

# Consolidated Earnings Report for the Second Quarter of Fiscal 2010

October 27, 2009

Company Name: **KOITO MANUFACTURING CO., LTD.**  
 Stock Listing: First Section, Tokyo Stock Exchange  
 Code Number: 7276  
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 Scheduled payment of dividends: December 7, 2009

(¥ millions are rounded down)

## 1. Consolidated Results for the Second Quarter of Fiscal 2010 (April 1, 2009 to September 30, 2009)

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

Second Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2010	173,411	△21.5%	5,631	△45.4%	6,080	△49.5%	△556	—
Fiscal 2009	220,976	—	10,321	—	12,049	—	5,778	—

Second Quarter,	Net income per share (¥)		Net income per share (diluted) (¥)	
Fiscal 2010	△3.46		—	
Fiscal 2009	35.96		—	

### (2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
Second Quarter of Fiscal 2009	346,751	172,661	40.7	878.69
Fiscal 2009	351,869	174,485	40.4	884.74

Reference: Equity: September 30, 2009: ¥141,210 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 second quarter: Yes

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	379,000	△5.3%	17,500	91.7%	19,000	104.9%	6,000	48.4%	37.34	

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

4. Others

- (1) Changes to important subsidiaries during the second 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):  
September 30, 2009 160,789,436, March 31, 2009 160,789,436
  - ② Number of treasury shares:  
September 30, 2009 83,716, March 31, 2009 82,208
  - ③ Average number of shares during the second quarter:  
Fiscal 2010 second quarter 160,706,196, Fiscal 2009 second quarter 160,711,343

\*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 for fiscal 2010 released on July 29, 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	198,000 $\triangle 7.7\%$	7,000 9.0%	11,700 $\triangle 11.1\%$	7,500 33.9%	46.67

Note: Revisions to forecast of non-consolidated results during the second 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 July 29, 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 second 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. The global economy was stagnant, reflecting the economic downturns in Japan, the U.S., Europe and other developed countries and sluggish economic growth in China and other newly developing countries.

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 tax for eco-car and scrap incentive. Against this backdrop, unit automobile production in Japan substantially decreased over 30% year on year as domestic demand declined and exports were halved. Overseas, automobile production began to expand in China and other emerging countries, although the strong trend to reduce production remained in many regions, especially North America and Western Europe where production was significantly cut back. As a result, overall worldwide unit automobile production declined year on year.

In this climate, for the second quarter the Koito Group reported consolidated net sales of ¥173.4 billion, a 21.5% decrease. This reflected a significant drop 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 20.2% to ¥146.0 billion. Significant unit automobile production cutbacks were implemented in Japan, North America, Europe and other regions of the world, and there was a drastic reduction in orders for the Koito Group.

#### **[Non-Automotive Electrical Equipment]**

Segment sales increased 5.8% to ¥14.6 billion, reflecting increased sales of lighting equipment, information system equipment and certain other products amidst reduced sales of railroad car equipment, etc.

#### **[Other Products & Services]**

Segment sales were ¥12.7 billion, down 47.2% 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 severe business environment that included reduced automobile production in Japan and overseas. 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. Nevertheless, operating income decreased 45.4% year on year to ¥5.6 billion, recurring profit declined 49.5% to ¥6.0 billion, and net income turned to a loss of ¥0.5 billion, mainly due to a loss on sale of marketable securities caused by debt default of securities held.

### 2. Qualitative Information Concerning Consolidated Financial Position

#### — 1. Analysis of assets, liabilities and net assets

Total assets as of September 30, 2009 decreased ¥5.1 billion from March 31, 2009 to ¥346.7 billion. This decrease was mainly the result of a decrease in trade notes and accounts receivable, 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 decreased ¥3.2 billion from March 31, 2009 to ¥174.0 billion, reflecting repayments of loans.

Total net assets decreased ¥1.8 billion from March 31, 2009 to ¥172.6 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 ¥20.1 billion. Cash of ¥22.0 billion, mainly reflecting depreciation of ¥11.5 billion and a decrease of ¥4.7 billion in trade notes and accounts receivable, was partly offset by income taxes paid.

Investing activities used net cash of ¥2.5 billion, mainly reflecting capital investments of ¥7.2 billion, offset by income of ¥4.4 billion from sales of marketable securities and investment securities.

Financing activities used net cash of ¥6.5 billion, the result of ¥4.3 billion mainly for loan repayments and a ¥2.2 billion total dividend payment.

As a result, cash and cash equivalents as of September 30, 2009 were ¥30.2 billion, ¥10.5 billion higher than at March 31, 2009.

### 3. Qualitative Information Concerning Forecast of Consolidated Results for Fiscal 2010

The economic climate in Japan 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 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 decline for the second consecutive year mainly because of the impact of automobile production cutbacks in Japan and overseas, despite efforts to expand orders for new automobile models and increase 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 the second half of last year and our forceful actions to extend our cost-cutting measures, 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 second 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)	
	Second Quarter of Fiscal 2010 As of September 30, 2009	Fiscal 2009 As of March 31, 2009
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	24,808	18,168
Trade notes and accounts receivable	64,623	70,209
Marketable securities	9,598	6,758
Finished products	19,337	15,518
Semi-finished products	8,943	6,589
Raw materials and supplies	13,811	15,345
Deferred income tax assets	4,229	4,138
Other current assets	6,168	8,324
Less: Allowance for doubtful accounts	△1,045	△1,089
<b>Total current assets</b>	<b>150,475</b>	<b>143,962</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment</b>		
Buildings and structures (net)	33,649	35,219
Machinery and transportation equipment (net)	32,447	36,537
Fixtures, equipment and tools (net)	11,079	11,485
Land	13,094	12,928
Construction in progress	1,779	2,286
<b>Total property, plant and equipment</b>	<b>92,050</b>	<b>98,458</b>
<b>Intangible fixed assets</b>	<b>1,782</b>	<b>1,498</b>
<b>Investments and other assets:</b>		
Investment securities	86,618	90,456
Loans	470	595
Deferred income tax assets	13,405	14,578
Other investments	2,180	2,553
Less: Allowance for doubtful accounts	△231	△234
<b>Total investments and other assets</b>	<b>102,443</b>	<b>107,949</b>
<b>Total fixed assets</b>	<b>196,276</b>	<b>207,906</b>
<b>Total assets</b>	<b>346,751</b>	<b>351,869</b>

(¥ millions)

	Second Quarter of Fiscal 2010 As of September 30, 2009	Fiscal 2009 As of March 31, 2009
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable	58,681	57,641
Short-term loans	37,768	43,737
Accrued expenses	16,714	16,205
Income taxes payable	978	841
Allowance for employees' bonuses	4,887	4,836
Allowance for directors' and corporate auditors' bonuses	166	329
Reserve for product warranties	1,400	1,400
Other current liabilities	6,072	5,880
<b>Total current liabilities</b>	<b>126,669</b>	<b>130,871</b>
<b>Non-current liabilities:</b>		
Long-term debt	17,907	17,198
Allowance for employees' retirement benefits	27,378	26,740
Allowance for directors' and corporate auditors' retirement benefits	1,374	1,768
Other non-current liabilities	759	805
<b>Total non-current liabilities</b>	<b>47,420</b>	<b>46,512</b>
<b>Total liabilities</b>	<b>174,090</b>	<b>177,384</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Common stock	14,270	14,270
Additional paid-in capital	17,107	17,107
Retained earnings	107,446	109,289
Treasury common stock, at cost	△67	△66
<b>Total shareholders' equity</b>	<b>138,758</b>	<b>140,601</b>
<b>Revaluations and translation adjustments:</b>		
Valuation adjustment on investment securities	5,442	3,246
Translation adjustments	△2,989	△1,664
<b>Total revaluations and translation adjustments</b>	<b>2,452</b>	<b>1,582</b>
<b>Minority interests</b>	<b>31,450</b>	<b>32,301</b>
<b>Total net assets</b>	<b>172,661</b>	<b>174,485</b>
<b>Total liabilities and net assets</b>	<b>346,751</b>	<b>351,869</b>

**(2) Quarterly Consolidated Statement of Income**  
(Second quarter, for the six months ended September 30)

(¥ millions)

	Second Quarter of Fiscal 2009 April 1, 2008 to September 30, 2008	Second Quarter of Fiscal 2010 April 1, 2009 to September 30, 2009
<b>Net sales</b>	220,976	173,411
Cost of sales	192,065	151,523
<b>Gross profit</b>	28,911	21,888
Selling, general and administrative expenses	18,589	16,257
<b>Operating income</b>	10,321	5,631
Non-operating income:		
Interest income and dividends	1,359	647
Equity in earnings of affiliates	6	3
Other non-operating income	1,448	1,233
Total non-operating income	2,813	1,885
Non-operating expenses:		
Interest expenses	696	409
Other non-operating expenses	389	1,026
Total non-operating expenses	1,085	1,436
<b>Recurring profit</b>	12,049	6,080
Extraordinary gains:		
Gain on sales of investment securities	98	—
Others	0	—
Total extraordinary gains	98	—
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	278	68
Impairment loss	499	—
Provision for allowance for doubtful accounts	600	—
Loss on sale of marketable securities	—	4,369
Other	18	115
Total extraordinary losses	1,396	4,553
<b>Income before income taxes</b>	10,751	1,526
Income taxes	5,493	1,658
Income tax adjustment	△1,321	△397
Total income taxes	4,171	1,260
Minority interest in consolidated subsidiaries	800	823
<b>Net income</b>	5,778	△556

**(3) Quarterly Consolidated Statement of Cash Flows**

(¥ millions)

	Second Quarter of Fiscal 2009 April 1, 2008 to September 30, 2008	Second Quarter of Fiscal 2010 April 1, 2009 to September 30, 2009
<b>Cash flows from operating activities</b>		
Income before income taxes	10,751	1,526
Depreciation	12,237	11,574
Equity in earnings of affiliated companies	△6	△3
Provision for allowance for doubtful accounts	556	6
Provision for accrued retirement benefits	251	241
Provision for reserve for bonuses	432	216
Interest and dividends received	△1,359	△647
Interest payments	696	409
Loss on sale of marketable and investment securities	—	4,369
Loss on revaluation of marketable and investment securities	486	27
Loss on sale of property and equipment	296	68
Changes in trade notes and accounts receivable	19,421	4,748
Changes in inventories	△4,459	△5,387
Changes in other current assets	△583	1,809
Changes in trade notes and accounts payable	△9,414	2,249
Changes in accrued expenses and other current liabilities	1,349	782
Directors' and corporate auditors' bonuses paid	△397	△329
Others	342	373
Sub total	30,599	22,031
Interest and dividends received	1,359	647
Interest paid	△696	△409
Income taxes paid	△6,120	△2,144
<b>Net cash provided by operating activities</b>	<b>25,142</b>	<b>20,125</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	△1,020	△404
Proceeds from time deposits	120	354
Payments for purchase of marketable and investment securities	△12,524	△1,400
Proceeds from sale of marketable and investment securities	4,718	5,848
Payments for purchase of property and equipment	△16,231	△7,232
Proceeds from sale of property and equipment	136	68
Payments for new loans	△316	△105
Proceeds from loan repayments	253	258
Others	1,940	62
<b>Net cash used in investing activities</b>	<b>△22,924</b>	<b>△2,550</b>
<b>Cash flows from financing activities</b>		
Decrease in short-term loans	△3,840	△5,112
Increase in long-term debt	6,582	1,230
Repayment of long-term debt	△2,418	△459
Payments for repurchase of treasury stock	△2	△1
Dividends paid by parent company	△1,927	△1,286
Dividends paid to minority shareholders	△1,648	△957
<b>Net cash provided by or used in financing activities</b>	<b>△3,253</b>	<b>△6,585</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>262</b>	<b>△397</b>
<b>Change in cash and cash equivalents</b>	<b>△773</b>	<b>10,593</b>
<b>Cash and cash equivalents at beginning of quarter</b>	<b>16,709</b>	<b>19,672</b>
<b>Cash and cash equivalents at end of quarter</b>	<b>15,935</b>	<b>30,264</b>



**(4) Going Concern Assumption**

None

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

Second quarter of Fiscal 2009 (April 1, 2008 to September 30, 2008)

(¥ millions)

	Automotive Lighting Equipment	Non-Automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination	Consolidated total
Sales						
(1) Sales to outside customers	183,073	13,807	24,095	220,976	—	220,976
(2) Inter-segment sales and transfers	56,676	680	9,092	66,448	(66,448)	—
Total	239,749	14,488	33,187	287,425	(66,448)	220,976
Operating expenses	229,925	14,582	31,479	275,988	(65,332)	210,655
Operating income or loss	9,824	△94	1,708	11,437	(1,116)	10,321

Second quarter of Fiscal 2010 (April 1, 2009 to September 30, 2009)

(¥ millions)

	Automotive Lighting Equipment	Non-Automotive Electrical Equipment	Other Products & Services	Total	Corporate and elimination	Consolidated total
Sales						
(1) Sales to outside customers	146,070	14,612	12,728	173,411	—	173,411
(2) Inter-segment sales and transfers	43,997	754	6,018	50,771	(50,771)	—
Total	190,068	15,367	18,747	224,182	(50,771)	173,411
Operating expenses	183,833	14,523	19,678	218,036	(50,255)	167,780
Operating income or loss	6,235	843	△931	6,146	(515)	5,631

**【Geographical Segment Information】**

Second quarter of Fiscal 2009 (April 1, 2008 to September 30, 2008)

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	139,177	26,431	44,999	10,368	220,976	—	220,976
(2) Inter-segment sales and transfers	52,065	32	4,851	9,498	66,448	(66,448)	—
Total	191,243	26,464	49,851	19,866	287,425	(66,448)	220,976
Operating expenses	182,468	26,466	45,859	21,192	275,988	(65,332)	210,655
Operating income or loss	8,774	△2	3,991	△1,325	11,437	(1,116)	10,321

Second quarter of Fiscal 2010 (April 1, 2009 to September 30, 2009)

(¥ millions)

	Japan	North America	Asia	Europe	Total	Corporate and elimination	Consolidated total
Sales							
(1) Sales to outside customers	106,095	18,999	41,872	6,444	173,411	—	173,411
(2) Inter-segment sales and transfers	41,941	28	2,558	6,242	50,771	(50,771)	—
Total	148,037	19,028	44,431	12,686	224,182	(50,771)	173,411
Operating expenses	144,807	18,256	40,784	14,187	218,036	(50,255)	167,780
Operating income or loss	3,229	771	3,646	△1,500	6,146	(515)	5,631

**【Overseas Sales】**

Second quarter of Fiscal 2009 (April 1, 2008 to September 30, 2008)

(¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	30,635	43,599	11,120	85,354
II. Consolidated sales	—	—	—	220,976
III. Overseas sales ratio (%)	13.9	19.7	5.0	38.6

Second quarter of Fiscal 2010 (April 1, 2009 to September 30, 2009)

(¥ millions)

	North America	Asia	Europe	Total
I. Overseas sales	20,043	41,953	6,652	68,648
II. Consolidated sales	—	—	—	173,411
III. Overseas sales ratio (%)	11.6	24.2	3.8	39.6

**(6) Significant changes in shareholders' equity**

None