	470,648
Operating expenses	378,905	56,047	93,607	49,529	578,090	(136,400)	441,689
Operating income or loss	22,014	2,202	5,773	44	30,034	(1,075)	28,959
II. Assets	234,675	24,394	57,302	25,169	341,540	47,045	388,585

Fiscal 2007 (April 1, 2006 to March 31, 2007) (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
I. Sales and operating income Net Sales							
(1) Sales to outside customers	282,668	55,525	89,317	25,009	452,520	−	452,520
(2) Inter-segment sales and transfers	70,817	—	3,107	24,377	98,302	(98,302)	−
Total	353,485	55,525	92,425	49,386	550,822	(98,302)	452,520
Operating expenses	337,634	52,985	88,788	49,071	528,479	(97,287)	431,191
Operating income or loss	15,851	2,540	3,637	314	22,343	(1,014)	21,328
II. Assets	225,826	24,793	58,060	26,151	334,830	50,470	385,300

Notes:

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

(¥ millions)

	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007	Significant Items
Unallocated operating expenses in corporate and elimination	3,670	3,454	Expenses related to the General Affairs Department of the parent company's head office

(3) Overseas Sales

Fiscal 2008 (April1, 2007 to March 31, 2007) (¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	64,630	90,108	26,818	181,556
II. Consolidated sales				470,648
III. Overseas sales ratio (%)	13.7	19.2	5.7	38.6

Fiscal 2007 (April1, 2006 to March 31, 2006) (¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	59,990	88,346	27,378	175,714
II. Consolidated sales				452,520
III. Overseas sales ratio (%)	13.3	19.5	6.0	38.8

Notes:

1. Countries and regional segments are based on geographic proximity.
2. Countries and regions included in each segment:
   (1) North America: United States
   (2) Asia: China, Taiwan, South Korea, Thailand and India
   (3) Europe: United Kingdom, Czech Republic and Belgium
3. 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

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

(¥ millions)

		Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
Acquisition cost equivalents	Buildings	3,077	2,495
	Machinery and transportation equipment	1,697	1,645
	Tools and equipment	552	928
	Total	5,327	5,070
Accumulated depreciation equivalents	Buildings	329	296
	Machinery and transportation equipment	918	889
	Tools and equipment	314	617
	Total	1,562	1,803
Year-end balance equivalents	Buildings	2,748	2,199
	Machinery and transportation equipment	779	755
	Tools and equipment	237	311
	Total	3,765	3,266

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

②Year-end balances of outstanding lease commitments

(¥ millions)

	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
Within one year	394	440
More than one year	3,370	2,826
Total	3,765	3,266

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.

③Lease charge payable and depreciation equivalents

(¥ millions)

	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
Lease charge payable	464	531
Depreciation equivalents	464	531

④Accounting 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)

	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
Outstanding lease commitments		
Within one year	53	372
More than one year	298	127
Total	352	500

Transactions with Related Parties

Fiscal 2008 (April 1, 2007 to March 31, 2008)

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

Related party	Name of related company	Address	Paid-in capital or investment	Principal business or occupation	Controlling or controlled voting rights	Joint directors	Relationship	Business relationship	Volume of transactions	Description of transactions	Resulting account balances
Major corporate shareholders	Toyota Motor Corporation	Toyota City, Aichi Prefecture	397,049	Manufacture and marketing of automobiles and automobile parts; marketing of industrial vehicles; manufacturing and marketing of housing.	Controlled (Direct: 20%)	–	Supply of automobile lighting equipment	Supply of automobile lighting equipment;	108,421	Trade Receivables	14,614
								Purchase of materials	6,673	Trade payables	1,235

Note: Resulting account balances are exclusive of consumption tax

(2) Subsidiaries (¥ millions)

Related party	Name of related company	Address	Paid-in capital or investment	Principal business or occupation	Controlling or controlled voting rights	Joint directors	Relationship	Business relationship	Volume of transactions	Description of transactions	Resulting account balances
Affiliates	Takeda Suntech Co., Ltd.	Shizuoka City, Shizuoka Prefecture	15	Manufacture of dies for resin molded parts	Direct control: 20%	Directors: 2	Purchase of dies for resin moldings	Purchase of dies for resin moldings	1, 556	Trade payables	385
								Supply of materials	98	Trade receivables Other	2
	DORO KEISO CO., LTD.	Chofu City, Tokyo	40	Installation and maintenance of axle weight measuring systems	Indirect control: 29.1%	–	–	–	–	–	–

Note: Resulting account balances are exclusive of consumption tax

Deferred Tax Accounting

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

	Fiscal 2008 As of March 31, 2008
Deferred tax assets	
Surplus in bonus reserve	1,908
Surplus in employees’ retirement benefit reserve	9,823
Allowance for directors’ and corporate auditors’ retirement benefits	614
Excess accelerated depreciation	1,731
Loss on revaluation of investment securities	551
Loss on revaluation of land	478
Reserve for liability claims	1,278
Reserve for product warranties	528
Other	7
Total deferred tax assets	16,921
Deferred tax liabilities	
Reserve for reduction of asset costs	△528
Securities valuation differences	△6,525
Total deferred tax liabilities	△7,053
Net deferred tax assets (liabilities)	9,868

Marketable Securities

(Marketable securities as of March 31, 2008)

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

Book Value on consolidated financial statements	Unrealized gains/losses included in/charged to income in the current accounting period of consolidation
3,030	0

(2)Securities held to maturity (¥ millions)

	Type of security	Book Value	Market Value	Difference
Securities with unrealized gains carried on consolidated balance sheets	(1) Japanese government bonds and municipal bonds	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Others	8,092	8,179	87
	Subtotal	8,092	8,179	87
Securities with unrealized losses carried on consolidated balances sheets	(1) Japanese government bonds and municipal bonds	990	986	△ 4
	(2) Corporate bonds	—	—	—
	(3) Others	57,097	50,965	△ 6,132
	Subtotal	58,088	51,951	△ 6,136
Total		66,181	60,131	△ 6,049

(3) Other listed securities (¥ millions)

	Type of security	Acquisition cost	Book Value	Difference
Securities with unrealized gains carried on consolidated balance sheets	(1) Equity securities	3,787	10,354	6,566
	(2) Bonds			
	① Japanese government bonds, municipal bonds	—	—	—
	② Corporate bonds	199	202	2
	③ Other bonds	—	—	—
	(3) Other securities	6,117	6,178	61
	Subtotal	10,103	16,735	6,631
Securities with unrealized losses carried on consolidated balances sheets	(1) Equity securities	6,882	5,618	△ 1,264
	(2) Bonds			
	① Japanese government bonds, municipal bonds	—	—	—
	② Corporate bonds	300	299	△ 1
	③ Other bonds	4,200	3,900	△ 299
	(3) Other securities	1,667	1,575	△ 91
	Subtotal	13,049	11,394	△1,655
Total		23,153	28,129	4,975

(4) Other securities sold during fiscal 2008 (¥ millions)

Sales	Total gains on sales	Total losses on sales
2,483	23	—

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

Type of security	Book Value	Details
(1) Bonds held to maturity		
Foreign bonds without market quotation	88	
(2) Other securities		
Equity securities without market quotation (excluding OTC market securities)	3,696	
Investments	347	
Total	4,131	

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

Type of security	Within 1 year	1-5 years	5-10 years	Over 10 years
1. Bonds				
(1) Japanese government bonds and municipal bonds	—	990	—	—
(2) Corporate bonds	399	102	—	—
(3) Other bonds	8,762	19,268	—	41,149
2. Other securities	1,491	1,514	1,523	2,157
Total	10,654	21,876	1,523	43,306

Marketable Securities

(Marketable securities as of March 31, 2007)

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

Book Value on consolidated financial statements	Unrealized gains/losses included in/charged to income in the current accounting period of consolidation
3,160	2

(2)Securities held to maturity (¥ millions)

	Type of security	Book Value	Market Value	Difference
Securities with unrealized gains carried on consolidated balance sheets	(1) Japanese government bonds and municipal bonds	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Others	20,387	20,538	151
	Subtotal	20,387	20,538	151
Securities with unrealized losses carried on consolidated balances sheets	(1) Japanese government bonds and municipal bonds	991	980	△ 11
	(2) Corporate bonds	—	—	—
	(3) Others	38,500	37,451	△ 1,048
	Subtotal	39,491	38,431	△ 1,059
Total		59,878	58,970	△ 907

(3) Other listed securities (¥ millions)

	Type of security	Acquisition cost	Book Value	Difference
Securities with unrealized gains carried on consolidated balance sheets	(1) Equity securities	9,423	37,571	28,148
	(2) Bonds			
	① Japanese government bonds, municipal bonds	—	—	—
	② Corporate bonds	600	603	3
	③ Other bonds	490	494	4
	(3) Other securities	3,358	3,453	94
	Subtotal	13,872	42,122	28,250
Securities with unrealized losses carried on consolidated balances sheets	(1) Equity securities	66	55	△ 10
	(2) Bonds			
	① Japanese government bonds, municipal bonds	—	—	—
	② Corporate bonds	—	—	—
	③ Other bonds	2,494	2,396	△ 97
	(3) Other securities	3,430	3,298	△ 132
	Subtotal	5,991	5,750	△ 240
Total		19,863	47,873	28,010

(4) Other securities sold during fiscal 2007 (¥ millions)

Sales	Total gains on sales	Total losses on sales
9,572	1,097	201

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

Type of security	Book Value	Details
(1) Bonds held to maturity		
Foreign bonds without market quotation	83	
(2) Other securities		
Equity securities without market quotation (excluding OTC market securities)	2,975	
Investments	350	
Total	3,408	

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

Type of security	Within 1 year	1-5 years	5-10 years	Over 10 years
1. Bonds				
(1) Japanese government bonds and municipal bonds	—	991	—	—
(2) Corporate bonds	—	—	—	—
(3) Other bonds	18,260	10,708	—	32,104
2. Other securities	1,877	2,400	—	2,309
Total	20,138	14,100	—	34,414

Retirement Benefits

1. Retirement benefit plan

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

2. Matters concerning retirement benefit obligations (¥ millions)

	Fiscal 2008 As of March 31, 2008	Fiscal 2007 As of March 31, 2007
a. Retirement benefit obligations	△56,084	△ 57,056
b. Plan assets	29,916	28,389
c. Unfunded pension liabilities (a+b)	△26,168	△ 28,666
d. Unrecognized net transition obligation	—	—
e. Unrecognized actuarial differences	△381	2,559
f. Accrued retirement benefits on balance sheet (c+d+e)	△26,549	△ 26,107
g. Allowance for retirement benefits	△26,549	△ 26,107

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

3. Matters concerning retirement benefit expenses (¥ millions)

	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
a. Service cost *1 *2	2,363	2,233
b. Interest cost	1,106	1,127
c. Expected return on plan assets	△578	△ 551
d. Amortization of transitional obligation	—	—
e. Actuarial loss	1,291	2,257
f. Net periodic cost (a+b+c+d+e)	4,183	5,066

Notes:
*1 Excludes employees' contributions to the fund-type corporate pension plan.
*2 Retirement benefit expenses of consolidated subsidiaries using the simplified method are recorded in service cost.

4. Basis of calculation of retirement benefit obligations

a. Method of distribution of estimated retirement benefit costs	Fixed amount
b. Discount rate	2.0%
c. Expected rate of return	2.0%
d. Duration of amortization of past period liabilities	Certain number of years (5-10), not exceeding average residual years to retirement
e. Duration of amortization of actuarial differences	Certain number of years (5-10), not exceeding average residual years to retirement
f. Duration of amortization of net transitional obligation	–

Per Share Information

	Fiscal 2008	Fiscal 2007
Net assets per share	¥944.01	¥930.54
Net income per share	¥ 96.95	¥ 83.23

Net income per share after adjustment for dilution is not shown for both fiscal 2008 and fiscal 2007 because although treasury-stock stock options were introduced and there is treasury stock, after adjustment there is no dilution effect.

Notes: The following shows the basis for calculation of net income per share.

	Fiscal 2008	Fiscal 2007
Net income	¥15,581 million	¥13,374 million
Amount not attributable to common stock	— million	— million
Net income associated with common stock	¥15,581 million	¥13,374 million
Average number of shares outstanding during the period	160,714,369 shares	160,695,880 shares

Going Concern Assumption

None.

5. Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(¥ millions)

Item \ Period	Fiscal 2008 As of March 31, 2008	Fiscal 2007 As of March 31, 2007	Change
Assets			
Current assets:			
Cash and time deposits	1,743	962	781
Notes receivable	476	513	△36
Accounts receivable–trade	51,285	49,175	2,110
Marketable securities	6,090	7,590	△1,499
Finished and semi-finished products	5,011	4,565	445
Work in progress	1,001	978	22
Raw materials and supplies	3,409	2,958	451
Accrued income	4,224	3,609	614
Deferred income taxes	3,197	2,818	379
Other current assets	693	151	542
Less: Allowance for doubtful receivables	△113	△123	10
Total current assets	77,022	73,198	3,823
Fixed assets:			
Property, plant and equipment			
Buildings	12,637	12,724	△87
Structures	984	1,056	△71
Machinery	5,572	5,401	171
Vehicles	223	232	△8
Tools and equipment	5,062	6,890	△1,828
Land	6,429	6,309	120
Construction in progress	1,272	—	1,272
Total property, plant and equipment	32,182	32,614	△432
Intangible fixed assets	128	138	△9
Investments and other assets:			
Investment securities	60,856	55,502	5,353
Shares of affiliated companies	36,415	41,895	△5,480
Investments in affiliated companies	11,509	11,367	142
Deferred income tax assets	2,030	—	2,030
Other investments	1,157	1,181	△23
Less: Allowance for doubtful receivables	△197	△209	12
Total investments and other assets	111,771	109,737	2,034
Total fixed assets	144,083	142,490	1,592
Total assets	221,105	215,689	5,415

(¥ millions)

Item \ Period	Fiscal 2008 As of March 31, 2008	Fiscal 2007 As of March 31, 2007	Change
Liabilities			
Current liabilities:			
Trade notes and accounts payable	47,748	44,290	3,457
Payables	2,508	2,578	△70
Accrued expenses	10,177	9,503	674
Allowance for employees' bonuses	3,522	3,414	108
Allowance for directors' and corporate auditors' bonuses	367	280	87
Reserve for product warranties	1,400	1,400	–
Income taxes payable	4,694	4,421	272
Other current liabilities	705	576	128
Total current liabilities	71,123	66,465	4,657
Non-current liabilities:			
Allowance for employees' retirement benefits	16,993	16,148	845
Allowance for directors' and corporate auditors' retirement benefits	1,196	1,218	△22
Allowance for losses on overseas investments	1,500	1,500	–
Deferred income taxes	–	2,320	△2,320
Others	2	2	–
Total non-current liabilities	19,692	21,190	△1,497
Total liabilities	90,815	87,655	3,160
Net assets			
Shareholders' equity:			
Common stock	14,270	14,270	–
Additional paid-in capital			
Capital reserve	17,107	17,107	–
Total additional paid-in capital	17,107	17,107	–
Retained earnings			
Profit reserve	3,567	3,567	–
Other retained earnings			
Reserve for reductions of asset costs	826	847	△20
Other reserve	70,000	62,000	8,000
Retained earnings brought forward	14,569	13,217	1,351
Total retained earnings	88,963	79,632	9,331
Treasury stock	△61	△54	△7
Total shareholders' equity	120,280	110,957	9,323
Revaluations and translation adjustments:			
Valuation adjustment on investment securities	10,008	17,076	△7,067
Total revaluations and translation adjustments	10,008	17,076	△7,067
Total net assets	130,289	128,033	2,255
Total liabilities and net assets equity	221,105	215,689	5,415

Non-consolidated Statements of Income

(¥ millions)

Item \ Period	Fiscal 2008 April 1, 2007 to March 31, 2008		Fiscal 2007 April 1, 2006 to March 31, 2007		Y-o-Y Change	
		%		%		%
Net sales	247,896	100.0	228,723	100.0	19,173	8.4
Cost of sales	213,968	86.3	198,786	86.9	15,181	
Gross profit	33,927	13.7	29,936	13.1	3,991	
Selling, general and administrative expenses	18,901	7.6	18,236	8.0	664	
Operating income	15,026	6.1	11,699	5.1	3,326	28.4
Non-operating income	6,284		6,505		△220	
Interest and dividend income	(3,205)		(3,088)		(116)	
Other	(3,079)		(3,416)		(△337)	
Non-operating expenses	78		54		24	
Recurring profit	21,232	8.6	18,150	7.9	3,081	17.0
Extraordinary gains	−		1,758		△1,758	
Gains on sales of marketable securities	(−)		(1,728)		(△1,728)	
Gains on sales of property, plant and equipment	(−)		(29)		(△29)	
Extraordinary losses	209		277		△68	
Losses on sales and disposal of property, plant and equipment	(209)		(266)		(△57)	
Losses on revaluation of landholdings	(−)		(11)		(△11)	
Income before income taxes	21,023	8.5	19,631	8.6	1,391	7.1
Income taxes-current	8,314		8,047		266	
Income taxes-deferred	△157		△ 430		273	
Total income taxes	8,156		7,617		539	
Net income	12,866	5.2	12,014	5.3	851	7.1

Non-consolidated Changes in Shareholders' Equity

Fiscal 2008 (April 1, 2007 to March 31, 2008) (¥ millions)

	Shareholders' equity									
	Common stock	Additional paid-in capital		Retained earnings					Treasury stock	Total shareholders' equity
		Capital reserve	Total additional paid-in capital	Profit reserve	Other retained earnings			Total retained earnings		
					Reduction of assets cost	Other reserve	Retained earnings brought foward			
Balances as of March 31, 2007	14,270	17,107	17,107	3,567	847	62,000	13,217	79,632	△ 54	110,957
Changes in the fiscal year										
Reversal of reduction of assets cost	–	–	–	–	△ 20	–	20	–	–	–
Provision of other reserve	–	–	–	–	–	8,000	△ 8,000	–	–	–
Dividends from retained earnings	–	–	–	–	–	–	△ 3,535	△ 3,535	–	△3,535
Net income for the fiscal year	–	–	–	–	–	–	12,866	12,866	–	12,866
Purchases of treasury stock	–	–	–	–	–	–	0	0	△ 7	△ 6
Net change in non-shareholders' equity items for the fiscal year	–	–	–	–	–	–	–	–	–	–
Total change for the fiscal year	–	–	–	–	△20	8,000	1,351	9,331	△7	9,323
Balances as of March 31, 2008	14,270	17,107	17,107	3,567	826	70,000	14,569	88,963	△61	120,280

	Revaluations and translation adjustments		Total net assets
	Valuation adjustment on investment securities	Total revaluations and translation adjustments	
Balances as of March 31, 2007	17,076	17,076	128,033
Changes in the fiscal year			
Reversal of reduction of assets cost	–	–	–
Provision of other reserve	–	–	–
Dividends from retained earnings	–	–	△ 3,535
Net income for the fiscal year	–	–	12,866
Purchases of treasury stock	–	–	△ 6
Net change in non-shareholders' equity items for the fiscal year	△ 7,067	△ 7,067	△7,067
Total change for the fiscal year	△7,067	△7,067	2,255
Balances as of March 31, 2008	10,008	10,008	130,289

Fiscal 2007 (April 1, 2006 to March 31, 2007) (¥ millions)

	Shareholders' equity									
		Additional paid-in capital		Retained earnings						
					Other retained earnings					
	Common stock	Capital reserve	Total additional paid-in capital	Profit reserve	Reduction of assets cost	Other reserve	Retained earnings bought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balances as of March 31, 2006	14,270	17,107	17,107	3,567	920	55,000	11,663	71,152	△ 120	102,411
Changes in the fiscal year										
Reversal of reduction of assets cost (previous year)	—	—	—	—	△ 54	—	54	—	—	—
Reversal of reduction of assets cost (current year)	—	—	—	—	△ 23	—	23	—	—	—
Provision for reduction of assets cost	—	—	—	—	3	—	△ 3	—	—	—
Provision of other reserve	—	—	—	—	—	7,000	△ 7,000	—	—	—
Dividends from retained earnings	—	—	—	—	—	—	△ 3,534	△ 3,534	—	△ 3,534
Net income for the fiscal year	—	—	—	—	—	—	12,014	12,014	—	12,014
Purchases of treasury stock	—	—	—	—	—	—	—	—	△ 6	△ 6
Disposal of treasury stock	—	—	—	—	—	—	0	0	72	72
Net change in non-shareholders' equity items for the fiscal year	—	—	—	—	—	—	—	—	—	—
Total change for the fiscal year	—	—	—	—	△ 73	7,000	1,553	8,479	66	8,546
Balances as of March 31, 2007	14,270	17,107	17,107	3,567	847	62,000	13,217	79,632	△ 54	110,957

	Revaluations and translation adjustments		
	Valuation adjustment on investment securities	Total revaluations and translation adjustments	Total net assets
Balances as of March 31, 2006	18,003	18,003	120,414
Changes in the fiscal year			
Reversal of reduction of assets cost (previous year)	—	—	—
Reversal of reduction of assets cost (current year)	—	—	—
Provision for reduction of assets cost	—	—	—
Provision of other reserve	—	—	—
Dividends from retained earnings	—	—	△ 3,534
Net income for the fiscal year	—	—	12,014
Purchases of treasury stock	—	—	△ 6
Disposal of treasury stock	—	—	72
Net change in non-shareholders' equity items for the fiscal year	△ 926	△ 926	△ 926
Total change for the fiscal year	△ 926	△ 926	7,619
Balances as of March 31, 2007	17,076	17,076	128,033

Breakdown of Non-consolidated Net Sales

(¥ millions)

Item \ Period	Fiscal 2008 April 1, 2007 to March 31, 2008		Fiscal 2007 April 1, 2006 to March 31, 2007		Y-o-Y Change	
		%		%		%
Automobile Lighting Equipment	235,992	95.2	219,876	96.1	16,116	7.3
Aircraft Equipment	3,378	1.4	3,087	1.4	290	9.4
Others	8,526	3.4	5,759	2.5	2,766	48.0
Total	247,896	100.0	228,723	100.0	19,173	8.4
(Portion accounted for by exports)	(27,439)	(11.1)	(24,592)	(10.8)	(2,846)	(11.6)

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

1. Marketable securities

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

2. Derivatives and other instruments

①Derivatives:	Market Value
②Money trusts:	Market Value

3. Inventories

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

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

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

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

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

5. Accounting for translation of foreign currency transactions

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

6. Standards for reserves

(1) Allowance for doubtful receivables

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

(2) Allowances for bonuses

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

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

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

(4) Reserve for product warranties

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

(5) Allowance for retirement benefits

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

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

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

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

(7) Reserve for losses on overseas investments

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

7. Accounting for leases

Finance leases, other than those that transfer ownership of the leased assets to the lessees, are treated in the same way as ordinary operating leases for accounting purposes.

8. Accounting for hedging

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

9. Accounting treatment of consumption taxes

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

Notes

(¥ millions)

	Fiscal 2008 As of March 31, 2008	Fiscal 2007 As of March 31, 2007
1. Cumulative depreciation of property, plant and equipment	98,735	96,918
2. Guarantees	28,176	31,428

3. Selling, general and administrative expenses

(¥ millions)

	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
(1) Selling expenses		
Freight expenses	4,302	4,233
Employee salaries	2,264	2,266
Packaging expenses	1,542	1,392
Transfer to allowance for bonuses	331	325
Retirement benefit expenses	250	308
(2) General and administrative expenses		
Employee salaries	2,350	2,270
Employee benefit expenses	1,132	1,102
Transfer to allowance for bonuses	349	344
Provision for allowance for directors’ bonuses	367	280
Transfer to allowance for retirement benefits	315	337
Research expenses	228	181
Transfer to allowance for directors’ and corporate auditors’ retirement benefits	172	227

Lease Transactions

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

① Acquisition cost, accumulated depreciation and balance equivalents of leased assets as of the year end.

(¥ millions)

		Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
Acquisition cost equivalents	Machinery and transportation equipment	459	459
	Tools and equipment	39	72
	Total	499	531
Accumulated depreciation equivalents	Machinery and transportation equipment	408	357
	Tools and equipment	15	40
	Total	424	397
Balance equivalents	Machinery and transportation equipment	51	102
	Tools and equipment	23	31
	Total	75	134

Note: Acquisition cost equivalents constituted an immaterial portion of year-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)

	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
Within one year	59	59
More than one year	15	75
Total	75	134

Note: Outstanding lease commitments constituted an immaterial portion of year-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)

	Fiscal 2008 April 1, 2007 to March 31, 2008	Fiscal 2007 April 1, 2006 to March 31, 2007
Lease charge payable	59	66
Depreciation equivalents	59	66

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

Fiscal 2008 as of March 31, 2008

(¥ millions)

	Book Value	Market Value	Difference
①Subsidiaries	7,370	6,279	△1,090
②Affiliated companies	11,889	12,458	568
Total	19,260	18,738	△521

Fiscal 2007 as of March 31, 2007

(¥ millions)

	Book Value	Market Value	Difference
①Subsidiaries	7,370	8,941	1,571
②Affiliated companies	1,332	2,564	1,232
Total	8,702	11,506	2,803

Deferred Tax Accounting

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

	Fiscal 2008 As of March 31, 2008
Deferred tax assets	
Surplus in bonus reserve	1,466
Surplus in employees' retirement benefit reserve	5,284
Officers' retirement benefit reserve	473
Excess accelerated depreciation	1,560
Reserve for losses on overseas investments	556
Loss on revaluation of investment securities	551
Loss on revaluation of land	478
Reserve for liability claims	1,081
Reserve for product warranties	528
Other	120
Total deferred tax assets	12,102
Deferred tax liabilities	
Reserve for reduction of asset costs	△528
Securities valuation differences	△6,345
Total deferred tax liabilities	△6,874
Net deferred tax assets (liabilities)	5,227