

Consolidated Earnings Report for the Third Quarter of Fiscal 2007

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

- ① Application of simplified accounting methods: No
- ② Changes in accounting standards of financial accounts in most recent fiscal year: None
- ③ Changes in scope of consolidation or number of equity-method affiliates: None

2. Consolidated Results of Operations for the Third Quarter of Fiscal 2007 (April 1, 2006–December 31, 2006)

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

Third Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2007	320,738	15.5 %	12,644	1.1%	14,947	△1.6%	7,975	2.2%
Fiscal 2006	277,657	8.7%	12,510	29.5%	15,189	41.2%	7,806	54.2%
(Ref.) Full Year Fiscal 2006	397,509		22,262		25,640		12,731	

Third Quarter,	Net income per share	Net income per share (diluted)
Fiscal 2007	¥49.63	—
Fiscal 2006	¥48.69	—
(Ref.) Full Year Fiscal 2006	¥79.39	—

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

(2) Consolidated Financial Position (¥ millions)

Third Quarter,	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
Fiscal 2007	378,180	177,403	38.7	910.50
Fiscal 2006	341,296	133,264	39.0	830.18
(Ref.) Full Year Fiscal 2006	366,254	139,849	38.2	871.00

(3) Consolidated Cash Flows (¥ millions)

Third Quarter,	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of period
Fiscal 2007	26,962	△ 25,910	△ 2,773	14,201
Fiscal 2006	27,041	△ 23,329	△ 4,119	11,719
(Ref.) Full Year Fiscal 2006	37,200	△ 30,905	△ 2,663	15,773

Consolidated Results for the Third Quarter of Fiscal 2007

During the third quarter of fiscal 2007, the three-month period from April 1, 2006 to December 31, 2006, the Koito Group maintained earnings at the same level as the same period a year earlier, despite achieving sales growth, as shown by the figures in the Consolidated Business Results section on the previous page. This was mainly attributable to the preparatory and startup costs for the new plant of consolidated subsidiary KOITO KYUSHU LIMITED which commenced operations in October 2006. Looking ahead, Koito anticipates steadily expanding KOITO KYUSHU's production volume together with achieving improved results.

3. Consolidated Outlook for Fiscal 2007 (April 1, 2006–March 31, 2007)

(¥ millions)

	Net sales	Recurring profit	Net income
Full Year	444,600	26,400	14,000

Outlook for Fiscal 2007

The Koito Group's business results remain largely on track with forecasts. As a result, the Company has not revised the forecasts previously announced on October 26, 2006. The above projections 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.

Consolidated Balance Sheets

(¥ millions)

Item	Period Third Quarter Fiscal 2007 As of December 31, 2006	Fiscal 2006 As of March 31, 2006	Change	Third Quarter Fiscal 2006 As of December 31, 2005
Assets				
Current assets:				
Cash and time deposits	12,910	10,214	2,695	9,431
Trade notes and accounts receivable	85,125	97,432	△12,307	77,850
Marketable securities	8,101	12,432	△ 4,330	8,376
Inventories	42,312	30,034	12,278	32,943
Deferred income taxes	6,104	6,053	50	5,570
Other current assets	11,556	10,651	904	12,761
Less: Allowance for doubtful accounts	△ 1,125	△ 1,082	△ 42	△ 1,035
Total current assets	164,984	165,736	△ 751	145,898
Fixed assets:				
Property, plant and equipment				
Buildings and structures	33,638	29,926	3,711	30,160
Machinery and transportation equipment	37,247	32,024	5,223	30,738
Fixtures equipment and tools	17,184	14,849	2,335	14,169
Land	12,888	12,862	26	12,709
Construction in progress	5,935	4,830	1,104	4,204
Property, plant and equipment, net	106,893	94,493	12,400	91,982
Intangible fixed assets	760	783	△ 23	749
Investments and other assets:				
Investment securities	101,787	101,795	△ 7	99,107
Loans	568	781	△ 213	864
Other investments	3,427	2,912	515	2,940
Less: Allowance for doubtful accounts	△ 242	△ 247	5	△ 247
Total investments and other assets	105,541	105,241	299	102,665
Total fixed assets	213,195	200,518	12,676	195,397
Total assets	378,180	366,254	11,925	341,296

(¥ millions)

Item	Period	Third Quarter Fiscal 2007 As of December 31, 2006	Fiscal 2006 As of March 31, 2006	Change	Third Quarter Fiscal 2006 As of December 31, 2005
Liabilities					
Current liabilities:					
Trade notes and accounts payable		76,325	73,099	3,225	64,081
Short-term loans		29,398	24,470	4,927	22,882
Accrued expenses		16,628	19,020	△ 2,391	16,952
Income taxes payable		1,577	4,932	△ 3,354	2,886
Provisions for employees' bonuses		4,504	4,442	62	4,497
Allowance for directors' and corporate auditors' bonuses		209	270	△ 61	167
Reserve for product warranties		1,400	1,400	—	1,400
Other current liabilities		11,812	10,107	1,705	9,125
Total current liabilities		141,856	137,743	4,112	121,993
Non-current liabilities:					
Long-term debt		27,482	28,826	△ 1,343	28,466
Accrued retirement benefits		26,909	25,431	1,477	25,044
Directors' and corporate auditors' accrued retirement benefits		1,516	1,334	182	1,303
Deferred income taxes		2,359	2,069	289	130
Other non-current liabilities		652	563	89	577
Total non-current liabilities		58,920	58,224	695	55,521
Total liabilities		200,776	195,968	4,808	177,514
Net assets					
Shareholders' equity:					
Common stock		14,270	—	14,270	—
Additional paid-in capital		17,107	—	17,107	—
Retained earnings		93,985	—	93,985	—
Treasury common stock, at cost		△ 51	—	△ 51	—
Total shareholders' equity		125,312	—	125,312	—
Revaluations and translation adjustments:					
Valuation adjustment on investment securities		19,345	—	19,345	—
Translation adjustments		1,674	—	1,674	—
Total revaluations and translation adjustments		21,020	—	21,020	—
Minority interests		31,070	—	31,070	—
Total net assets		177,403	—	177,403	—
Total liabilities and net assets					
		378,180	—	378,180	—
Equity					
Minority interests		—	30,436	△ 30,436	30,517
Common stock		—	14,270	△ 14,270	14,270
Additional paid-in capital		—	17,107	△ 17,107	17,107
Retained earnings		—	89,548	△ 89,548	84,865
Valuation adjustment on investment securities		—	18,679	△ 18,679	17,098
Translation adjustments		—	382	△ 382	83
Treasury common stock, at cost		—	△ 140	140	△ 162
Total equity		—	139,849	△ 139,849	133,264
Total liabilities, minority interests and equity					
		—	366,254	△ 366,254	341,296

Consolidated Statements of Income

(¥ millions)

Item	Period		Third Quarter Fiscal 2007		Third Quarter Fiscal 2005		Change		Fiscal 2006	
	April 1, 2006 to December 31, 2006		April 1, 2005 to December 31, 2005				April 1, 2005 to March 31, 2006			
		(%)		(%)		(%)				(%)
Net Sales	320,738	100.0	277,657	100.0	43,080	15.5	397,509	100.0		
Cost of Sales	282,038	87.9	241,054	86.8	40,983		342,504	86.2		
Gross Profit	38,700	12.1	36,602	13.2	2,097		55,005	13.8		
Selling, general and administrative expenses	26,055	8.2	24,092	8.7	1,963		32,743	8.2		
Operating income	12,644	3.9	12,510	4.5	134	1.1	22,262	5.6		
Non-operating income	3,606		3,770		△ 163		4,901			
Interest income and dividends	(1,557)		(1,484)		(73)		(2,286)			
Equity in earnings of affiliates	(57)		(64)		(△ 6)		(100)			
Other non-operating income	(1,991)		(2,221)		(△ 230)		(2,514)			
Non-operating expenses	1,303		1,091		211		1,523			
Interest expenses and discounts	(1,037)		(754)		(282)		(1,025)			
Other non-operating expenses	(266)		(337)		(△ 71)		(498)			
Recurring profit	14,947	4.7	15,189	5.5	△ 241	△ 1.6	25,640	6.5		
Extraordinary gains	118		41		77		44			
Extraordinary losses	596		615		△ 19		2,407			
Income before income taxes	14,470	4.5	14,614	5.3	△ 144	△ 1.0	23,277	5.9		
Income taxes	5,439		6,600		△ 1,160		9,497			
Income tax adjustment	204		△ 899		1,104		△ 419			
Total	5,643		5,700		△ 56		9,078			
Minority interest in consolidated subsidiaries	△ 851		△ 1,108		257		△ 1,468			
Net income	7,975	2.5	7,806	2.8	169	2.2	12,731	3.2		

Consolidated Changes in Shareholders' Equity

Nine months ended December 31, 2006 (April 1, 2006 – December 31, 2006)

(¥ 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 third quarter					
Dividends from retained earnings	—	—	△ 3,534	—	△ 3,534
Net income for the third quarter	—	—	7,975	—	7,975
Purchases of treasury stock	—	—	—	△ 3	△ 3
Disposal of treasury stock	—	—	△ 1	91	90
Other	—	—	△ 2	—	△ 2
Net change in non-shareholders' equity items for the third quarter	—	—	—	—	—
Total changes for the first half	—	—	4,437	88	4,525
Balances as of December 31, 2006	14,270	17,107	93,985	△ 51	125,312

	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 third quarter					
Dividends from retained earnings	—	—	—	—	△ 3,534
Net income for the third quarter	—	—	—	—	7,975
Purchases of treasury stock	—	—	—	—	△ 3
Disposal of treasury stock	—	—	—	—	90
Other	—	—	—	—	△ 2
Net change in non-shareholders' equity items for the third quarter	665	1,292	1,958	633	2,591
Total changes for the third quarter	665	1,292	1,958	633	7,117
Balances as of December 31, 2006	19,345	1,674	21,020	31,070	177,403

Consolidated Statements of Cash Flows

(¥ millions)

Period	Fiscal 2007 Third Quarter April 1, 2006 to December 31, 2006	Fiscal 2006 Third Quarter April 1, 2005 to December 31, 2005	Fiscal 2006 April 1, 2005 to March 31, 2006
I. Cash flows from operating activities			
Income before income taxes	14,470	14,614	23,277
Depreciation	16,404	14,576	19,920
Equity in earnings of affiliated companies	△57	△ 64	△100
Provision for allowance for doubtful accounts	22	△ 242	△191
Provision for accrued retirement benefits	1,577	1,050	1,447
Provision for reserve for bonuses	270	177	227
Interest and dividends received	△1,557	△ 1,484	△2,286
Interest payments	1,037	754	1,025
Loss on sale and revaluation of marketable securities	△150	△ 107	△127
Loss on revaluation of golf memberships	—	31	31
Loss on sale and disposal of property and equipment	321	615	285
Changes in trade notes and accounts receivable	14,412	11,487	△7,834
Changes in inventories	△11,571	△ 8,170	△5,123
Changes in other receivables	△147	△ 3,891	△1,814
Changes in trade notes and accounts payable	1,660	2,536	11,310
Changes in accrued expenses and other current liabilities	△1,198	2,706	4,992
Directors' and corporate auditors' bonuses paid	△270	△ 205	△205
Sub total	35,223	34,383	44,834
Interest and dividends received	1,557	1,484	2,286
Interest paid	△1,037	△ 754	△1,025
Income taxes paid	△8,781	△ 8,072	△8,895
Net cash provided by operating activities	26,962	27,041	37,200
II. Cash flows from investing activities			
Payments into time deposits	△409	△ 437	△688
Proceeds from time deposits	285	525	583
Payments for purchase of marketable and investment securities	△20,977	△ 20,277	△34,897
Proceeds from sale of marketable and investment securities	22,458	16,553	30,725
Payments for purchase of property and equipment	△27,073	△ 21,061	△28,895
Proceeds from sale of property and equipment	322	645	1,483
Payments for new loans	△406	△ 539	△563
Proceeds from loan repayments	395	459	569
Other payments relating to investments	△505	803	778
Net cash used in investing activities	△25,910	△ 23,329	△30,905
III. Cash flows from financing activities			
Increase (decrease) in short-term loans	644	△ 5,078	△4,912
Increase in long-term debt	1,705	4,684	6,126
Repayment of long-term debt	△717	△ 142	△148
Payments for purchase of treasury stock	△4	△ 12	△12
Proceeds from sale of treasury stock	93	287	317
Dividends paid by parent company	△3,324	△ 2,409	△2,564
Dividends paid to minority shareholders	△1,170	△ 1,449	△1,470
Net cash used in financing activities	△2,773	△ 4,119	△2,663
IV Effect of exchange rate changes on cash and cash equivalents	149	201	216
V Change in cash and cash equivalents	△1,572	△ 206	3,848
VI Cash and cash equivalents at beginning of period	15,773	11,925	11,925
VII Cash and cash equivalents at end of period	14,201	11,719	15,773

Segment Information

(1) Industry Segment Information

Nine months ended December 31, 2006

(¥ millions)

	Automotive Lighting Equipment	Non-automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination of inter-segment items	Consolidated total
Sales						
(1) Sales to outside customers	280,576	20,089	20,072	320,738	—	320,738
(2) Inter-segment sales and transfers	67,019	401	2,506	69,927	(69,927)	—
Total	347,596	20,490	22,579	390,666	(69,927)	320,738
Operating expenses	332,401	21,437	22,783	376,621	(68,528)	308,093
Operating income (loss)	15,195	△ 946	△ 204	14,044	(1,399)	12,644

Nine months ended December 31, 2005

(¥ millions)

	Automotive Lighting Equipment	Non-automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination of inter-segment items	Consolidated total
Sales						
(1) Sales to outside customers	242,922	18,206	16,528	277,657	—	277,657
(2) Inter-segment sales and transfers	57,560	570	2,228	60,360	(60,360)	—
Total	300,483	18,777	18,757	338,018	(60,360)	277,657
Operating expenses	285,490	20,716	18,100	324,307	(59,160)	265,147
Operating income (loss)	14,993	△ 1,939	657	13,710	(1,200)	12,510

(2) Geographical Segment Information

Nine months ended December 31, 2006

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	196,996	40,657	64,992	18,090	320,738	—	320,738
(2) Inter-segment sales and transfers	49,797	—	2,580	17,549	69,927	(69,927)	—
Total	246,794	40,657	67,573	35,640	390,666	(69,927)	320,738
Operating expenses	237,559	38,906	64,613	35,541	376,621	(68,528)	308,093
Operating income (loss)	9,234	1,751	2,960	98	14,044	(1,399)	12,644

Nine months ended December 31, 2005

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	173,240	37,184	51,985	15,247	277,657	—	277,657
(2) Inter-segment sales and transfers	43,369	—	2,031	14,959	60,360	(60,360)	—
Total	216,610	37,184	54,016	30,206	338,018	(60,360)	277,657
Operating expenses	206,958	35,884	51,044	30,419	324,307	(59,160)	265,147
Operating income (loss)	9,651	1,299	2,972	△ 212	13,710	(1,200)	12,510

Non-consolidated Earnings Report for the Third Quarter of Fiscal 2007

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1. Non-consolidated Results of Operations for the Third Quarter of Fiscal 2007 (April 1, 2006–December 31, 2006)

(1) Non-consolidated Business Results (¥ millions; rounded down)

Third Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2007	167,591	11.2%	7,886	2.8 %	11,444	0.0 %	6,846	△ 0.6%
Fiscal 2006	150,724	15.8%	7,670	46.5%	11,439	44.0%	6,888	46.0%
(Ref.) Full Year Fiscal 2006	209,502		12,563		18,554		11,209	

Third Quarter,	Net income per share		Net income per share (diluted)	
Fiscal 2007	¥ 42.60		—	
Fiscal 2006	¥ 42.96		—	
(Ref.) Full Year Fiscal 2006	¥ 69.88		—	

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

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

Third Quarter,	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
Fiscal 2007	209,645	124,500	59.4	774.66
Fiscal 2006	191,646	114,514	59.8	713.18
(Ref.) Full Year Fiscal 2006	205,510	120,414	58.6	749.75

2. Non-consolidated Outlook for Fiscal 2007 (April 1, 2006–March 31, 2007)

(¥ millions)

	Net sales	Recurring profit	Net income
Full Year	226,900	20,100	12,100

Outlook for Fiscal 2007

The Koito Group's business results remain largely on track with forecasts. As a result, the Company has not revised the forecasts previously announced on October 26, 2006. The above projections 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.