《 For Reference Only 》

Consolidated Earnings Report for the First Half of Fiscal 2007 Oct. 26, 2006

Company Name: KOITO MANUFACTURING CO., LTD.
Stock Listing: First Section, Tokyo Stock Exchange
Code Number: 7276
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Meeting of the Board of Directors for the Approval of Results: October 26, 2006 U.S. GAAPs: None

1. Consolidated Results of Operations for the First Half of Fiscal 2007 (April 1, 2006 – September 30, 2006)

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

Six months ended	Net sales		Operating income		Recurring profit	
Sep. 30, 2006	203,604	15.9 %	9,476	14.7 %	11,056	15.1 %
Sep. 30, 2005	175,639	7.1 %	8,259	45.0 %	9,607	42.1 %
Year ended Mar. 31, 2006	397,509		22,262		25,640	

Six months ended	Net income		Net income per share (¥)	Net income per share (diluted) (¥)
Sep. 30, 2006	5,879	18.9 %	36.59	—
Sep. 30, 2005	4,945	54.0%	30.86	—
Year ended Mar. 31, 2006	12,731		79.39	—

Notes:
①Equity in earnings of affiliates:
Six months ended Sep. 2006: ¥48 million Six months ended Sep. 2005: ¥56 million Fiscal 2006: ¥100 million
②Weighted-average number of shares outstanding (consolidated):
Six months ended Sep. 2006: 160,674,323 Six months ended Sep. 2005: 160,240,752 Fiscal 2006: 160,371,366
③Changes in accounting methods: None
④The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
Sep. 30, 2006	370,315	173,362	38.6	889.54
Sep. 30, 2005	325,167	127,658	39.3	796.14
Mar. 31, 2006	366,254	139,849	38.2	871.00

Note: Number of shares outstanding at end of period (consolidated):
Sep. 30, 2006: 160,718,111 Sep. 30, 2005: 160,347,189 Mar. 31, 2006: 160,562,054

(3) Consolidated Cash Flows (¥ millions)

Six months ended	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of period
Sep. 30, 2006	16,546	△ 21,508	661	11,529
Sep. 30, 2005	18,584	△ 18,879	△ 467	11,254
Year ended Mar. 31, 2006	37,200	△ 30,905	△ 2,663	15,773

(4) Scope of Consolidation and Application of the Equity Method
Consolidated subsidiaries 23
Unconsolidated subsidiaries accounted for by the equity method —
Affiliates accounted for by the equity method 3

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

2. Consolidated Outlook for Fiscal 2007 (April 1, 2006 – March 31, 2007) (¥ millions)

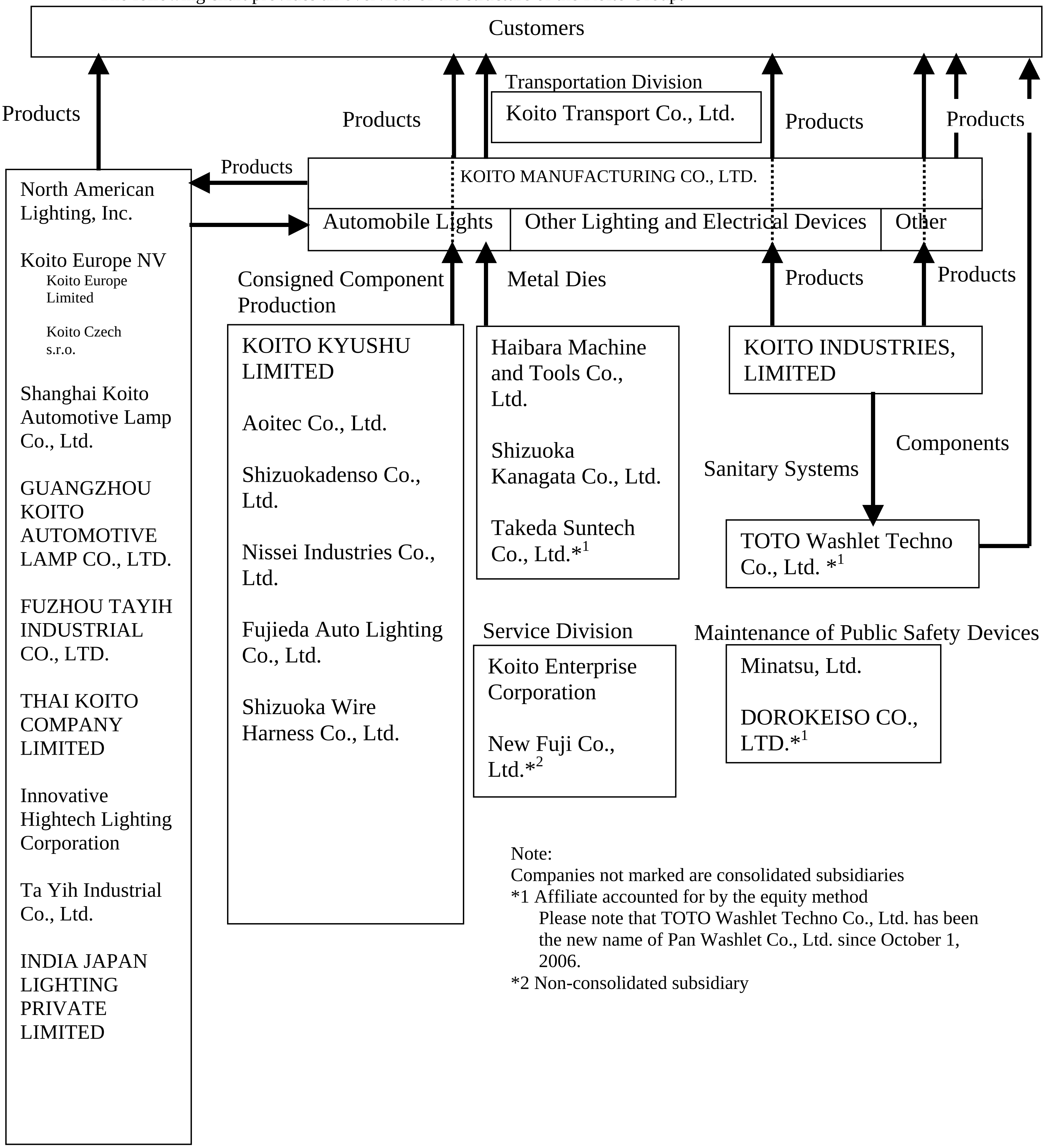
	Net sales	Recurring profit	Net income
For the year	444,600	26,400	14,000

Note: Projected net income per share for the year is ¥87.11.
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.

Koito Group

The Koito Group comprises KOITO MANUFACTURING CO., LTD., its 23 subsidiaries and 4 affiliates. It manufactures and sells automobile lights, 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 Affiliate accounted for by the equity method
Please note that TOTO Washlet Techno Co., Ltd. has been the new name of Pan Washlet Co., Ltd. since October 1, 2006.
*2 Non-consolidated subsidiary

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 global environmental issues by adopting environmental preservation measures that include adhering to the policy of "manufacturing products that put people and the environment first" in all its business activities.

(2) Basic Earnings Distribution Policies

The Koito Group views the payment of stable dividends in line with operating results and business conditions and other factors as one of its most important management policies. Koito intends to use retained earnings mainly to maintain a corporate structure capable of responding with agility to future changes in the operating environment, and to expand its business, develop new technologies and products, and streamline operations. In doing so, Koito will make the utmost effort to meet shareholders' expectations.

(3) Policy and Approach to Reducing the Trading Unit

The Koito Group views improving the liquidity of its shares and increasing the number of its shareholders as priority issues with respect to financial policies. By making it easier for investors to purchase its shares, Koito believes that reducing the trading unit is an effective means of broadening its shareholder base to include more individual investors. The size of the trading unit will continue to be reviewed, taking into account the timing of the introduction of a new system where stock certificates will no longer be issued and other factors.

(4) 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 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 reinforce its corporate and earnings structure by acquiring and effectively allocating resources.
④ The Koito Group will pursue the highest standards of quality and enforce strict environmental safeguards.

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

(5) Key Issues

The main concern for the Koito Group as an internationally competitive global supplier is to realign and reinforce its management framework and organization in response to structural shifts and other developments in the automobile industry. Specifically, Koito is working to build a stronger management structure by developing innovative new technologies and products that anticipate market and customer needs, shortening development times, and implementing cost-cutting measures throughout the Group. Allocating resources effectively and establishing a complementary structure for doing so are also key aims.

Results of Operations and Financial Position

(1) Overview of the First Half of Fiscal 2007

During the interim period under review, the Japanese economy experienced modest expansion with improved corporate earnings due to a weakening yen, accompanied by higher capital expenditures and increased consumer spending. The world economy also grew overall, despite the slackening growth of U.S. and European economies due to such factors as persistently high crude oil and raw material prices, rising interest rates, and exchange rate fluctuations.

In the automobile industry, unit automobile production surpassed the previous year's figures, reflecting increased exports to the Americas, Europe and elsewhere. Overseas, automobile production in North America and Europe was robust, while expanded production was reported in Asian countries such as China and Thailand. On the whole, worldwide automobile production trended upwards.

In this climate, the Koito Group is working to expand sales of automotive lighting equipment over the medium and long terms. Measures include enhancing production capacity, boosting product development capabilities and aggressively implementing initiatives to win more orders. In Japan, operations commenced in October 2006 at the new plant of KOITO KYUSHU LIMITED, a company established in November 2005.

With respect to overseas businesses, in the continuously expanding Chinese market, April 2006 saw production commence at Shanghai Koito Automotive Lamp Co., Ltd.'s third plant. Meanwhile, preparations are continuing for the January 2007 commencement of production at the new factory of GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD., which was established in November 2005. In addition, Koito is progressing with construction of the second plant at INDIA JAPAN LIGHTING PRIVATE LIMITED in Haryana, India, and the fourth plant at North American Lighting, Inc. in Alabama, U.S. Both plants are due to commence operations in 2007.

The Koito Group reported record-high consolidated net sales, up 15.9% year on year to ¥203.6, billion. This reflected a strong performance by its mainstay automotive lighting equipment segment both domestically and overseas.

Results by business segment are outlined as follows.

Automotive Lighting Equipment

Segment sales rose 16.2% to ¥180.8 billion, fueled by greater installation of high-intensity discharge headlamps, intelligent Adaptive Front Lighting System (AFS) headlamps, LED rear combination lamps, and headlamp leveling systems in newly manufactured vehicles in Japan. Another contributing factor was steady growth of orders for both signaling lamps and headlamps at overseas subsidiaries mainly in North America, Europe, China and Thailand.

Non-Automotive Electrical Equipment

Segment sales increased 20.7% to ¥11.1 billion, reflecting a steady performance by railroad car equipment, road lighting and information equipment, traffic systems, and other products.

Other Products

Segment sales were ¥11.5 billion, up 7.5% from the previous fiscal year due to higher sales of aircraft seats and various fittings as well as automobile headlamp cleaners.

On the earnings front, amid intensifying price competition in automotive lighting equipment in Japan and overseas, efforts by Koito and Group companies to streamline operations by aggressively promoting cost-cutting measures lifted recurring profit 15.1% to ¥11.0 billion. Consequently, the Koito Group reported net income of ¥5.8 billion, a year-on-year increase of 18.9%. Earnings therefore also reached record highs compared to previous interim periods.

For the interim period under review, Koito plans to pay a dividend to shareholders of ¥11 per share, which is ¥2 per share higher than the previous year, reflecting the healthy improvement in its business results. In addition, Koito plans to pay a year-end dividend of ¥11 per share. This would result in a full-year dividend of ¥22, ¥2 per share higher than the previous year, which would constitute the fifth consecutive year of dividend growth. Looking ahead, we will continue in our efforts to meet the expectations of all shareholders by achieving even higher earnings.

(2) Cash Flows

Operating activities provided net cash of ¥16.5 billion. Cash inflows of ¥21.2 billion, including income before income taxes of ¥10.5 billion and depreciation of ¥10.0 billion, were partly offset by income taxes paid.

Investing activities used net cash of ¥21.5 billion, reflecting capital investments of ¥17.5 billion, primarily to accommodate higher production of automotive lighting equipment, in addition to investments of funds for the acquisition of marketable and investment securities.

Financing activities provided net cash of ¥0.6 billion. This cash inflow resulted from a ¥3.4 billion increase in loans, offset by the payment of ¥2.9 billion in dividends.

As a result, cash and cash equivalents as of September 30, 2006 were ¥11.5 billion, ¥4.2 billion lower than March 31, 2006.

(3) Outlook for Fiscal 2007

In fiscal 2007, the year ending March 31, 2007, the Japanese economy is expected to maintain modest growth, driven by higher capital expenditures reflecting improvements in corporate revenues and greater consumer spending. Overseas, despite concerns over economic slowdowns in the U.S., Europe and elsewhere, forecasts call for continued high growth in Asian regions. Nevertheless, continuously high crude oil and raw material prices, combined with higher interest rates, exchange rate fluctuations and other issues, are creating an unpredictable business environment for the Koito Group.

The Koito Group has achieved integrated production of automotive lighting equipment, which encompasses all phases from creating lighting sources to lamp assembly and electronic control systems. As a global supplier with a product development, manufacturing and sales network covering the world’s four key markets, the Koito Group will work to improve its mutual complementary supply network and structure, in addition to expanding orders and production capacity. The Company will also further extend cost-cutting and other measures, with the goal of building a stronger organization and further improving operating results.

In light of the above, the Koito Group is forecasting consolidated net sales of ¥444.6 billion, recurring profit of ¥26.4 billion and net income of ¥14.0 billion for fiscal 2007. The Company therefore anticipates a fifth consecutive year of higher sales and earnings, with both net sales and profits expected to achieve the highest levels ever.

Consolidated Balance Sheets

(¥ millions)

Item \ Period	As of Sep. 30, 2006	As of March 31, 2006	Increase/ (Decrease)	As of Sep. 30, 2005
Assets				
Current assets:				
Cash and time deposits	8,693	10,214	△ 1,521	8,346
Notes and accounts receivable—trade	85,831	97,432	△ 11,601	71,986
Marketable securities	16,677	12,432	4,245	12,864
Inventories	39,315	30,034	9,280	30,729
Deferred income taxes	6,039	6,053	△ 13	5,553
Other current assets	11,525	10,651	874	9,708
Less: Allowance for doubtful receivables	△ 1,096	△ 1,082	△ 13	△912
Total current assets	166,986	165,736	1,250	138,276
Fixed assets:				
Property, plant and equipment				
Buildings and structures	32,981	29,926	3,055	29,577
Machinery and transportation equipment	34,152	32,024	2,128	28,807
Fixtures equipment and tools	16,447	14,849	1,598	12,976
Land	12,835	12,862	△ 26	11,430
Construction in progress	6,382	4,830	1,551	2,779
Property, plant and equipment, net	102,800	94,493	8,306	85,572
Intangible fixed assets	872	783	89	586
Investments and other assets:				
Investment securities	95,890	101,795	△ 5,904	94,748
Loans	636	781	△ 145	876
Deferred income taxes	—	—	—	1,745
Other investments	3,371	2,912	459	3,608
Less: Allowance for doubtful receivables	△ 242	△ 247	5	△247
Total investments and other assets	99,655	105,241	△ 5,585	100,731
Total fixed assets	203,328	200,518	2,810	186,890
Total assets	370,315	366,254	4,061	325,167

(¥ millions)

Item / Period	As of Sep. 30, 2006	As of March 31, 2006	Increase/ (Decrease)	As of Sep. 30, 2005
Liabilities				
Current liabilities:				
Trade notes and accounts payable	70,883	73,099	△ 2,216	56,932
Short-term loans	29,746	24,470	5,275	24,794
Accrued expenses	17,426	19,020	△ 1,594	15,247
Income taxes payable	2,986	4,932	△ 1,946	3,683
Provision for employee' bonuses	4,530	4,442	87	4,546
Allowance for directors' and corporate auditors' bonuses	140	270	△ 130	117
Reserve for product warranties	1,400	1,400	―	1,400
Other current liabilities	11,988	10,107	1,881	7,208
Total current liabilities	139,100	137,743	1,357	113,930
Non-current liabilities:				
Long-term debt	27,924	28,826	△ 902	28,151
Accrued retirement benefits	26,316	25,431	884	24,238
Directors' and corporate auditors' accrued retirement benefits	1,445	1,334	111	1,249
Deferred income taxes	1,592	2,069	△476	―
Other non-current liabilities	573	563	9	617
Total non-current liabilities	57,852	58,224	△372	54,256
Total liabilities	196,953	195,968	984	168,187
Net assets				
Shareholders' equity:				
Common stock	14,270	―	14,270	―
Additional paid-in capital	17,107	―	17,107	―
Retained earnings	93,657	―	93,657	―
Treasury common stock, at cost	△ 50	―	△ 50	―
Total shareholders' equity	124,985	―	124,985	―
Revaluation and translation adjustments:				
Valuation adjustment on investment securities	17,190	―	17,190	―
Translation adjustments	789	―	789	―
Total revaluations and translation adjustments	17,979	―	17,979	―
Minority interests	30,397	―	30,397	―
Total net assets	173,362	―	173,362	―
Total liabilities and net assets	370,315	―	370,315	―
Minority interests	―	30,436	△ 30,436	29,321
Equity				
Common stock	―	14,270	△ 14,270	14,270
Additional paid-in capital	―	17,107	△ 17,107	17,107
Retained earnings	―	89,548	△ 89,548	83,449
Valuation adjustment on investment securities	―	18,679	△ 18,679	14,017
Translation adjustments	―	382	△ 382	△ 916
Treasury common stock, at cost	―	△ 140	140	△ 271
Total equity	―	139,849	△ 139,849	127,658
Total liabilities, minority interests and equity	―	366,254	△ 366,254	325,167

Consolidated Statements of Income

(¥ millions)

	Six months ended Sep. 30, 2006		Six months ended Sep. 30, 2005		Y-o-Y change		Year ended March 31, 2006	
		%		%		%		%
Net sales	203,604	100.0	175,639	100.0	27,965	15.9	397,509	100.0
Cost of sales	177,992	87.4	152,180	86.6	25,811		342,504	86.2
Gross profit	25,612	12.6	23,458	13.4	2,154		55,005	13.8
Selling, general and administrative expenses	16,135	7.9	15,198	8.7	936		32,743	8.2
Operating income	9,476	4.7	8,259	4.7	1,217	14.7	22,262	5.6
Non-operating income	2,453		2,051		401		4,901	
Interest income and dividends	(1,108)		(833)		(274)		(2,286)	
Equity in earnings of affiliates	(48)		(56)		(△ 8)		(100)	
Other non-operating income	(1,295)		(1,161)		(134)		(2,514)	
Non-operating expenses	873		703		169		1,523	
Interest expenses and discounts	(661)		(468)		(192)		(1,025)	
Other non-operating expenses	(211)		(234)		(△ 23)		(498)	
Recurring profit	11,056	5.4	9,607	5.5	1,449	15.1	25,640	6.5
Extraordinary gains	14		―		14		44	
Extraordinary losses	559		566		△ 6		2,407	
Income before income taxes	10,511	5.2	9,041	5.1	1,470	16.3	23,277	5.9
Income taxes	3,203		4,132		△ 928		9,497	
Income tax adjustment	896		△605		1,502		△ 419	
Total	4,099		3,526		573		9,078	
Minority interest in consolidated subsidiaries	△ 533		△570		37		△ 1,468	
Net income	5,879	2.9	4,945	2.8	934	18.9	12,731	3.2

Consolidated Changes in Shareholders' Equity

Six months ended September 30, 2006 (April 1, 2006 – September 30, 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 first half					
Dividends from retained earnings	—	—	△ 1,766	—	△ 1,766
Net income for the first half	—	—	5,879	—	5,879
Purchases of treasury stock	—	—	—	△ 2	△ 2
Disposal of treasury stock	—	—	△ 1	91	90
Other	—	—	△ 2	—	△ 2
Net change in non-shareholders' equity items for the first half	—	—	—	—	—
Total changes for the first half	—	—	4,109	89	4,198
Balances as of September 30, 2006	14,270	17,107	93,657	△ 50	124,985

	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 first half					
Dividends from retained earnings	—	—	—	—	△ 1,766
Net income for the first half	—	—	—	—	5,879
Purchases of treasury stock	—	—	—	—	△ 2
Disposal of treasury stock	—	—	—	—	90
Other	—	—	—	—	△ 2
Net change in non-shareholders' equity items for the first half	△ 1,489	407	△ 1,082	△ 39	△ 1,121
Total changes for the first half	△ 1,489	407	△ 1,082	△ 39	3,076
Balances as of September 30, 2006	17,190	789	17,979	30,397	173,362

Consolidated Statements of Retained Earnings

(¥ millions)

	Six months ended Sep. 30, 2005	Year ended March 31, 2006
Additional paid-in capital		
I Additional paid-in capital at beginning of period	17,107	17,107
II Additional paid-in capital at end of period	17,107	17,107
Retained earnings		
I Retained earnings at beginning of period	79,912	79,912
II Increase in retained earnings		
Net income	4,945	12,731
III Appropriations		
Dividends	1,120	2,564
Bonuses to directors and corporate auditors	205	205
Loss on disposal of treasury stock	2	4
Decrease in unfunded pension liabilities associated with pension accounting of overseas subsidiaries	—	159
Other	79	162
IV Retained earnings at end of period	83,449	89,548

Consolidated Statements of Cash Flows

(¥ millions)

Item \ Period	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006
I Cash flows from operating activities			
Income before income taxes	10,511	9,041	23,277
Depreciation	10,093	9,119	19,920
Equity in earnings of affiliated companies	△48	△56	△100
Provision for allowance for doubtful accounts	4	△320	△191
Provision for accrued retirement benefits	945	250	1,447
Provision for reserve for bonuses	227	177	227
Interest and dividends received	△1,108	△833	△2,286
Interest payments	661	468	1,025
Loss on sale and revaluation of marketable securities	△161	△89	△127
Loss on revaluation of golf memberships	-	31	31
Loss on sale and disposal of property and equipment	323	566	285
Changes in trade notes and accounts receivable	12,544	16,583	△7,834
Changes in inventories	△9,001	△6,365	△5,123
Changes in other receivables	△596	△1,235	△1,814
Changes in trade notes and accounts payable	△2,909	△3,678	11,310
Changes in accrued expenses and other current liabilities	△3	△406	4,992
Directors' and corporate auditors' bonuses paid	△270	△205	△205
Sub total	21,212	23,048	44,834
Interest and dividends received	1,108	833	2,286
Interest paid	△661	△468	△1,025
Income taxes paid	△5,113	△4,829	△8,895
Net cash provided by operating activities	16,546	18,584	37,200
II Cash flows from investing activities			
Payments into time deposits	△376	△296	△688
Proceeds from time deposits	216	332	583
Payments for purchase of marketable and investment securities	△16,443	△28,246	△34,897
Proceeds from sale of marketable and investment securities	13,266	19,339	30,725
Payments for purchase of property and equipment	△17,571	△10,550	△28,895
Proceeds from sale of property and equipment	△81	259	1,483
Payments for new loans	△213	△312	△563
Proceeds from loan repayments	278	329	569
Other payments relating to investments	△584	266	778
Net cash used in investing activities	△21,508	△18,879	△30,905
III Cash flows from financing activities			
Increase (decrease) in short-term loans	3,455	△2,070	△4,912
Increase in long-term debt	607	4,034	6,126
Repayment of long-term debt	△571	△49	△148
Payments for purchase of treasury stock	△3	△3	△12
Proceeds from sale of treasury stock	93	174	317
Dividends paid by parent company	△1,765	△1,120	△2,564
Dividends paid to minority shareholders	△1,155	△1,433	△1,470
Net cash used in financing activities	661	△467	△2,663
IV Effect of exchange rate changes on cash and cash equivalents	57	91	216
V Change in cash and cash equivalents	△4,244	△671	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	11,529	11,254	15,773

Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

1. Scope of Consolidation
Number of consolidated subsidiaries: 23

2. Application of the Equity Method
Number of affiliates accounted for using the equity method: 3
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 interim consolidated net income and retained earnings of the Koito Group.

3. Interim period of Consolidated Subsidiaries
The interim period of consolidated subsidiaries KOITO INDUSTRIES, LIMITED, Koito Transport Co., Ltd., Minatsu, Ltd., KOITO KYUSHU LIMITED and INDIA JAPAN LIGHTING PRIVATE LIMITED is September 30, the same as for the parent company. Interim consolidated financial statements are prepared assuming an accounting period ending September 30 for the other consolidated subsidiaries (Aoitec Co., Ltd. and 17 other companies).

4. Summary of Significant Accounting Policies
(1) Valuation standards and accounting treatment for marketable securities

① Securities held for trading	Stated at 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	Stated at market value, determined by the market price as of the end of the interim period, with unrealized gains or losses reported in shareholders' equity and the selling price determined by the moving average method.
Non-listed	Stated at cost determined by the moving average method.

(2) Derivatives — Stated at market value

(3) Specified money trusts — Stated at market value

(4) Valuation standards and accounting treatment for inventories
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.

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

Estimated useful lives are as follows:

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

(b) Intangible fixed assets:
Intangible fixed assets are amortized using the straight-line method.

(6) Accounting for allowances
(a) Allowance for doubtful accounts:
The allowance for doubtful accounts provides for possible losses arising from default on 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 some of its domestic consolidated subsidiaries, an allowance is provided 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 interim 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 interim period under review, as prescribed by Company regulations.

(7) Accounting for foreign currency denominated transactions:
All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the 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 interim accounting period. Gains or losses on such foreign currency translations are listed under minority interests and reported in shareholders' equity as translation adjustments.

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

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

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

5. Scope of Cash and Cash Equivalents in the Statement of Cash Flows

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

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

Accounting standard relating to the presentation of net assets in balance sheets

Starting this interim accounting period, Koito has adopted the "Accounting Standard Relating to the Presentation of Net Assets in Balance Sheets" (Financial Accounting Standard No. 5, December 9, 2005 and "Implementation Guidance for the Accounting Standard Relating to the Presentation of Net Assets in Balance Sheets" (Financial Accounting Standard Implementation Guidance No. 8, December 9, 2005). The net assets section of the consolidated interim balance sheets has been prepared in accordance with the revised regulations relating to consolidated interim financial statements.

Notes

(¥ millions)

	As of Sep. 30, 2006	As of Sep. 30, 2005	As of March 31, 2006
1. Cumulative depreciation of property, plant and equipment	178,694	165,866	175,410
2. Liabilities for guarantees	24	29	27
3. Assets pledged as collateral			
Buildings and structures	695	1,420	1,266
Machinery	2,130	1,229	1,068
Land	1,902	1,909	2,058
Total	4,728	4,559	4,393

4. Selling, general and administrative expenses (¥ millions)

	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006
(1) Selling expenses			
Freight expenses	1,373	1,140	2,496
Employee salaries	2,524	2,582	5,516
Packaging expenses	842	800	1,679
Transfer to allowance for bonuses	585	623	589
Retirement benefit expenses	309	307	767
(2) General and administrative expenses			
Employee salaries	3,440	3,185	5,915
Fringe benefits expenses	834	801	1,623
Transfer to allowance for bonuses	436	435	424
Transfer to allowance for directors' bonuses	140	117	270
Retirement benefit expenses	319	457	715
Transfer to allowance for directors' retirement benefits	152	112	197

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

(¥ millions)

	As of Sep. 30, 2006	As of Sep. 30, 2005	As of March 31, 2006
Cash and deposits	8,693	8,346	10,214
Time deposits with maturities exceeding three months	△ 660	△ 327	△ 489
Marketable securities redeemable within three months	3,496	3,235	6,048
Cash and cash equivalents	11,529	11,254	15,773

Segment Information

(1) Industry Segment Information

Six months ended September 30, 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	180,853	11,197	11,553	203,604	—	203,604
(2) Inter-segment sales and transfers	42,070	194	1,617	43,881	(43,881)	—
Total	222,923	11,392	13,170	247,486	(43,881)	203,604
Operating expenses	212,171	11,976	13,263	237,411	(43,283)	194,127
Operating income (loss)	10,751	△ 583	△ 92	10,074	(598)	9,476

Six months ended September 30, 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	155,609	9,279	10,749	175,639	—	175,639
(2) Inter-segment sales and transfers	36,646	306	1,438	38,391	(38,391)	—
Total	192,255	9,586	12,188	214,030	(38,391)	175,639
Operating expenses	182,682	10,854	11,735	205,273	(37,893)	167,379
Operating income (loss)	9,572	△ 1,268	452	8,756	(497)	8,259

Year Ended March 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	337,604	35,160	24,745	397,509	—	397,509
(2) Inter-segment sales and transfers	80,229	1,228	3,093	84,551	(84,551)	—
Total	417,833	36,389	27,838	482,061	(84,551)	397,509
Operating expenses	394,569	37,445	26,583	458,599	(83,351)	375,247
Operating income (loss)	23,264	△ 1,056	1,255	23,462	(1,200)	22,262

Notes:

1. Industry segment figures are based on sales categories.
2. Major products of each segment

(1) Automotive Lighting Equipment
Headlamps, miscellaneous car lamps, discharge headlamp systems, signaling 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 equipment and electronic components, special-feature seats, environmental control systems, transportation, finance and insurance services.

3. Significant components of corporate and elimination of inter-segment items (¥ millions)

	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006	Significant Items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,744	1,717	3,339	Expenses related to the General Affairs Department of the parent company's head office

(2) Geographical Segment Information

Six months ended September 30, 2006 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales:							
(1) Sales to outside customers	124,238	26,308	41,422	11,635	203,604	—	203,604
(2) Inter-segment sales and transfers	30,606	—	1,759	11,515	43,881	(43,881)	—
Total	154,844	26,308	43,182	23,150	247,486	(43,881)	203,604
Operating expenses	147,991	25,155	41,252	23,012	237,411	(43,283)	194,127
Operating income (loss)	6,853	1,153	1,929	138	10,074	(598)	9,476

Six months ended September 30, 2005 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	109,933	23,869	31,965	9,870	175,639	—	175,639
(2) Inter-segment sales and transfers	27,405	—	1,313	9,672	38,391	(38,391)	—
Total	137,339	23,869	33,278	19,543	214,030	(38,391)	175,639
Operating expenses	130,867	23,067	31,510	19,827	205,273	(37,893)	167,379
Operating income (loss)	6,471	801	1,767	△ 284	8,756	(497)	8,259

Year ended March 31, 2006 (¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	252,825	51,418	72,118	21,146	397,509	—	397,509
(2) Inter-segment sales and transfers	60,940	—	2,842	20,769	84,551	(84,551)	—
Total	313,765	51,418	74,961	41,916	482,061	(84,551)	397,509
Operating expenses	296,503	49,255	70,954	41,885	458,599	(83,351)	375,247
Operating income (loss)	17,261	2,162	4,006	30	23,462	(1,200)	22,262

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

(¥ millions)

	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006	Significant items
Unallocated operating expenses in corporate and elimination of inter-segment items	1,744	1,717	3,339	Expenses related to the General Affairs Department of the parent company's head office

(3) Overseas Sales

Six months ended September 30, 2006 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	28,319	40,892	12,303	81,514
II Consolidated sales				203,604
III Overseas sales ratio (%)	13.9	20.1	6.0	40.0

Six months ended September 30, 2005 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	25,660	31,637	19,423	76,720
II Consolidated sales				175,639
III Overseas sales ratio (%)	14.6	18.0	11.1	43.7

Year Ended March 31, 2006 (¥ millions)

	North America	Asia	Europe	Total
I Overseas sales	55,046	70,742	21,902	147,690
II Consolidated sales				397,509
III Overseas sales ratio (%)	13.8	17.8	5.5	37.2

Notes:

1. Country and regional segments are based on geographic proximity.
2. Countries and regions included in each segment:
   (1) North America: United States
   (2) Asia: China, Taiwan, Korea, Thailand, 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

(1) Acquisition cost, accumulated depreciation and balance equivalents of leased assets as of the interim balance date

(¥ millions)

		Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006
Acquisition cost equivalents	Buildings	2,495	2,495	2,495
	Machinery and transportation equipment	1,474	1,522	1,434
	Tools and equipment	836	894	967
	Total	4,807	4,913	4,897
Accumulated depreciation equivalents	Buildings	271	195	233
	Machinery and transportation equipment	790	957	696
	Tools and equipment	523	497	570
	Total	1,586	1,649	1,500
Term-end balance equivalents	Buildings	2,224	2,300	2,262
	Machinery and transportation equipment	684	565	737
	Tools and equipment	312	397	397
	Total	3,220	3,263	3,397

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.

(2) Interim (year-end) balances of outstanding lease commitments

(¥ millions)

	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006
Within one year	334	313	468
More than one year	2,886	2,949	2,929
Total	3,220	3,263	3,397

Note: Outstanding lease commitments constituted an immaterial portion of interim term-end balances of property, plant and equipment. Consequently, outstanding lease commitments are accounted for by the paid interest method.

(3) Lease charge payable and depreciation equivalents

(¥ millions)

	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006
Lease charge payable	319	292	495
Depreciation equivalents	319	292	495

(4) Accounting method for depreciation equivalents

Depreciation equivalents are accounted for by the straight-line method, assuming the lease period to be the useful lives and the residual value to be zero.

2. Operating lease transactions

(¥ millions)

	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006
Outstanding lease commitments			
Within one year	294	168	163
More than one year	270	241	232
Total	565	410	396

Marketable Securities

Marketable securities as of September 30, 2006

1. Securities held to maturity (¥ millions)

	Book value	Market value	Difference
(1) Japanese government bonds and municipal bonds	991	983	△ 7
(2) Corporate bonds	100	100	0
(3) Others	52,306	51,048	△ 1,257
Total	53,397	52,132	△ 1,265

2. Other listed securities (¥ millions)

	Book value	Market value	Difference
(1) Shares	10,403	37,563	27,159
(2) Bonds			
Japanese government bonds and municipal bonds	—	—	—
Corporate bonds	600	594	△ 5
Others	2,284	2,196	△ 87
(3) Other	8,271	8,163	△ 107
Total	21,558	48,517	26,958

3. Schedule of non-listed securities (¥ millions)

	Book value	Details
(1) Bonds held to maturity Foreign bonds without market quotation, other	158	
(2) Other securities		
Equity securities without market quotation (excluding OTC market securities)	5,779	
Investments	275	

Marketable securities as of September 30, 20

１. Securities held to maturity (¥ millions)

	Book value	Market value	Difference
(1) Japanese government bonds and municipal bonds	752	749	△ 3
(2) Corporate bonds	—	—	—
(3) Others	53,585	52,719	△ 866
Total	54,337	53,468	△ 869

２. Other listed securities (¥ millions)

	Book value	Market value	Difference
(1) Shares	5,855	29,436	23,581
(2) Bonds			
Japanese government bonds and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	3,522	3,461	△ 61
(3) Other	8,678	8,897	219
Total	18,055	41,794	23,739

３. Schedule of non-listed securities (¥ millions)

	Book value	Details
(1) Bonds held to maturity		
Foreign bonds without market quotation	164	
(2) Other securities		
Equity securities without market quotation (excluding OTC market securities)	6,602	
Investments	215	

Marketable securities as of March 31, 2006

1. Securities held to maturity (¥ millions)

	Book value	Market value	Difference
(1) Japanese government bonds and municipal bonds	991	972	△ 19
(2) Corporate bonds	—	—	—
(3) Others	51,811	49,915	△ 1,896
Total	52,803	50,887	△ 1,915

2. Other listed marketable securities (¥ millions)

	Book value	Market value	Difference
(1) Shares	10,473	40,010	29,537
(2) Bonds			
Japanese government bonds and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	2,400	2,227	△ 172
(3) Others	8,619	8,661	42
Total	21,492	50,899	29,407

3. Schedule of non-listed securities (¥ millions)

	Book value	Details
(1) Bonds held to maturity Foreign bonds without market, other	160	
(2) Other securities		
Equity securities without market quotation (excluding OTC market securities)	5,756	
Investments	274	

Derivative Transactions

Interim period under review (April 1, 2006 – September 30, 2006)
Previous interim period (April 1, 2005 – September 30, 2005)
Previous fiscal year (April 1, 2005 – March 31, 2006)

The Company applies hedge accounting to its derivative transactions. Accordingly, information is not disclosed.

《 For Reference Only 》

Non-consolidated Earnings Report for the First Half of Fiscal 2007 Oct. 26, 2006

Company Name: KOITO MANUFACTURING CO., LTD.
Stock Listing: First Section, Tokyo Stock Exchange
Code Number: 7276
Head Office: 4-8-3, Takanawa, Minato-ku, Tokyo 108-8711
URL: http://www.koito.co.jp
Representative Director: Takashi Ohtake, President & CEO
Inquiries: Masahiro Ohtake, Executive Vice President
Tel: (03) 3443-7111
Meeting of the Board of Directors for the Approval of Interim Results: October 26, 2006
Interim Dividend Payment Date: December 8, 2006
Tangen System: Yes (1 *tangen* = 1,000 shares)

1. Non-consolidated Results of Operations for First Half of Fiscal 2007 (April 1, 2006 – September 30, 2006)
(1) Non-consolidated Business Results

(¥ millions, rounded down)

Six months ended	Net sales		Operating income		Recurring profit	
Sep. 30, 2006	108,434	10.6%	5,437	6.3%	8,440	5.3%
Sep. 30, 2005	98,003	15.1%	5,113	62.1%	8,019	50.2%
Year ended Mar. 31, 2006	209,502		12,563		18,554	

Six months ended	Net income		Net income per share (¥)
Sep. 30, 2006	5,002	3.6%	31.13
Sep. 30, 2005	4,827	52.0%	30.12
Year ended Mar. 31, 2006	11,209		69.88

Notes: (1) Average number of shares outstanding:
Six months ended Sep. 2006: 160,701,489 Six months ended Sep. 2005: 160,284,552
Fiscal 2006: 160,415,166
(2) Changes in accounting methods:None
(3) The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

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

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
Sep. 30, 2006	206,348	122,241	59.2	760.59
Sep. 30, 2005	184,565	110,906	60.1	691.48
Mar. 31, 2006	205,510	120,414	58.6	749.75

Notes: (1) Number of shares outstanding at end of period:
Sep. 30, 2006: 160,718,111 Sep. 30, 2005: 160,390,989
Mar. 31, 2006: 160,605,854

(2) Number of treasury shares at end of period:
Sep. 30, 2006: 71,325 Sep. 30, 2005: 398,447 Mar. 31, 2006: 183,582

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

(¥ millions)

	Net sales	Recurring profit	Net income
For the year	226,900	20, 100	12, 100

Note: Projected net income per share for the year is ¥75.29.

3. Dividends

	Interim dividend per share (¥)	Year-end dividend per share (¥)	Annual dividend per share (¥)
Year ended March 31, 2006	9.00	11.00	20.00
Year ended March 31, 2007 (Actual)	11.00	—	22.00
Year ended March 31, 2007 (Projected)	—	11.00	

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.

Non-consolidated Balance Sheets

(¥ millions)

	As of Sep. 30, 2006	As of March 31, 2006	Increase/ (Decrease)	As of Sep. 30, 2005
Assets				
Current assets:				
Cash and time deposits	904	1,375	△470	1,485
Notes receivable	513	746	△232	663
Accounts receivable–trade	44,356	45,183	△826	38,758
Marketable securities	8,907	6,896	2,011	4,207
Finished and semi-finished products	4,451	3,617	833	3,887
Work in progress	1,193	923	269	919
Raw materials and supplies	3,004	2,889	115	2,839
Accrued income	2,467	3,201	△734	2,018
Deferred income taxes	2,862	2,862	—	2,824
Other current assets	527	345	182	411
Less: Allowance for doubtful receivables	△112	△132	20	△110
Total current assets	69,076	67,908	1,167	57,904
Fixed assets:				
Property, plant and equipment				
Buildings	12,944	10,845	2,098	11,171
Structures	1,026	833	192	872
Machinery	6,130	5,101	1,029	4,379
Vehicles	230	235	△5	256
Tools and equipment	7,843	7,556	287	7,131
Land	6,340	6,363	△22	5,230
Construction in progress	0	938	△937	—
Property, plant and equipment, net	34,517	31,873	2,644	29,041
Intangible fixed assets	127	133	△6	142
Investments and other assets:				
Investment securities	79,001	83,962	△4,961	75,360
Subsidiary stock	22,651	20,651	2,000	20,551
Other investments	1,184	1,195	△11	1,777
Less: Allowance for doubtful receivables	△209	△214	4	△213
Total	102,627	105,594	△2,967	97,476
Total fixed assets	137,271	137,601	△329	126,660
Total assets	206,348	205,510	838	184,565

(¥ millions)

	As of Sep. 30, 2006	As of March 31, 2006	Increase/ (Decrease)	As of Sep. 30, 2005
Liabilities				
Current liabilities:				
Notes and accounts payable	39,921	40,848	△926	35,419
Payables	5,408	3,800	1,607	2,664
Accrued expenses	9,810	10,325	△515	10,473
Provisions for employees' bonuses	3,411	3,386	25	3,405
Allowance for directors' and corporate auditors' bonuses	140	270	△130	100
Reserve for product warranties	1,400	1,400	—	1,400
Income taxes payable	2,833	4,212	△1,379	3,563
Other current liabilities	440	556	△116	470
Total current liabilities	63,365	64,800	△1,435	57,498
Non-current liabilities:				
Allowance for retirement benefits	15,265	14,413	851	13,620
Allowance for directors' and corporate auditors' retirement benefits	1,104	991	113	932
Allowance for losses on overseas investments	1,500	1,500	—	1,500
Deferred income taxes	2,868	3,387	△ 518	104
Others	2	2	—	2
Total non-current liabilities	20,741	20,294	446	16,159
Total liabilities	84,107	85,095	△988	73,658
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	866	—	866	—
Other reserve	62,000	—	62,000	—
Retained earnings b/fwd.	7,952	—	7,952	—
Total retained earnings	74,387	—	74,387	—
Treasury stock	△50	—	△50	—
Total shareholders' equity	105,715	—	105,715	—
Revaluations and translation adjustments				
Valuation adjustment on investment securities	16,526	—	16,526	—
Total revaluations and translation adjustments	16,526	—	16,526	—
Total net assets	122,241	—	122,241	—
Total liabilities and net assets	206,348		206,348	
Equity				
Common stock		14,270	△14,270	14,270
Additional paid-in capital				
Capital reserve	—	17,107	△17,107	17,107
Retained earnings				
Profit reserve	—	3,567	△3,567	3,567
Reserve for reductions of asset costs	—	920	△920	920
Other reserve	—	55,000	△55,000	55,000
Unappropriated retained earnings	—	11,663	△11,663	6,727
(Interim/full-year net income)	—	(11,209)	(△11,209)	(4,827)
Total retained earnings	—	71,152	△71,152	66,216
Valuation adjustment on investment securities	—	18,003	△18,003	13,563
Treasury stock	—	△120	120	△251
Total equity	—	120,414	△120,414	110,906
Total liabilities and equity	—	205,510	△205,510	184,565

Non-consolidated Statements of Income

(¥ millions)

	Six months ended Sep. 30, 2006		Six months ended Sep. 30, 2005		Y-o-Y change		Year ended March 31, 2006	
		%		%		%		%
Recurring Items								
Operating revenues								
Net sales	108,434	100.0	98,003	100.0	10,430	10.6	209,502	100.0
Operating expenses								
Cost of sales	93,946	86.6	84,273	86.0	9,673		179,361	85.6
Gross profit	14,487	13.4	13,730	14.0	756		30,141	14.4
Selling, general and administrative expenses	9,050	8.4	8,616	8.8	433		17,578	8.4
Operating income	5,437	5.0	5,113	5.2	323	6.3	12,563	6.0
Non-operating income (expenses)								
Non-operating income	3,038		2,948		89		6,054	
Interest and dividend income	(1,813)		(1,803)		(9)		(3,664)	
Other	(1,224)		(1,145)		(79)		(2,390)	
Non-operating expenses	34		43		△ 8		63	
Recurring profit	8,440	7.8	8,019	8.2	421	5.3	18,554	8.9
Non-Recurring Items								
Extraordinary gains	10		—		10		3	
Gains on sales of property, plant and equipment	(10)		(—)		(10)		(3)	
Extraordinary losses	251		106		145		182	
Losses on sales and disposal of property, plant and equipment	(239)		(106)		(133)		(182)	
Loss on revaluation of landholdings	(11)		(—)		(11)		(—)	
Income before income taxes	8,200	7.6	7,913	8.1	287	3.6	18,375	8.8
Income taxes—current	2,772		3,634		△ 861		7,307	
Income taxes—deferred	425		△548		973		△141	
Total income taxes	3,198		3,086		111		7,166	
Net income	5,002	4.6	4,827	4.9	175	3.6	11,209	5.4
Retained earnings b/fwd.	—		1,902				1,902	
Interim dividend	—		—				1,443	
Loss on disposal of treasury stock	—		2				4	
Unappropriated retained earnings	—		6,727				11,663	

Breakdown of Non-Consolidated Net Sales

(¥ millions)

Period / Item	Six months ended Sep. 30, 2006		Six months ended Sep. 30, 2005		Y-o-Y change		Year ended March 31, 2006	
		%		%		%		%
Automobile Lighting Equipment	104,437	96.3	94,018	95.9	10,419	11.1	201,010	96.0
Aircraft Equipment	1,399	1.3	1,155	1.2	244	21.1	2,779	1.3
Others	2,596	2.4	2,830	2.9	△234	△8.3	5,712	2.7
Total	108,434	100.0	98,003	100.0	10,430	10.6	209,502	100.0
(Portion accounted for by exports)	(12,353)	(11.4)	(10,928)	(11.2)	(1,425)	(13.0)	(22,777)	(10.9)

Consolidated Changes in Shareholders' Equity

Six months ended September 30, 2006 (April 1, 2006 – September 30, 2006) (¥ millions)

	Shareholders' equity									
	Common stock	Additional paid-in capital		Retained earnings				Total retained earnings	Treasury stock	Total shareholders' equity
		Capital reserve	Total additional paid-in capital	Profit reserve	Other retained earnings					
					Reduction of assets cost	Other reserve	Retained earnings b/fwd.			
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 during first half										
Reversal of reduction of assets cost	–	–	–	–	△ 54	–	54	–	–	–
Provision of other reserve	–	–	–	–	–	7,000	△ 7,000	–	–	–
Dividends from retained earnings	–	–	–	–	–	–	△ 1,766	△ 1,766	–	△ 1,766
Net income for the first half	–	–	–	–	–	–	5,002	5,002	–	5,002
Purchases of treasury stock	–	–	–	–	–	–	–	–	△ 2	△ 2
Disposal of treasury stock	–	–	–	–	–	–	△ 1	△ 1	72	71
Net change in non-shareholders' equity items for the first half	–	–	–	–	–	–	–	–	–	–
Total change for the first half	–	–	–	–	△ 54	7,000	△ 3,711	3,234	69	3,303
Balances as of September 30, 2006	14,270	17,107	17,107	3,567	866	62,000	7,952	74,387	△ 50	105,715

	Revaluations and translation adjustments		Total net assets
	Valuation adjustment on investment securities	Total revaluations and translation adjustments	
Balances as of March 31, 2006	18,003	18,003	120,414
Changes in the first half			
Reversal of reduction of assets cost	–	–	–
Provision of other reserve	–	–	–
Dividends from retained earnings	–	–	△ 1,766
Net income for the first half	–	–	5,002
Purchases of treasury stock	–	–	△ 2
Disposal of treasury stock	–	–	71
Net change in non-shareholders' equity items for the first half	△ 1,477	△ 1,477	△ 1,477
Total change for the first half	△ 1,477	△ 1,477	1,826
Balances as of September 30, 2006	16,526	16,526	122,241

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

1. Marketable securities

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

2. Derivatives	Stated at market value
3. Money trusts	Stated at market value
4. Inventories	
Finished and semi-finished products and work in progress	Stated at cost, determined mainly by the gross-average method
Raw materials and supplies	Stated at cost, determined by the moving-average method

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

Property, plant and equipment are depreciated using the declining-balance method, based on the estimated useful lives of the assets as permitted by the corporate tax laws. Intangible fixed assets are depreciated using the straight-line method. Estimate useful lives are as follows:

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

6. Allowance for doubtful receivables

The allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up by two components: 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.

7. Allowance for bonuses

Provisions for employees' bonuses are based on the estimated requirements for the fiscal year. The amount recorded is that applicable to the interim period.

8. Allowance for directors' and corporate auditors' bonuses

Provisions for directors' and corporate auditors' bonuses are subject to the approval of the General Meeting of Shareholders. The amount recorded is that applicable to the interim period.

9. Reserve for product warranties

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

10. Allowance for retirement benefits

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

Actuarial gains or losses are amortized from the fiscal year following the fiscal year 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 fiscal year in which actuarial gains or losses arise.

11. Allowance for directors' and corporate auditors' retirement benefits

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

12. Reserve for losses on overseas investments

The allowance for losses on overseas investments provides for possible losses is made up by the estimated credit loss for investment losses based on an individual assessment of country risk and the financial soundness of overseas affiliates.

13. Accounting for translation of foreign currency transactions

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

14. 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.

15. 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.

16. Accounting treatment of consumption taxes

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

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

Accounting standard relating to the presentation of net assets in balance sheets

Starting this interim accounting period, Koito has adopted the "Accounting Standard Relating to the Presentation of Net Assets in Balance Sheets" (Financial Accounting Standard No. 5, December 9, 2005 and "Implementation Guidance for the Accounting Standard Relating to the Presentation of Net Assets in Balance Sheets" (Financial Accounting Standard Implementation Guidance No. 8, December 9, 2005). The net assets section of the interim balance sheets has been prepared in accordance with the revised regulations relating to interim financial statements.

Notes

(¥ millions)

	As of Sep. 30, 2006	As of Sep. 30, 2005	Year ended March 31, 2006
1. Cumulative depreciation of property, plant and equipment	94,942	97,397	98,163
2. Guarantees	31,585	29,632	29,201

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 interim term-end

(¥ millions)

		Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006
Acquisition cost equivalents	Machinery and transportation equipment	459	459	459
	Tools and equipment	35	104	94
	Total	494	563	553
Accumulated depreciation equivalents	Machinery and transportation equipment	357	306	306
	Tools and equipment	34	93	85
	Total	391	399	392
Balance equivalents	Machinery and transportation equipment	102	153	153
	Tools and equipment	0	10	8
	Total	102	163	161

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.

(2) Balance of outstanding lease commitments

(¥ millions)

	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006
Within one year	51	1	59
More than one year	51	162	102
Total	102	163	161

Note: Outstanding lease commitments constituted an immaterial portion of interim term-end balances of property, plant and equipment. Consequently, outstanding lease commitments are accounted for by the paid interest method.

(3) Lease charge payable and depreciation equivalents

(¥ millions)

	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended March 31, 2006
Lease charge payable	58	74	75
Depreciation equivalents	58	74	75

(4) Accounting method for depreciation equivalents

Depreciation equivalents are accounted for by the straight-line method, assuming the lease period to be the useful lives and the residual value to be zero.

Marketable Securities

Shares held by subsidiaries and affiliated companies with market quotations

As of September 30, 2006 (¥ millions)

	Book value	Market value	Gain
①Subsidiaries	7,370	10,189	2,819
②Affiliated companies	1,332	2,127	794
Total	8,702	12,316	3,613

As of September 30, 2005 (¥ millions)

	Book value	Market value	Gain
①Subsidiaries	7,370	10,813	3,443
②Affiliated companies	1,332	2,378	1,046
Total	8,702	13,191	4,489

As of March 31, 2006 (¥ millions)

	Book value	Market value	Gain
①Subsidiaries	7,370	12,247	4,877
②Affiliated companies	1,332	2,564	1,232
Total	8,702	14,811	6,109