

Consolidated Earnings Report for the Third Quarter of Fiscal 2006

Company Name: KOITO MANUFACTURING CO., LTD.
 Stock Listings: First Section, Tokyo Stock Exchange
 Head Office: Tokyo
 Code Number: 7276
 URL: <http://www.koito.co.jp>
 Representative Director: Takashi Ohtake, President & CEO
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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: Yes
- ③ Changes in scope of consolidation or number of equity-method affiliates: Yes

Consolidated subsidiaries: New 3
 FUZHOU TAYIH INDUSTRIAL CO., LTD.
 KOITO KYUSHU LIMITED
 Guangzhou Koito Automotive Lamp Co., Ltd.

2. Consolidated Results of Operations for the Third Quarter of Fiscal 2006 (April 1, 2005–December 31, 2005)

(1) Consolidated Business Results

(¥ millions; rounded down)

Third Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2006	277,657	8.7%	12,510	29.5%	15,189	41.2%	7,806	54.2%
Fiscal 2005	255,436	11.1%	9,661	73.8%	10,753	60.5%	5,061	64.5%
(Ref.) Full Year Fiscal 2005	361,477	8.1%	17,962	30.9%	20,046	30.6%	9,093	41.2%

Third Quarter,	Net income per share	Net income per share (diluted)
Fiscal 2006	¥48.69	—
Fiscal 2005	¥30.81	—
(Ref.) Full Year Fiscal 2005	¥55.62	—

Note:

- ① The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

(2) Consolidated Financial Position

Third Quarter,	Total assets (¥ millions)	Shareholders' equity (¥ millions)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Fiscal 2006	341,296	133,264	39.0	830.18
Fiscal 2005	305,419	115,159	37.7	720.25
(Ref.) Full Year Fiscal 2005	318,739	119,278	37.4	745.16

(3) Consolidated Cash Flows

(¥ millions)

Third Quarter,	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of the period
Fiscal 2006	27,041	(23,329)	(4,119)	11,719
Fiscal 2005	21,342	(21,190)	(1,190)	10,778
(Ref.) Full Year Fiscal 2005	29,919	(28,466)	(1,433)	11,925

Consolidated Results for the Third Quarter of Fiscal 2006

During the third quarter of fiscal 2006, the three-month period from April 1, 2005 to December 31, 2005, the automotive lighting equipment segment of the Koito Group continued to grow strongly, particularly in the domestic market. As a result, the Koito Group achieved significant sales and earnings growth compared with the same period a year earlier, as shown by the figures in the Consolidated Business Results section on the previous page. Compared with our original targets, net sales, recurring profit, and net income for this quarter were also slightly higher.

3. Consolidated Outlook for Fiscal 2006 (April 1, 2005–March 31, 2006)

	(¥ millions)		
	Net sales	Recurring profit	Net income
Full Year	389,600	25,400	12,800

Outlook for Fiscal 2006

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 24, 2005. 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	Third Quarter Fiscal 2006 As of December 31, 2005	Fiscal 2005 As of March 31, 2005	Change	Third Quarter Fiscal 2005 As of December 31, 2004
Assets				
Current assets:				
Cash and time deposits	9,431	9,395	35	10,385
Trade notes and accounts receivable	77,850	87,730	△ 9,879	73,348
Marketable securities	8,376	9,949	△ 1,573	7,112
Inventories	32,943	24,121	8,822	26,692
Deferred income taxes	5,570	5,630	△ 59	6,121
Other current assets	12,761	8,146	4,614	10,395
Less: Allowance for doubtful accounts	△ 1,035	△ 1,151	115	△ 953
Total current assets	145,898	143,822	2,076	133,102
Fixed assets:				
Property, plant and equipment				
Buildings and structures	30,160	28,915	1,245	29,216
Fixtures and transportation equipment	30,738	29,094	1,644	28,438
Machinery, equipment and tools	14,169	12,097	2,071	11,513
Land	12,709	11,824	884	11,736
Construction in progress	4,204	1,604	2,599	1,710
Property, plant and equipment, net	91,982	83,536	8,446	82,615
Intangible fixed assets	749	607	142	393
Investments and other assets:				
Investment securities	99,107	82,359	16,748	82,101
Loans	864	1,015	△ 151	1,012
Deferred income taxes	—	3,793	△ 3,793	3,634
Other investments	2,940	3,891	△ 950	2,844
Less: Allowance for doubtful accounts	△ 247	△ 286	38	△ 285
Total investments and other assets	102,665	90,773	11,891	89,307
Total fixed assets	195,397	174,916	20,480	172,316
Total assets	341,296	318,739	22,556	305,419

(¥ millions)

Item	Third Quarter Fiscal 2006 As of December 31, 2005	Fiscal 2005 As of March 31, 2005	Change	Third Quarter Fiscal 2005 As of December 31, 2004
Liabilities				
Current liabilities:				
Notes and accounts payable-trade	64,081	60,408	3,673	55,373
Short-term loans	22,882	26,073	△ 3,190	31,121
Current portion of bonds	—	—	—	3,000
Accrued expenses	16,952	17,204	△ 251	16,251
Income tax payable	2,886	4,343	△ 1,456	1,362
Provisions for employees' bonuses	4,497	4,486	10	4,490
Provisions for directors' and corporate auditors' bonuses	167	—	167	—
Reserve for product warranties	1,400	1,200	200	800
Other current liabilities	9,125	6,064	3,061	8,490
Total current liabilities	121,993	119,779	2,213	120,889
Non-current liabilities:				
Long-term debt	28,466	24,624	3,841	16,477
Accrued retirement benefits	25,044	23,617	1,427	22,815
Directors' and corporate auditors' accrued retirement benefits	1,303	1,593	△ 290	1,544
Deferred tax liabilities	130	—	130	—
Other non-current liabilities	577	762	△ 185	900
Total non-current liabilities	55,521	50,598	4,923	41,738
Total liabilities	177,514	170,377	7,136	162,627
Minority interests	30,517	29,082	1,434	27,631
Shareholders' equity:				
Common stock	14,270	14,270	—	14,270
Additional paid-in capital	17,107	17,107	—	17,107
Retained earnings	84,865	79,912	4,953	75,881
Valuation adjustment on investment securities	17,098	10,155	6,942	10,504
Translation adjustments	83	△ 1,723	1,807	△ 2,046
Treasury common stock, at cost	△ 162	△ 445	282	△ 558
Total shareholders' equity	133,264	119,278	13,985	115,159
Total liabilities, minority interests and shareholders' equity	341,296	318,739	22,556	305,419

Consolidated Statements of Income

(¥ millions)

Item	Fiscal 2006 Third Quarter		Fiscal 2005 Third Quarter		Change		Fiscal 2005	
	April 1, 2005 to December 31, 2005		April 1, 2004 to December 31, 2004				April 1, 2004 to March 31, 2005	
Period		(%)		(%)		(%)		(%)
Net Sales	277,657	100.0	255,436	100.0	22,221	8.7	361,477	100.0
Cost of Sales	241,054	86.8	221,137	86.6	19,917		310,165	85.8
Gross Profit	36,602	13.2	34,298	13.4	2,304		51,312	14.2
Selling, general and administrative expenses	24,092	8.7	24,637	9.6	△ 545		33,350	9.2
Operating income	12,510	4.5	9,661	3.8	2,849	29.5	17,962	5.0
Non-operating income	3,770		2,478		1,292		3,390	
Interest income and dividends	(1,484)		(971)		(512)		(1,332)	
Equity in earnings of affiliates	(64)		(146)		(△ 82)		(262)	
Other non-operating income	(2,221)		(1,359)		(861)		(1,794)	
Non-operating expenses	1,091		1,385		△ 294		1,305	
Interest expenses and discounts	(754)		(625)		(128)		(826)	
Other non-operating expenses	(337)		(759)		(△ 422)		(479)	
Recurring profit	15,189	5.5	10,753	4.2	4,435	41.2	20,046	5.5
Extraordinary gains	41		49		△ 7		107	
Extraordinary losses	615		1,022		△ 406		1,866	
Income before income taxes	14,614	5.3	9,780	3.8	4,834	49.4	18,287	5.1
Current income taxes	6,600		4,896		1,703		8,328	
Deferred income taxes	△ 899		△ 1,032		132		△ 1,102	
Total	5,700		3,863		1,836		7,225	
Minority interest in consolidated subsidiaries	△ 1,108		△ 855		△ 253		△ 1,968	
Net income	7,806	2.8	5,061	2.0	2,744	54.2	9,093	2.5

Consolidated Statements of Retained Earnings

(¥ millions)

Item	Period	Fiscal 2006 Third Quarter April 1, 2005 to December 31, 2005	Fiscal 2005 Third Quarter April 1, 2004 to December 31, 2004	Fiscal 2005 April 1, 2004 to March 31, 2005
(Additional paid-in capital)				
I Additional paid-in capital at beginning of period		17,107	17,107	17,107
II Additional paid-in capital at end of period		17,107	17,107	17,107
(Retained earnings)				
I Retained earnings at beginning of period		79,912	73,306	73,306
II Increase in retained earnings				
Net income		7,806	5,061	9,093
III Appropriations				
Dividends		2,564	2,236	2,236
Directors' and corporate auditors' bonuses		205	186	186
Loss on disposal of treasury stock		4	2	4
Other		79	61	61
IV Retained earnings at end of period		84,865	75,881	79,912

Consolidated Statements of Cash Flows

(¥ millions)

Period	Fiscal 2006	Fiscal 2005	Fiscal 2005
Item	Third Quarter April 1, 2005 to December 31, 2005	Third Quarter April 1, 2004 to December 31, 2004	April 1, 2004 to March 31, 2005
I. Cash flows from operating activities			
Income before income taxes	14,614	9,780	18,287
Depreciation	14,576	13,268	18,170
Equity in earnings of affiliated companies	△ 64	△ 146	△ 262
Provision for allowance for doubtful accounts	△ 242	△ 68	131
Provision for accrued retirement benefits	1,050	2,146	2,952
Provision for reserve for bonuses	177	12	8
Interest and dividends received	△ 1,484	△ 971	△ 1,332
Interest payments	754	625	826
Gain on sale and revaluation of marketable securities	△ 107	△ 215	△ 326
Loss on revaluation of golf memberships	31	1	1
Loss on sale and disposal of property and equipment	615	180	231
Trade notes and accounts receivable	11,487	11,755	△ 2,082
Inventories	△ 8,170	△ 5,952	△ 3,176
Other current liabilities	△ 3,891	△ 2,217	207
Trade notes and accounts payable	2,536	△ 3,096	1,518
Accrued expenses	2,706	2,970	1,805
Directors' and corporate auditors' bonuses paid	△ 205	△ 186	△ 186
Sub total	34,383	27,886	36,772
Interest and dividends received	1,484	971	1,332
Interest paid	△ 754	△ 625	△ 826
Income taxes paid	△ 8,072	△ 6,890	△ 7,359
Net cash provided by operating activities	27,041	21,342	29,919
II. Cash flows from investing activities			
Payments into time deposits	△ 437	△ 610	△ 897
Proceeds from time deposits	525	691	1,382
Payments for purchase of marketable and investment securities	△ 20,277	△ 21,260	△ 39,014
Proceeds from sale of marketable and investment securities	16,553	14,302	29,561
Payments for purchase of property and equipment	△ 21,061	△ 16,145	△ 20,988
Proceeds from sale of property and equipment	645	1,223	1,146
Increase in loans receivable	△ 539	△ 623	△ 719
Proceeds from collection of loans receivable	459	418	514
Other payments relating to investments	803	814	549
Net cash used in investing activities	△ 23,329	△ 21,190	△ 28,466
III. Cash flows from financing activities			
Increase (decrease) in short-term loans	△ 5,078	△ 4,729	△ 18,146
Increase in long-term debt	4,684	6,827	20,002
Repayment of long-term debt	△ 142	△ 17	△ 121
Payments for purchase of treasury stock	△ 12	△ 6	△ 9
Proceeds from sale of treasury stock	287	170	291
Dividends paid by parent company	△ 2,409	△ 2,236	△ 2,236
Dividends paid to minority shareholders	△ 1,449	△ 1,199	△ 1,214
Net cash used in financing activities	△ 4,119	△ 1,190	△ 1,433
IV Effect of exchange rate changes on cash and cash equivalents	201	36	125
V Change in cash and cash equivalents	△ 206	△ 1,002	145
VI Cash and cash equivalents at beginning of period	11,925	11,780	11,780
VII Cash and cash equivalents at end of period	11,719	10,778	11,925

Segment Information

(1) Industry Segment Information

Nine months ended December 31, 2005

(¥ millions)

	Lighting Equipment Division	Other Electric Equipment Division	Others	Total	Corporate and elimination of inter-segment items	Consolidated total
Sales						
(1) Sales to outside customers	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

Nine months ended December 31, 2004

(¥ millions)

	Lighting Equipment Division	Other Electric Equipment Division	Others	Total	Corporate and elimination of inter-segment items	Consolidated total
Sales						
(1) Sales to outside customers	216,349	21,905	17,181	255,436	—	255,436
(2) Inter-segment sales and transfers	32,439	614	2,162	35,216	(35,216)	—
Total	248,789	22,519	19,343	290,652	(35,216)	255,436
Operating expenses	236,697	23,989	18,554	279,241	(33,466)	245,775
Operating income (loss)	12,091	△ 1,469	788	11,411	(1,750)	9,661

(2) Geographical Segment Information

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

Nine months ended December 31, 2004

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	160,951	33,904	46,249	14,330	255,436	—	255,436
(2) Inter-segment sales and transfers	33,287	—	1,926	2	35,216	(35,216)	—
Total	194,239	33,904	48,175	14,333	290,652	(35,216)	255,436
Operating expenses	186,935	32,622	45,390	14,292	279,241	(33,466)	245,775
Operating income (loss)	7,304	1,281	2,785	40	11,411	(1,750)	9,661

Non-consolidated Earnings Report for the Third Quarter of Fiscal 2006

Company Name: KOITO MANUFACTURING CO., LTD.
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1. Non-consolidated Results of Operations for the Third Quarter of Fiscal 2006 (April 1, 2005–December 31, 2005)

(1) Non-consolidated Business Results

(¥ millions; rounded down)

Third Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2006	150,724	15.8%	7,670	46.5%	11,439	44.0%	6,888	46.0%
Fiscal 2005	130,183	5.7%	5,235	44.5%	7,941	27.1%	4,719	27.8%
(Ref.) Full Year Fiscal 2005	178,689	5.0%	8,920	32.3%	13,112	26.0%	7,368	22.1%

Third Quarter,	Net income per share	Net income per share (diluted)
Fiscal 2006	¥ 42.96	—
Fiscal 2005	¥ 28.76	—
(Ref.) Full Year Fiscal 2005	¥44.81	—

Note:

- ① The percentage figures accompanying net sales, operating income, recurring profit and net income represent year-on-year changes.

(2) Non-consolidated Financial Position

Third Quarter,	Total assets (¥ millions)	Shareholders' equity (¥ millions)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Fiscal 2006	191,646	114,514	59.8%	713.18
Fiscal 2005	163,357	101,081	61.9%	632.02
(Ref.) Full Year Fiscal 2005	172,291	103,477	60.1%	646.28

2. Non-consolidated Outlook for Fiscal 2006 (April 1, 2005–March 31, 2006)

(¥ millions)

	Net sales	Recurring profit	Net income
Full Year	205,600	17,700	10,700

Outlook for Fiscal 2006

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 24, 2005. 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.