

Consolidated Earnings Report for the Third Quarter of Fiscal 2010

January 27, 2010

Company Name: **KOITO MANUFACTURING CO., LTD.**
 Stock Listing: First Section, Tokyo Stock Exchange
 Code Number: 7276
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 Scheduled payment of dividends: —

(¥ millions are rounded down)

1. Consolidated Results for the Third Quarter of Fiscal 2010 (April 1, 2009 to December 31, 2009)

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

Third Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2010	283,956	△10.0%	17,025	88.2%	17,999	115.9%	△4,246	—
Fiscal 2009	315,434	—	9,045	—	8,338	—	3,315	—

Third Quarter,	Net income per share (¥)		Net income per share (diluted) (¥)	
Fiscal 2010	△26.42		—	
Fiscal 2009	20.63		—	

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
Third Quarter of Fiscal 2010	351,047	169,130	39.1	853.63
Fiscal 2009	351,869	174,485	40.4	884.74

Reference: Equity: December 31, 2009: ¥137,182 million; March 31, 2009: ¥142,184 million

2. Dividends

(Recording Date)	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year-end	Full year
Fiscal 2009	—	12.00	—	8.00	20.00
Fiscal 2010	—	8.00	—	—	—
Fiscal 2010 (forecast)	—	—	—	—	—

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

2. The dividend record dates are September 30 and March 31 as prescribed by Koito's Articles of Incorporation; the dividend forecast for March 31, 2010 is currently undecided.

3. Forecast of Consolidated Results for Fiscal 2010 (April 1, 2009 to March 31, 2010)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
Full year	402,800	0.6%	27,800	204.5%	29,800	221.3%	6,200	53.4%	38.58

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

4. Others

- (1) Changes to important subsidiaries during the third quarter (Changes in certain specified subsidiaries resulting in revised scope of consolidation): None
- (2) Application of simplified accounting methods, and of special accounting methods in the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, procedures, methods of presentation, etc. associated with preparation of quarterly consolidated financial statements:
 - ① Changes in accounting standards: None
 - ② Other changes: None
- (4) Number of shares issued (common stock)
 - ① Number of shares issued (including treasury stock):
December 31, 2009 160,789,436; March 31, 2009 160,789,436
 - ② Number of treasury shares:
December 31, 2009 84,559; March 31, 2009 82,208
 - ③ Average number of shares during the third quarter:
Fiscal 2010 third quarter 160,705,867; Fiscal 2009 third quarter 160,710,377

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

1. The Koito Group has revised its full year forecast of consolidated results for fiscal 2010 released on October 27, 2009.
2. The above forecasts are based on information available at the time of release of this report. Actual results could differ from forecasts due to a variety of factors.
3. The dividend forecast for the fiscal year ending March 31, 2010 has not been decided. Koito intends to promptly disclose the year-end dividend forecast.

《 For Reference Only 》

Forecast of Non-consolidated Results for Fiscal 2010 (April 1, 2009 to March 31, 2010)

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

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Full year	212,000 △1.2%	13,800 114.9%	19,100 45.1%	2,600 △53.6%	16.18

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

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

1. The Koito Group has revised its full year forecast of non-consolidated results for fiscal 2010 released on October 27, 2009.
2. The above forecasts are based on information available at the time of release of this report. Actual results could differ from forecasts due to a variety of factors.

Qualitative Information Concerning Financial Statements and Other Matters

1. Qualitative Information Concerning Consolidated Operating Results

During the third quarter of fiscal 2010, the period under review, economic activity reached a considerable standstill, due mainly to the global financial crisis and economic instability continuing from the fall of 2008 as well as the business failure of a major automaker in the U.S. In addition to economic downturns in Japan, the U.S., Europe and other developed countries there was sluggish economic growth in China and other newly developing countries. Despite signs of recovery in some countries reflecting the implementation of various economic policies, overall the global economy was stagnant.

In the auto industry, domestic demand decreased as the recovery impetus remained weak despite the worst period having passed after the introduction of such measures in Japan and overseas as reduced taxes for eco-cars and scrap incentives. Against this backdrop, unit automobile production in Japan substantially decreased over 20% year on year as exports were halved. Overseas, although automobile production began to expand in China and some other emerging countries, production still did not recover in many regions, especially North America and Europe where production was significantly cut back. As a result, overall worldwide unit automobile production declined year on year.

In this climate, for the third quarter the Koito Group reported consolidated net sales of ¥283.9 billion, a 10.0% decrease. This reflected a decrease in revenue due to the reduced production of automobiles in the mainstay automotive lighting equipment segment.

Results by business segment are outlined as follows:

[Automotive Lighting Equipment]

Segment sales fell 6.6% to ¥239.6 billion. Significant unit automobile production cutbacks were implemented in Japan, North America, Europe and other regions of the world, but there were increased orders for the Koito Group for products for hybrid cars and other environmentally friendly vehicles.

[Non-Automotive Electrical Equipment]

Segment sales decreased 1.7% to ¥24.9 billion, reflecting decreased sales of lighting equipment, railroad car equipment and certain other products, despite increased sales of information system equipment, etc.

[Other Products & Services]

Segment sales were ¥19.3 billion, down 42.3% from the previous fiscal year due to lower sales of aircraft seats and other products despite steady sales of railroad car seats.

On the earnings front, Koito faced a business environment that included a minimum of reduced automobile production in Japan and overseas due to the effect of automobile sales promotion measures. Together with Group companies, Koito implemented quality improvement activities, curbed capital expenditures and endeavored to rationalize, especially by strengthening cost-cutting measures, including the temporary closure of plants. As a result, operating income increased 88.2% year on year to ¥17.0 billion and recurring profit rose 115.9% to ¥17.9 billion.

Net income amounted to a loss of ¥4.2 billion, mainly due to a loss of ¥4.3 billion on sale of marketable securities caused by debt default of securities held and the posting of an allowance for doubtful accounts of ¥12.1 billion resulting from damage to the principal of securities held.

2. Qualitative Information Concerning Consolidated Financial Position

— 1. Analysis of assets, liabilities and net assets

Total assets as of December 31, 2009 decreased ¥0.8 billion from March 31, 2009 to ¥351.0 billion. This decrease was mainly the result of a decrease in property, plant and equipment accompanying curbs in capital investments and a decline in investment securities, amid increases in cash and time deposits, and marketable securities.

Total liabilities increased ¥4.5 billion from March 31, 2009 to ¥181.9 billion, reflecting an increase in trade notes and accounts payable.

Total net assets decreased ¥5.3 billion from March 31, 2009 to ¥169.1 billion. This was attributable to a decrease in retained earnings resulting from the quarterly net loss and dividend payment.

—2. Analysis of cash flows

Operating activities provided net cash of ¥33.8 billion. Cash of ¥37.2 billion, mainly reflecting depreciation of ¥17.8 billion and an increase of ¥10.3 billion in trade notes and accounts receivable, was partly offset by income taxes paid.

Investing activities used net cash of ¥4.3 billion, mainly reflecting capital investments of ¥11.1 billion, offset by income of ¥7.2 billion from sales of marketable securities and investment securities.

Financing activities used net cash of ¥12.7 billion, the result of ¥9.3 billion mainly for loan repayments and a ¥3.3 billion total dividend payment.

As a result, cash and cash equivalents as of December 31, 2009 were ¥36.1 billion, ¥16.5 billion higher than at March 31, 2009.

3. Qualitative Information Concerning Forecast of Consolidated Results for Fiscal 2009

The economic climate in Japan and overseas remains one of deteriorating corporate earnings and worsening employment conditions resulting from the global financial crisis and fluctuating share prices and exchange rates, despite indications that business conditions are partially picking up. Koito continues to face a severe operating environment.

In these circumstances, the Koito Group is working to strengthen order-winning activities, improve productivity, improve its mutual complementary supply network and structure, realign business scales in proportion to changes in production volumes, and forcefully extend cost-cutting measures, with the goal of improving operating results.

As regards Koito's business outlook for the fiscal year ending March 31, 2010, we expect net sales to increase year on year despite some impact of automobile production cutbacks amid expanded orders centered on hybrid cars and other environmentally friendly automobiles and increased sales of new products.

On the earnings front, we forecast year-on-year increases in operating income, recurring profit and net income, reflecting the substantial benefits gained from improved productivity since last year and our forceful actions to extend our cost-cutting measures in Japan and overseas, including reducing business costs and curbing capital investments.

For the second quarter of the fiscal year under review, Koito paid a dividend to shareholders of ¥8 per share, which is the same as the year-end dividend for the previous year. The year-end dividend for the fiscal year under review continues to be undecided because our future operating environment remains uncertain. Koito plans to propose a dividend in line with operating results.

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

4. Others

(1) Changes to important subsidiaries during the third quarter (Changes in certain specified subsidiaries resulting in revised scope of consolidation):

None

Although there were no changes to important subsidiaries, DORO KEISO CO., LTD. has been excluded from the scope of affiliated companies accounted for by the equity method as it was liquidated during the first quarter of the fiscal year under review.

(2) Application of simplified accounting methods, and of special accounting methods in the preparation of quarterly consolidated financial statements:

None

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

None

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

	(¥ millions)	
	Third Quarter of Fiscal 2010 As of December 31, 2009	Fiscal 2009 As of March 31, 2009
Assets		
Current assets:		
Cash and time deposits	30,262	18,168
Trade notes and accounts receivable	71,347	70,209
Marketable securities	10,957	6,758
Finished products	20,519	15,518
Work in progress	9,817	6,589
Raw materials and supplies	15,005	15,345
Deferred income tax assets	4,660	4,138
Other current assets	8,664	8,324
Less: Allowance for doubtful accounts	△3,744	△1,089
Total current assets	<u>167,491</u>	<u>143,962</u>
Fixed assets:		
Property, plant and equipment		
Buildings and structures (net)	33,221	35,219
Machinery and transportation equipment (net)	31,125	36,537
Fixtures, equipment and tools (net)	11,314	11,485
Land	13,151	12,928
Construction in progress	1,794	2,286
Total property, plant and equipment	<u>90,607</u>	<u>98,458</u>
Intangible fixed assets	1,801	1,498
Investments and other assets:		
Investment securities	84,479	90,456
Loans	411	595
Deferred income tax assets	13,878	14,578
Other investments	2,109	2,553
Less: Allowance for doubtful accounts	△9,731	△234
Total investments and other assets	<u>91,147</u>	<u>107,949</u>
Total fixed assets	<u>183,556</u>	<u>207,906</u>
Total assets	<u>351,047</u>	<u>351,869</u>

(¥ millions)

	Third Quarter of Fiscal 2010 As of December 31, 2009	Fiscal 2009 As of March 31, 2009
Liabilities		
Current liabilities:		
Notes and accounts payable	67,295	57,641
Short-term loans	32,081	43,737
Accrued expenses	18,180	16,205
Income taxes payable	1,561	841
Allowance for employees' bonuses	4,706	4,836
Allowance for directors' and corporate auditors' bonuses	249	329
Reserve for product warranties	1,400	1,400
Other current liabilities	7,529	5,880
Total current liabilities	133,003	130,871
Non-current liabilities:		
Long-term debt	18,819	17,198
Allowance for employees' retirement benefits	27,865	26,740
Allowance for directors' and corporate auditors' retirement benefits	1,429	1,768
Other non-current liabilities	798	805
Total non-current liabilities	48,913	46,512
Total liabilities	181,917	177,384
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	17,107	17,107
Retained earnings	102,471	109,289
Treasury common stock, at cost	△68	△66
Total shareholders' equity	133,781	140,601
Revaluations and translation adjustments:		
Valuation adjustment on investment securities	6,022	3,246
Translation adjustments	△2,622	△1,664
Total revaluations and translation adjustments	3,400	1,582
Minority interests	31,947	32,301
Total net assets	169,130	174,485
Total liabilities and net assets	351,047	351,869

(2) Quarterly Consolidated Statement of Income
(Third quarter, for the nine months ended December 31)

(¥ millions)

	Third Quarter of Fiscal 2009 April 1, 2008 to December 31, 2008	Third Quarter of Fiscal 2010 April 1, 2009 to December 31, 2009
Net sales	315,434	283,956
Cost of sales	278,754	242,045
Gross profit	36,679	41,911
Selling, general and administrative expenses	27,634	24,886
Operating income	9,045	17,025
Non-operating income:		
Interest income and dividends	2,000	1,006
Equity in earnings of affiliates	5	8
Other non-operating income	1,822	1,752
Total non-operating income	3,829	2,768
Non-operating expenses:		
Interest expenses	974	555
Exchange-rate loss	3,336	863
Other non-operating expenses	225	375
Total non-operating expenses	4,536	1,794
Recurring profit	8,338	17,999
Extraordinary gains:		
Gain on sales of investment securities	98	—
Others	31	—
Total extraordinary gains	129	—
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	338	106
Loss on sale of marketable securities	457	4,369
Provision for allowance for doubtful accounts	600	12,099
Compensation payments	—	1,705
Other	5	63
Total extraordinary losses	1,401	18,344
Income before income taxes	7,066	△345
Income taxes	5,828	4,650
Income tax adjustment	△3,086	△1,719
Total income taxes	2,741	2,931
Minority interest in consolidated subsidiaries	1,009	969
Net income	3,315	△4,246

(3) Quarterly Consolidated Statement of Cash Flows

(¥ millions)

	Third Quarter of Fiscal 2009 April 1, 2008 to December 31, 2008	Third Quarter of Fiscal 2010 April 1, 2009 to December 31, 2009
Cash flows from operating activities		
Income before income taxes	7,066	△345
Depreciation	19,674	17,870
Equity in earnings of affiliated companies	△5	△8
Provision for allowance for doubtful accounts	540	12,192
Provision for accrued retirement benefits	422	781
Provision for reserve for bonuses	351	118
Interest and dividends received	△2,000	△1,006
Interest payments	974	555
Loss on sale of marketable and investment securities	458	4,369
Loss on revaluation of marketable and investment securities	△19	56
Loss on sale of property and equipment	338	106
Changes in trade notes and accounts receivable	26,453	△2,260
Changes in inventories	△3,230	△8,294
Changes in other current assets	△2,526	△651
Changes in trade notes and accounts payable	△12,780	10,306
Changes in accrued expenses and other current liabilities	579	2,164
Directors' and corporate auditors' bonuses paid	△397	△329
Others	1,731	1,644
Sub total	37,628	37,269
Interest and dividends received	2,000	1,006
Interest paid	△974	△555
Income taxes paid	△10,408	△3,905
Net cash provided by operating activities	28,246	33,815
Cash flows from investing activities		
Payments into time deposits	△1,021	△1,060
Proceeds from time deposits	172	414
Payments for purchase of marketable and investment securities	△16,724	△1,412
Proceeds from sale of marketable and investment securities	13,060	8,659
Payments for purchase of property and equipment	△22,363	△11,133
Proceeds from sale of property and equipment	197	△9
Payments for new loans	△509	△152
Proceeds from loan repayments	397	387
Others	1,275	△16
Net cash used in investing activities	△25,516	△4,319
Cash flows from financing activities		
Decrease in short-term loans	4	△11,049
Increase in long-term debt	6,799	2,430
Repayment of long-term debt	△3,911	△708
Payments for repurchase of treasury stock	△4	△2
Dividends paid by parent company	△3,658	△2,440
Dividends paid to minority shareholders	△1,668	△957
Net cash provided by or used in financing activities	△2,438	△12,726
Effect of exchange rate changes on cash and cash equivalents	△329	△255
Change in cash and cash equivalents	△37	16,515
Cash and cash equivalents at beginning of quarter	16,709	19,672
Cash and cash equivalents at end of quarter	16,671	36,187

(4) Going Concern Assumption

None

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

Third quarter of Fiscal 2009 (April 1, 2008 to December 31, 2008)

(¥ millions)

	Automotive Lighting Equipment	Non-Automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination	Consolidated total
Sales						
(1) Sales to outside customers	256,465	25,440	33,528	315,434	—	315,434
(2) Inter-segment sales and transfers	80,239	1,012	12,517	93,769	(93,769)	—
Total	336,704	26,453	46,045	409,203	(93,769)	315,434
Operating expenses	328,323	25,941	43,962	398,228	(91,839)	306,388
Operating income or loss	8,380	511	2,083	10,975	(1,930)	9,045

Third quarter of Fiscal 2010 (April 1, 2009 to December 31, 2009)

(¥ millions)

	Automotive Lighting Equipment	Non-Automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination	Consolidated total
Sales						
(1) Sales to outside customers	239,615	24,996	19,344	283,956	—	283,956
(2) Inter-segment sales and transfers	71,952	1,154	9,298	82,404	(82,404)	—
Total	311,567	26,150	28,643	366,361	(82,404)	283,956
Operating expenses	293,696	24,673	30,288	348,657	(81,726)	266,931
Operating income or loss	17,871	1,477	△1,644	17,703	(678)	17,025

【Geographical Segment Information】

Third quarter of Fiscal 2009 (April 1, 2008 to December 31, 2008)

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	204,115	35,439	61,580	14,298	315,434	—	315,434
(2) Inter-segment sales and transfers	73,152	55	7,282	13,279	93,769	(93,769)	—
Total	277,267	35,495	68,862	27,577	409,203	(93,769)	315,434
Operating expenses	267,759	36,162	63,866	30,439	398,228	(91,839)	306,388
Operating income or loss	9,508	△667	4,996	△2,861	10,975	(1,930)	9,045

Third quarter of Fiscal 2010 (April 1, 2009 to December 31, 2009)

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	173,329	32,150	68,359	10,117	283,956	—	283,956
(2) Inter-segment sales and transfers	68,616	34	3,938	9,814	82,404	(82,404)	—
Total	241,946	32,184	72,298	19,932	366,361	(82,404)	283,956
Operating expenses	230,748	29,932	66,146	21,830	348,657	(81,726)	266,931
Operating income or loss	11,198	2,251	6,151	△1,897	17,703	(678)	17,025

【Overseas Sales】

Third quarter of Fiscal 2009 (April 1, 2008 to December 31, 2008) (¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	41,016	60,105	15,094	116,215
II. Consolidated sales	—	—	—	315,434
III. Overseas sales ratio (%)	13.0	19.0	4.8	36.8

Third quarter of Fiscal 2009 (April 1, 2009 to December 31, 2009) (¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	34,490	67,649	10,451	112,590
II. Consolidated sales	—	—	—	283,956
III. Overseas sales ratio (%)	12.2	23.8	3.7	39.7

(6) Significant changes in shareholders' equity

None