



KOITO



**WORLDWIDE
AUTOMOTIVE LIGHTING**

2014 ANNUAL REPORT

Year ended March 31, 2014

KOITO MANUFACTURING CO., LTD.

PROFILE

KOITO MANUFACTURING CO., LTD. (Koito) has been marking a history of leadership in automotive lighting since its establishment in 1915. We are celebrating our 100th anniversary in April 2015.

Today, our lighting is used in various forms of applications worldwide in a wide range of fields. These include transportation, such as automobiles, aviation, railways and shipping, and traffic systems. In all these areas, the Koito Group's lighting is making contributions to safety.

Our products and technologies underpin our commitment to the slogan, "Lighting for Your Safety."

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DISCLAIMER WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries' future plans, strategies and performance. These forward-looking statements are not historical facts; rather they represent assumptions and beliefs based on economic, financial and competitive data currently available. Furthermore, they are subject to a number of risks and uncertainties including, but not limited to, economic conditions, worldwide competition in the automotive industry, market trends, foreign currency exchange rates, tax rules, regulations and other factors. Koito therefore wishes to caution readers that actual results may differ materially from our expectations.

In order to ensure fair disclosure, Koito publishes annual reports in Japanese in addition to English annual reports. A certified public accountant reviews the financial sections of Koito's Japanese annual reports to ensure consistency in presentation between the Japanese and English versions. We hope the information presented in this annual report serves to deepen your understanding of Koito.

TO OUR SHAREHOLDERS AND OTHER INVESTORS

During fiscal 2014, the period under review, in the Japanese auto industry, domestic automobile production volume increased year on year. Production picked up from September 2013, partly because of a surge in demand ahead of the consumption tax increase, despite decreasing year on year for the first half as a result of the depletion of subsidies for purchasing “eco-cars” (environmentally friendly vehicles) from the previous fiscal year. Overseas, production worldwide increased year on year, as expansion of production driven by higher demand in North America, as well as in emerging markets including China and Indonesia, made up for level year-on-year production in Europe due to economic stagnation.

The consolidated performance of the Koito Group for fiscal 2014 increased year on year due to stable operation in the mainstay automotive lighting equipment segment. As a result, net sales, operating income, recurring profit and net income continued to record new highs.

Looking ahead at the automobile industry, global automobile production is expected to expand. Despite the setback following the previous fiscal year’s accelerated demand in Japan ahead of a consumption tax increase, the U.S. is experiencing a recovery trend, and higher overseas automobile production is expected in emerging markets such as China.

In the face of these conditions, the Koito Group will work to strengthen its order-winning activities, boost productivity, enhance its mutually complementary supply network and structure, build business systems that can quickly respond to changes in the managing environment, and implement more

powerful cost-cutting measures. Through these activities, we aim to further improve our business results.

The Koito Group produces automotive lighting equipment in 10 countries overseas in addition to Japan. As a global supplier focused on the 5 key economies of Japan, North America, Europe, China, and Asia, Koito supplies its products in countries around the world. To satisfy customers, the Group is working together in a unified manner to strengthen its corporate capabilities under the slogan of DQCDS. This entails implementing safe and environmentally friendly product development (Development), striving to improve quality (Quality), cost (Cost), and delivery periods (Delivery), as well as focusing on speedy responses to customers (Speed).

Under the corporate slogan of “Lighting for Your Safety,” the Koito Group is committed to developing products in its mainstay automotive lighting equipment segment and in all other transport equipment and transportation system fields, such as aerospace and shipping. Going forward, in order to remain a leading company in the automotive lighting equipment industry, we will work to educate and sharpen the skills of our employees. In doing so, our objective is to pursue the latest, most advanced technologies and to strive for improvement in product performance and quality. In parallel, we will stay true to our basic attitude of constantly adopting the perspective of our customers to supply products and services that meet their expectations.

We cordially ask for your continued support and good wishes as we work toward these goals.

August 2014



Takashi Ohtake
Chairman & CEO

Masahiro Otake
President

FINANCIAL OVERVIEW AND MEDIUM-TERM OUTLOOK

Fiscal 2014 Results

During fiscal 2014, the period under review, the Japanese economy experienced a recovery trend, albeit modest, as improvements were seen in corporate earnings mainly in the export industries, due to economic stimulus measures, correction of the strong yen and high stock prices. Growth in the world economy was robust although slow, mainly due to economic conditions picking up in the U.S. and expansion of demand in emerging countries, despite the persistence of the debt problems in some European countries, instabilities in Ukraine, and risks in China.

In the auto industry, production volume increased year on year in Japan for the period under review. Production picked up from September and increased year on year, partly because of a surge in demand ahead of the consumption tax increase, despite decreasing year on year for the first half as a result of the depletion of subsidies for purchasing “eco-cars” (environmentally friendly vehicles) from the previous fiscal year. Overseas, production worldwide increased year on year, as expansion of production driven by higher demand in North America, as well as in emerging markets including China and Indonesia, made up for level year-on-year production in Europe due to economic stagnation.

In this climate, the Koito Group reported consolidated net sales of ¥597.5 billion, up 26.4% year on year, due to significant sales growth in the mainstay automotive lighting equipment segment.

On the earnings front, operating income was ¥49.5 billion, up 31.4% year on year. The increase was driven by sales growth in Japan due to a surge in demand ahead of the consumption tax increase, higher sales accompanying increased automobile production in North America, China and Asia, and contributions from the operation of new overseas plants. Recurring profit was up 29.7% year on year at ¥51.8 billion. Net income amounted to ¥21.3 billion, up 28.6% year on year, despite an extraordinary loss recorded in relation to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.

At the end of the second quarter of the fiscal year under review, Koito paid a dividend of ¥12 per share to shareholders. Koito paid a year-end dividend of ¥14 per share, ¥2 per share higher than in the previous fiscal year. This increase reflects the Company's record-high results in terms of net sales, operating income, recurring profit, and net income, and is intended to express the Company's appreciation of shareholders for their continued support.

Including the interim dividend, this has resulted in a full-year dividend of ¥26 per share applicable to fiscal 2014, ¥4 per share higher than in the previous fiscal year.

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



Takashi Ohtake
Chairman & CEO

CONSOLIDATED FINANCIAL HIGHLIGHTS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries
Years ended March 31,

	Millions of yen (except per share amounts)			Thousands of U.S. dollars (except per share amounts)
	2012	2013	2014	2014
Annual:				
Net sales	¥430,929	¥472,843	¥597,502	\$5,805,499
Operating income	31,725	37,668	49,506	481,014
Net income	13,391	16,625	21,378	207,714
Per share (yen and U.S. dollars):				
Net income	¥ 83.33	¥ 103.46	¥ 133.04	\$ 1.29
Year-end:				
Total assets	¥363,273	¥418,087	¥483,093	\$4,693,869
Total equity	182,916	218,131	256,072	2,488,068

Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥102.92 = US\$1, the rate prevailing on March 31, 2014.
2. The above total equity includes noncontrolling interests.

Outlook for Fiscal 2015

In Japan, we expect to see business conditions supported mainly by economic measures and external demand, and a recovery trend, albeit modest, despite sluggish domestic demand caused by the rise in the consumption tax rate in April 2014.

Overseas, a recovery in business conditions is expected in the U.S. and sustained growth is projected in China, Indonesia and other emerging countries, while concerns remain especially about the debt crises in the European economies and the unstable situation in Ukraine. The global economy is expected to be firm, albeit with low growth.

As regards the Koito Group's business outlook for fiscal 2015,

the fiscal year ending March 31, 2015, net sales are projected to increase over the previous fiscal year. Despite the setback following the previous fiscal year's accelerated demand in Japan ahead of a consumption tax increase, increased orders are expected in North America, and higher overseas automobile production is expected in emerging markets such as China.

On the earnings front, operating income, recurring income and net income are expected to rise year on year, due to the commencement of full-scale operations at a new overseas plant, and improved productivity, among other factors, in addition to increased sales.

Masahiro Otake
President



Medium-term Outlook

In the automobile industry, international competition will intensify as globalization progresses, and the trend of companies increasingly shifting production to the optimum locations in the world will continue. In Japan, cutbacks in automobile production are expected, mainly due to the trend of carmakers to transfer production overseas. In the medium- to long-term, however, global automobile production is expected to expand in the U.S. and in emerging markets such as China, Thailand, Indonesia, and India.

We believe these medium- and long-term trends in the automobile industry present major business opportunities for the Koito Group. The Group currently conducts its business centered on 25 production bases run by 14 companies in 10 overseas countries, and is working to strengthen and enhance the corporate structure of each Group company to achieve greater competitiveness and profitability to handle globally optimized production. As one element of this, Koito is strengthening production systems and order-winning activities in regions where major global automakers are expanding production, and in regions where orders are expected to

increase. This was realized in the start of production in 2013 at the Chennai Second Plant of INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL), and at the Second Plant of GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (GUANGZHOU KOITO). In 2014, North American Lighting, Inc. (NAL) started expanded operations at both its Alabama Plant and its Paris Plant, and in addition we started production in Mexico. In Japan, Koito is accelerating the efficient utilization of resources by way of the realignment of plants, and the optimization of business structures.

We are aggressively developing value-added products, such as LED headlamps and the Adaptive Driving Beam (ADB). At the same time, we are also developing headlamps for low-priced vehicles in emerging economies, and other products tailored to market characteristics. These are required in response to the launch of global strategic vehicles that the world's major automakers are putting on the market. Such efforts come with the transfer of our technologies to our own affiliates and the establishing of a complementary supply structure among the Koito Group companies. In this manner, we will work to win more orders.

In other products and services, our priority is to drive business growth by winning more orders for road traffic control systems, LED displays, electronic aircraft components and hydraulic equipment, as well as seats for railroad cars such as the bullet train, and by developing new products and opening up new markets.

All of us at Koito will make concerted efforts to deliver products and services that satisfy our customers. To do so, we will continue to bring together the knowledge and energy of Koito and the Group companies as we strive on the basis of CSR (corporate social responsibility) to develop and provide environmentally friendly products such as LED headlamps, and cultivate personnel who can inherit our unique manufacturing philosophy.



OPERATIONS BY REGION AND FUTURE DEVELOPMENTS

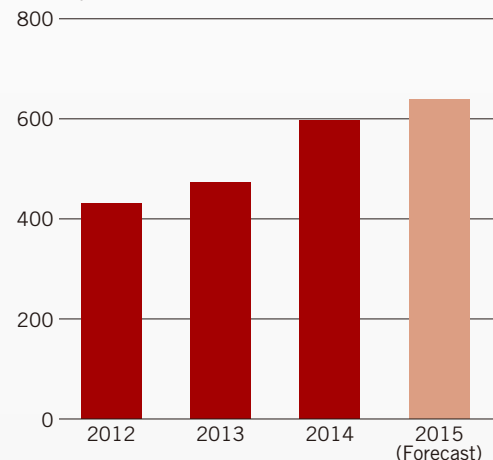
OUTLOOK FOR MEDIUM-TERM GLOBAL STRATEGIES



As regards the outlook for Koito's consolidated business results for fiscal 2015, worldwide automobile production volumes are projected to increase. In this situation, Koito will work to gain market share, expand orders, and commence full-fledged operations at new plants overseas. We will also reap rationalization benefits, particularly in improved productivity, at Group companies. As a result, both sales and earnings are projected to increase further compared to the previous fiscal year.

CONSOLIDATED NET SALES

Years ended March 31,
(Billions of yen)

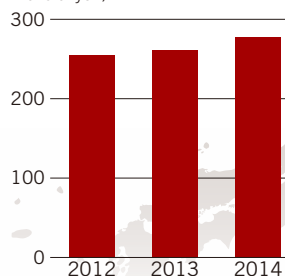


JAPAN

In fiscal 2014, Japan's automobile production increased year on year to the 9.9 million unit level, mainly as a result of a surge in demand ahead of the consumption tax increase.

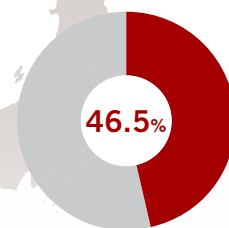
NET SALES [Japan]

Years ended March 31,
(Billions of yen)



SHARE OF SALES [Japan]

Year ended March 31, 2014



KOITO MANUFACTURING CO., LTD.

In fiscal 2014, net sales at Koito increased year on year by 6.6% to ¥245.4 billion due to increased automobile production in Japan and intensification for order winning activities and sales of new products.

On the earnings front, the Company reported operating income of ¥18.0 billion, a 2.7% increase from the previous year, while recurring profit increased 18.8% to ¥29.8 billion. In addition to the increased net sales, these increases reflected the promotion of measures to cut unit costs. Net income rose by 19.5% to ¥13.3 billion due to proceeds, despite the posting of an extraordinary loss.

During fiscal 2014, Koito made total capital expenditures of ¥6.0 billion primarily for the development of new products and model

changes in the automotive lighting equipment segment, and for new facilities needed for quality enhancements, rationalizations and cost-cutting measures, as well as molds and industrial tools.

Looking ahead at the prospects for the Japanese auto industry, we expect to see a setback in production in fiscal 2015 following the absence of the previous fiscal year's accelerated demand ahead of a consumption tax increase.

Koito will work to expand sales of new products and gain market share and obtain more orders for high-added-value products such as LED headlamps and the ADB, while at the same time working to achieve profitability by raising productivity.



KOITO MANUFACTURING Shizuoka Plant



KOITO MANUFACTURING Haibara Plant



KOITO MANUFACTURING Sagara Plant



KOITO MANUFACTURING Fujikawa Tooling Plant

KOITO KYUSHU LIMITED

KOITO KYUSHU LIMITED was established in November 2005 with the aim of responding to production by automakers in the Kyushu region, mainly in order to offset risks associated with the predicted “Nankai Trough Quake” earthquake, and improve distribution efficiency. A new plant was constructed and operations commenced in October 2006, and a second plant commenced operations in September 2008 in line with growth in production volumes.

Net sales in fiscal 2014 increased 3.3% year on year to ¥36 billion due to a surge in demand ahead of the consumption tax increase, on a par with the increase in automobile production in the Kyushu region.



KOITO KYUSHU LIMITED Head Office and Plant

KI HOLDINGS CO., LTD.

KI HOLDINGS' consolidated net sales for the accumulated first two quarters of the fiscal year ended September 2014 (the period from October 1, 2013 to March 31, 2014) rose 19.6% year on year to ¥32.3 billion. This reflected a significant increase in sales in the transportation equipment business.

Results by segment were as follows:

[Transportation Equipment Segment]

Segment sales increased 81.6% year on year to ¥13.6 billion, as a result of increased sales in the railroad car equipment sector for both Japan and China.

[Electrical Equipment Segment]

Segment sales decreased 3.8% year on year to ¥17.6 billion, as a result of decreased sales in the lighting and information systems sectors, despite increased sales in the traffic systems sector.

[Home Appliances and Environment Segment]

Segment sales decreased 11.8% year on year to ¥1.0 billion, due to lower sales in the home appliances and environmental systems sectors.



KI HOLDINGS CO., LTD. Head Office and Plant



KOITO ELECTRIC INDUSTRIES, LTD.
Head Office and Fuji Nagaizumi Plant

NORTH AMERICA

In fiscal 2014, automobile production in North America increased to over 16.0 million units due to a continued recovery in demand.

In North America, North American Lighting, Inc. (NAL), established in 1983, supplies automotive lighting equipment to U.S.-based automakers and all local plants of Japanese automakers. NAL is now the largest independent manufacturer of lighting equipment in North America.

NAL conducts production operations at the 4 plants at Paris, Flora and Salem in Illinois in the U.S., and a plant in Alabama in the southern U.S. NAL also produces molding dies at a tooling plant in Indiana. Research and development is conducted at its Technical Center in the city of Farmington Hills in Michigan. In response to an increase in new orders in the U.S., the Alabama Plant and the Paris Plant were expanded in January and March 2014, respectively.

Furthermore, North American Lighting Mexico, S.A. de C.V. (NAL

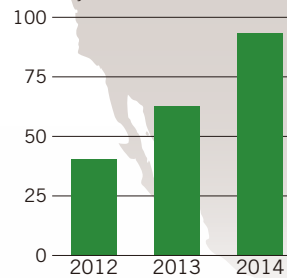
Mexico), which had been established in December 2012 in response to the expansion of automobile production in Mexico, started operations in August 2014.

In the non-automotive electrical equipment segment, KPS N.A., INC. manufactures and sells seats and electrical components for railroad cars.

In fiscal 2014, net sales in the North American business increased 48.8% over the previous fiscal year to ¥93.5 billion mainly due to significant sales growth resulting from an increase in automobile production by Japanese makers accompanying the recovery in automobile demand, and to increased orders from local automobile manufacturers.

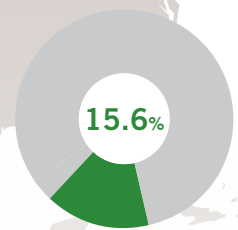
NET SALES [North America]

Years ended March 31,
(Billions of yen)



SHARE OF SALES [North America]

Year ended March 31, 2014



NAL Head Office (Paris)



NAL Paris Plant



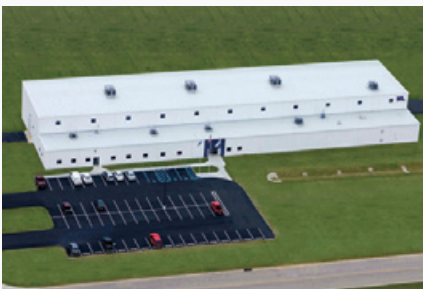
NAL Flora Plant



NAL Salem Plant



NAL Alabama Plant



NAL Indiana Tooling Plant



NAL Technical Center



NAL Mexico

EUROPE

Automobile production in Europe remained level year on year in fiscal 2014 at around 17.5 million vehicles due to the protracted stagnation of regional economic growth, despite increased demand in Middle and Eastern Europe.

Under the control of Koito Europe NV (KENV), which oversees our European operations, Koito's automotive lighting equipment business in Europe is developed by two manufacturing bases: Koito Europe Limited (KEL) in Droitwich, the U.K., and Koito Czech s.r.o. (KCZ) in Zatec, Czech Republic.

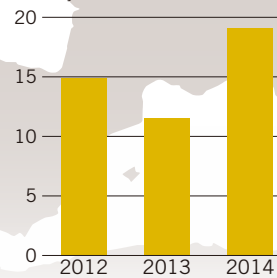
In fiscal 2014, net sales in the European business increased a significant 66.2% year on year to ¥19.1 billion, mainly due to a slight pick-up in intraregional automobile sales and vigorous

order-winning activities, despite a continuing slump in the economies of Europe.

Koito will strengthen its local development structure, further develop strategic order-winning initiatives, and boost competitiveness and profitability, mainly through improved operational efficiency, aiming for further growth in orders and earnings improvement in Europe over the medium- and long-term.

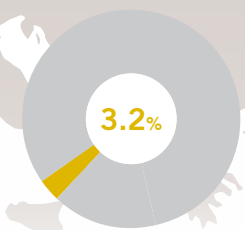
NET SALES [Europe]

Years ended March 31,
(Billions of yen)



SHARE OF SALES [Europe]

Year ended March 31, 2014



Koito Europe NV



Koito Europe Limited



Koito Czech s.r.o.

CHINA

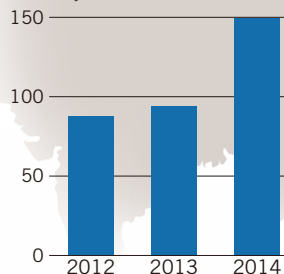
Automobile production in China exceeded 22.0 million units overall in fiscal 2014 due to increased production by European, U.S. and local manufacturers.

Koito is developing its automotive lighting equipment business in China through three companies: Shanghai Koito Automotive Lamp Co., Ltd. (Shanghai Koito), a joint venture established in 1989; FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (FUZHOU KOITO TAYIH), consolidated as a subsidiary in September 2005, and GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (GUANGZHOU KOITO), established in November 2005. In response to an increase in new orders in China, the Second Plant of GUANGZHOU KOITO was constructed, and operations started in September 2013.

Shanghai Koito established a Technical Center in China, one of the first auto parts manufacturers to do so, in April 2002. This move

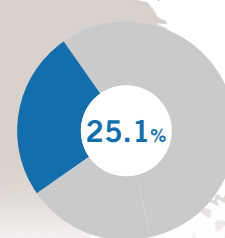
NET SALES [China]

Years ended March 31,
(Billions of yen)



SHARE OF SALES [China]

Year ended March 31, 2014



has given the joint venture product development and molding die manufacturing capabilities, as well as quality assurance, enabling it to establish a strong reputation with automakers.

In the non-automotive electrical equipment segment, CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD. manufactures and sells electrical components for railroad cars.

Net sales in China rose 59.3% year on year to ¥149.8 billion, mainly due to increased orders from local automobile manufacturers amid growing demand for automobiles, and contributions from operations at the Second Plant of GUANGZHOU KOITO.

SHANGHAI KOITO



First and Second Plants



Third Plant



Technical Center

GUANGZHOU KOITO



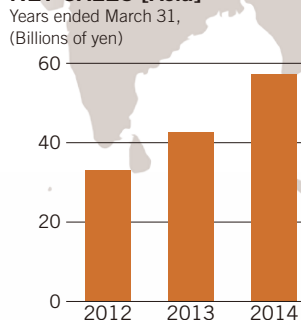
FUZHOU KOITO TAYIH



ASIA

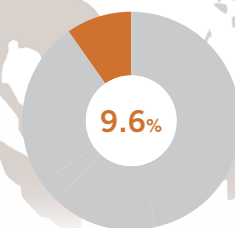
Automobile production in Asia remained level year on year in fiscal 2014. Although production declined in Thailand and India, production increased against the backdrop of high economic growth in Indonesia and elsewhere.

NET SALES [Asia]



SHARE OF SALES [Asia]

Year ended March 31, 2014



Thailand

In Thailand, THAI KOITO COMPANY LIMITED (THAI KOITO), established in 1986, supplies automotive lighting equipment to all local Japanese automakers. THAI KOITO established the Prachinburi Plant (Fourth Plant) in response to the expansion of Thai automobile production. The plant started operations in April 2012. Furthermore, Koito opened a Technical Center in April 2012 in order to strengthen its development framework.

Net sales in fiscal 2014 rose 25.6% year on year to ¥35.3 billion, mainly due to expanding market share and orders.



THAI KOITO Bangplee Plant



THAI KOITO Prachinburi Plant



THAI KOITO Technical Center

Indonesia

Koito established PT. INDONESIA KOITO in Indonesia in June 2010. From April 2011 the company has been producing lamps for automobiles and motorcycles.

Net sales for fiscal 2014 increased 71.2% to ¥5.6 billion, accompanying firm production of motorcycles and automobiles.

Taiwan

In Taiwan, operations are conducted by Ta Yih Industrial Co., Ltd. (Ta Yih Industrial), in which Koito took an equity interest in 1988.

In fiscal 2014, net sales increased 27.3% year on year to ¥14.8 billion.

India

INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL), a company which was established in 1997, is developing business in India. In March 2013, IJL opened its Chennai Second Plant to cope with increased orders in the automotive lighting equipment segment.

Net sales increased 49.6% to ¥5.5 billion mainly due to increased orders, despite stagnating automobile production caused by the slump in economic growth.



PT. INDONESIA KOITO



Ta Yih Industrial



IJL Chennai Plant



IJL Bawal Plant

RESEARCH AND DEVELOPMENT

The Koito Group makes full use of electronics and other cutting-edge technologies, and conducts R&D activities to develop creative systems and complex products in pursuit of improving safety.

At the same time, Koito aims to conduct manufacturing activities that put people and the environment first. To this end, Koito is developing technologies that focus on environmental themes that include recycling and the use of materials and manufacturing methods with low environmental impact.

The Koito Group's R&D activities are conducted by Koito's global R&D network of 5 bases, led by KOITO MANUFACTURING Technical Center in Japan. The other bases are the NAL Technical Center in North America, the KENV's Technical Section in Europe, the Shanghai Koito Technical Center in China, and the THAI KOITO Technical Center in Asia, which opened April 1, 2012. As of March 31, 2014, the number of personnel engaged in the Koito Group's R&D activities stood at 2,513.

In fiscal 2014, R&D costs totaled ¥24.7 billion, and the main research themes are outlined below.



KOITO MANUFACTURING Technical Center

Automobile Related Businesses

1. Core automotive lighting equipment technologies (optics, electronics, mechanical and structural engineering, etc.)
2. Production technologies
3. Simulation technologies
4. System development for ITS-related equipment and materials and others

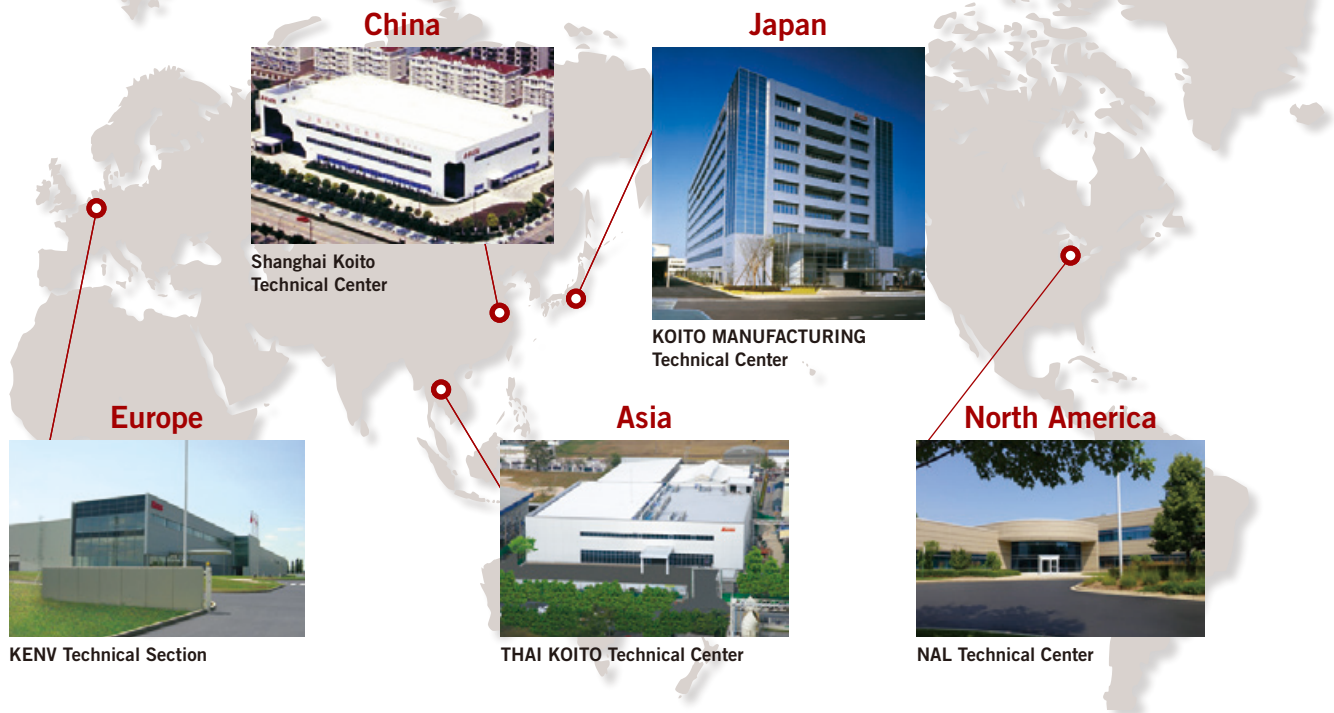


Other Products & Services

1. Electrical components for railroad rolling stock
2. Internet-based systems
3. Aircraft components
4. New products in new business domains and others



R&D Network



Development of LED Headlamps

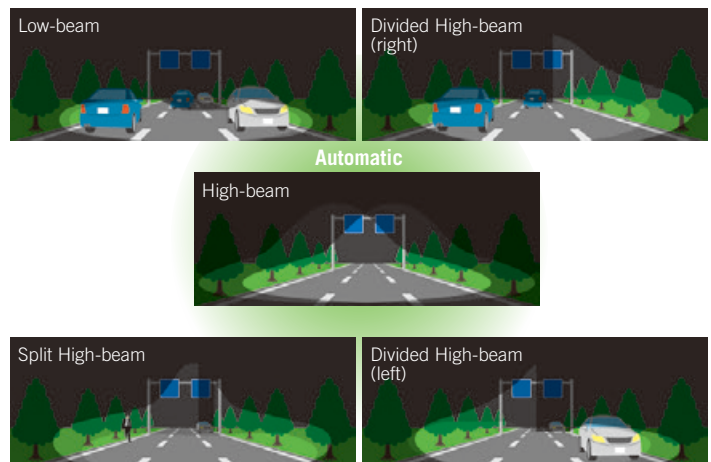
LED headlamps are headlamps that use a high-output white LED (light-emitting diode). Using Koito's own optical control system and optimum lighting system, Koito has achieved world-leading levels of brightness and lighting speed. Moreover, LED headlamps are significantly promising from an environmental viewpoint, due to the fact that LEDs are characterized by having long working lives and enable the saving of energy and space.

Currently, LED headlamps are increasingly being deployed in a wide variety of vehicle models, ranging from high-end cars to small-sized cars and light motor vehicles. Moreover, Koito is earnestly conducting committed R&D to produce LED headlamps offering even better performance and higher quality.



Development of the ADB (Adaptive Driving Beam)

The ADB system, with an onboard camera and image sensor, automatically controls the light distribution of the driving beam. The system illuminates a wide visual environment in front of the driver while controlling the light distribution patterns of the driving beam to ensure that the glare from the beam does not impact on oncoming vehicles or vehicles in front, thereby helping to provide a safer driving environment.



SOCIAL CONTRIBUTION AND ENVIRONMENTAL ACTIVITIES

Public Communication and Social Contribution Activities

In conducting business operations, Koito is watchful to foster harmony with all stakeholders, including local communities, customers, suppliers and investors in order to build relationships of trust between the Company and society. Koito also introduces some of its environmental initiatives and discloses environmental information through its environmental reports, annual reports and website. Disclosure of this kind is essential to fostering a deeper understanding of Koito's business and environmental protection activities.

In addition to working to raise the awareness of employees regarding environmental problems close at hand, other important areas where we are making proactive efforts to build relationships of trust with the regional community include participation in community cleanup and tree-planting activities and other programs to keep the local natural environment clean, and to preserve it. Koito will actively engage in activities that contribute to society to help fulfill its obligations as a good corporate citizen.

Promoting Manufacturing that Puts the Environment First

Koito has established an Environmental Committee as a top management mechanism that oversees two sub-committees: the Environmental Protection Committee and the Environmental Audit Committee. These committees work to maintain environmental compliance, and to promote efforts to minimize the environmental burden of manufacturing while pursuing economic efficiency.

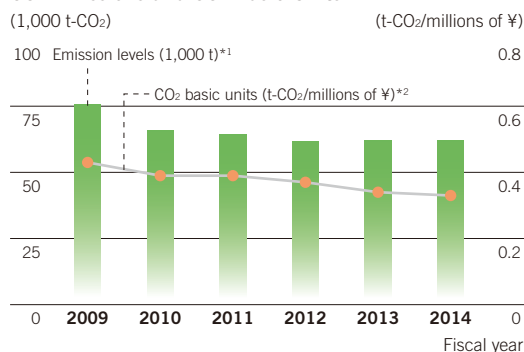
The Koito Group is making Group-wide efforts to reduce the overall environmental impact of its core automotive lamp products over the entire product lifecycle from product development to manufacturing, use, disposal and recycling. Through these means, Koito is working to preserve the environment and reduce the Group's overall environmental burden.

To help prevent global warming, Koito promotes initiatives to reduce energy losses, including making efforts to save energy and improve production efficiency, and initiatives to reduce CO₂ emissions.

Koito also promotes the conversion from heavy-oil fuels to electricity or gas, both of which entail only small amounts of CO₂ emissions. Moreover, since fiscal 2012 Koito has been working to further reduce the CO₂ emissions per production monetary amount (CO₂ basic units) as a result of placing importance on reducing electricity, which has the highest share of energy.

In resource recycling, our primary focus is to keep waste emissions as close to zero as possible by promoting reuse of waste as a resource, namely through the 3Rs (Reduce, Reuse, Recycle). Similarly, we are striving to minimize environmentally harmful substances produced in manufacturing processes. Specifically, we are tightening our control over amounts of materials used and emission levels, using these substances more efficiently, replacing them with alternatives, and other measures. Our goal is to help form a recycling-oriented society by quickly achieving and maintaining zero-emission operations, among other means.

CO₂ Emissions and CO₂ Basic Units



*1 CO₂ emissions are assessed for the Shizuoka, Haibara and Sagara plants, by using the power-generation fiscal 2008 CO₂ emissions coefficients received from the Federation of Electric Power Companies of Japan for electricity and coefficients based on the energy- and heat-saving laws for city gas, LPG and heavy kerosene.

*2 CO₂ emission levels (t-CO₂) per production monetary amount (millions of ¥)

Koito Group Environmental Management System

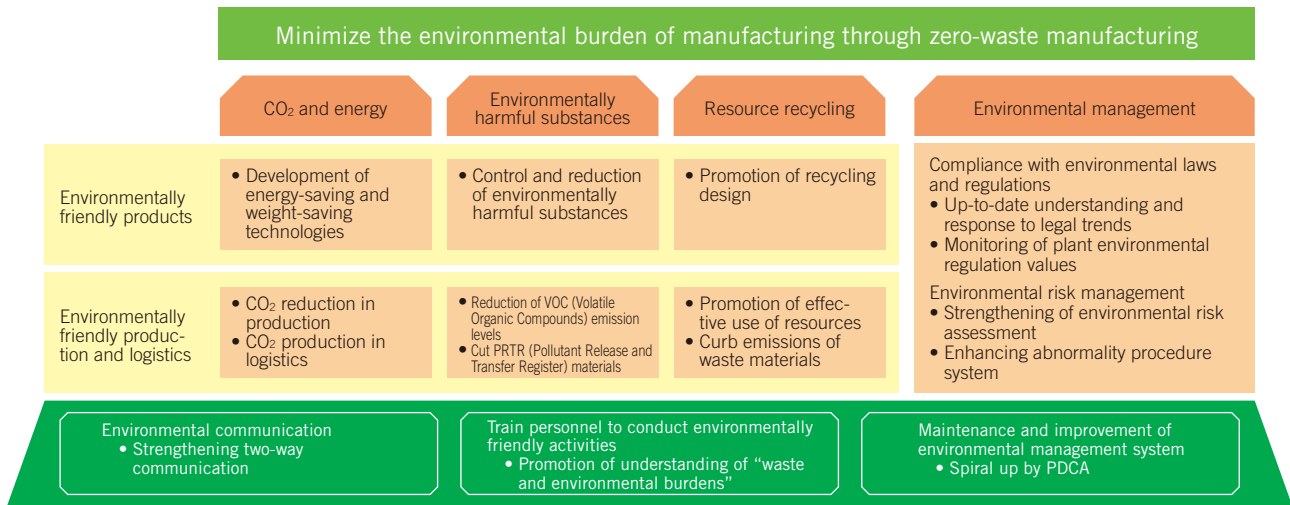
In developing its operations globally, the Koito Group recognizes the need to further enhance its environmental preservation systems. Our ongoing efforts in this regard include building environmental management systems and obtaining environmental certification at our affiliated companies.

Koito has constructed a common company-wide environmental management system covering all stages from development to manufacturing that complies with the international ISO 14001 standard. By January 2003, all four of our production bases in Japan had obtained ISO 14001 certification.

Meanwhile, 18 of our affiliated companies, including 10 overseas companies, have obtained ISO 14001 certification, mainly at production sites.

We will continue to develop locally-tailored environmental preservation activities in every country and region where we operate, as we respond to the demands of societies around the world for global environmental protection and sustainable societies.

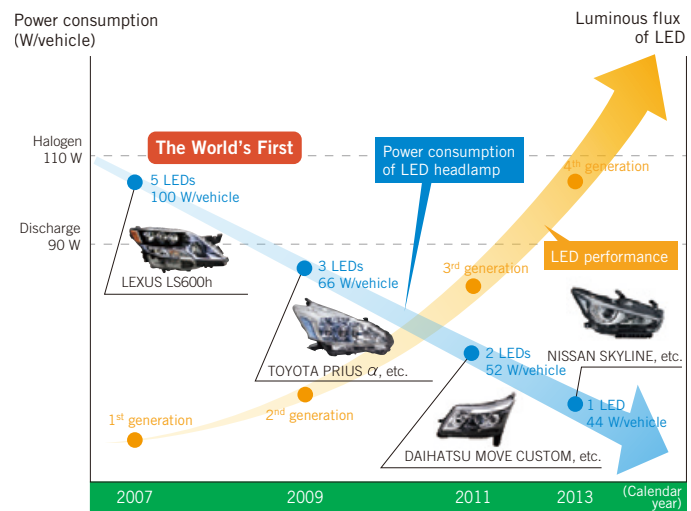
Basic Approach to Environmental Activities



Saving Electric Power with LED Headlamps

LED headlamps are finding wide-ranging and rapidly increasing applications in environmentally friendly vehicles such as hybrid cars and electric vehicles and elsewhere, mainly due to the fact that they save electric power and have long working lives.

Koito has worked to improve the performance of LED chips, and to lessen the number of LED chips required for headlamp performance. As a result, the power consumption of LED headlamps is becoming less every year. This contributes to the improved fuel consumption of vehicles together with CO₂ reductions, especially as their power consumption is approximately 50% less than conventional discharge headlamps.



Development of CI_MS LEDs

Koito has been implementing initiatives in LED research, namely, research into a light source that has superior energy-saving characteristics and is friendly to the global environment. These efforts have resulted in Koito's development of CI_MS LED.

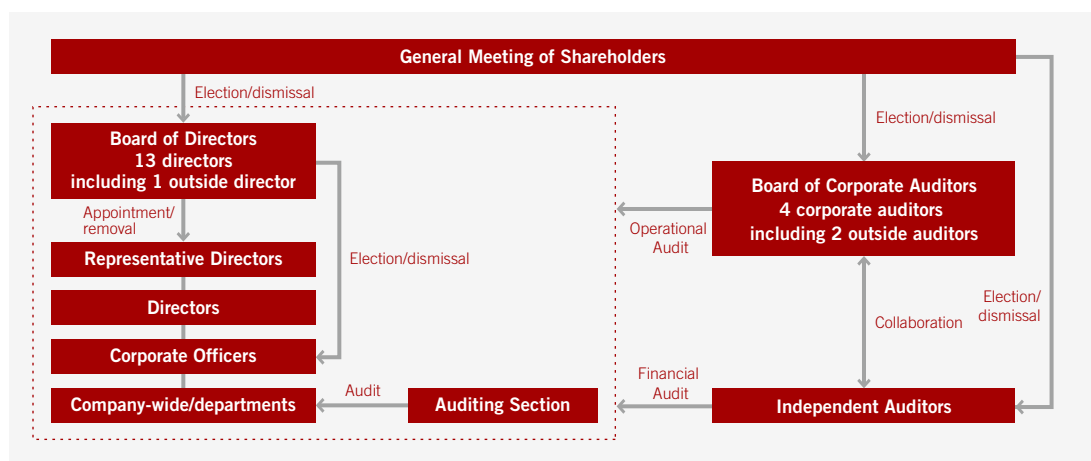
CI_MS LEDs eliminate the characteristic glare of white LEDs by suppressing luminance to one tenth of its conventional level without a decrease in luminous flux. Furthermore, they can be formed into various three-dimensional light-emitting shapes, thereby contributing to higher designability for LED lighting.

Because this development is expected to find a wide range of applications in illumination in the 21st century, it was recognized in the 2014 National Commendation for Invention where it was awarded the 21st Century Invention Commendation Prize and the 21st Century Invention Contribution Prize. Koito will continue to research for pursuit of light sources friendly to the global environment.



CORPORATE GOVERNANCE

The Koito Group's basic approach to corporate governance is to recognize the importance of ethical standards, if it is to retain the trust of all its stakeholders (people concerned). To do this, Koito places the highest managerial priority on enhancing its corporate governance and strengthening compliance.



(1) Corporate Governance Structure, Internal Control System and Risk Management System

At Koito, management decision making and supervision are conducted by the Board of Directors, business execution is conducted by the Directors and the Corporate Officers, and business execution is audited by the Board of Corporate Auditors. The Board of Directors in principle meets once per month and is attended by directors (including 1 outside director) and corporate auditors. It reports on progress in business execution and makes decisions on important matters. The Managing Committee comprising full-time directors and a corporate officer, is a body to aid the Board of Directors. The committee meets in principle 3 times per month and determines business execution, and reports on progress in and follows up on business execution. As determined by the Articles of Incorporation, the Board of Directors comprises 15 members or less.

The Board of Corporate Auditors comprises 4 corporate auditors (including 2 outside auditors). Each corporate auditor audits the performance of directors in line with auditing policies through such means as their participation in meetings of the Board of Directors, and surveys of the Company's operations and financial condition. Moreover, the standing corporate auditors attend important meetings and committees to audit business execution by directors. With regard to cooperation between auditors and the Auditing Section, internal auditing is conducted primarily by the Internal Audit Office and Accounting Department. Corporate auditors receive regular reports from the Auditing Section regarding audit plans and audit inspection methods, as well as results of audits, and exchange information as necessary. In the area of risk management, Koito implements measures to reduce and avoid risk, and divides the responsibility for day-to-day risk management between internal departments. In the event of a given risk transpiring, Koito will make a rapid and appropriate response based on leadership from top management.

(Status of Financial Audits)

To ensure the adequacy of financial statements, the Board of Corporate Auditors and Board of Directors periodically receive progress reports on the status of financial audits based on relevant directives and other laws from the independent auditors.

Koito's accounting audit was performed by certified public accountants Makoto Yoshii, Atsushi Sasayama, and Hirofumi Nikaido from Koito's independent auditor, accounting firm MEIJI AUDIT CORPORATION. Furthermore, 6 certified public accountants and 2 other staff assisted with the accounting audit.

(2) Remuneration for Directors, Corporate Auditors and the Independent Auditor

Remuneration for directors, corporate auditors, and the independent auditor for the fiscal year ended March 31, 2014 was as follows:

Remuneration for Directors and Corporate Auditors:		Remuneration for the Independent Auditor:	
For directors	¥870 million	Fee for certification of audit	¥64 million
For corporate auditors	¥ 60 million	(Remuneration based on work stipulated by Article 2, Paragraph 1 of the Certified Public Accountants Act)	
For outside directors and outside auditors	¥ 44 million		
Total	¥976 million		

(3) Measures to Strengthen the Corporate Governance System

To strengthen Koito's compliance system, in October 2012 Koito established the Compliance Committee and the Compliance Department, and in April 2013 established the Internal Audit Department. Furthermore, Koito introduced a whistle-blower internal reporting system in December 2012.

BOARD OF DIRECTORS, AUDITORS AND CORPORATE OFFICERS



Chairman & CEO
Takashi Ohtake



President
Masahiro Otake



Executive Vice President
Yuji Yokoya



Executive Vice President
Koichi Sakakibara



Executive Vice President
Hiroshi Mihara

■ Directors

Chairman & CEO

Takashi Ohtake

President

Masahiro Otake

Executive Vice Presidents

Yuji Yokoya

Koichi Sakakibara

Hiroshi Mihara

Senior Managing Directors

Kazuo Ueki

Kenji Arima

Yohei Kawaguchi

Directors and Managing Corporate Officers

Masami Uchiyama

Katsuyuki Kusakawa

Hideo Yamamoto

Michiaki Kato

Outside Director

Haruya Uehara

■ Auditors

Standing Corporate Auditors

Shuichi Goto

Mitsuo Kikuchi

Corporate Auditors

Koichi Kusano

Nobuyoshi Kawashima

■ Corporate Officers

(Excluding the members with an additional concurrent post on the Board of Directors)

Managing Corporate Officers

Osami Takikawa

Jun Toyota

Atsushi Inoue

Kiyoshi Sato

Hideharu Konagaya

Corporate Officers

Takao Yamanashi

Kazuhito Iwaki

Koichi Toyoda

Mineo Kobayashi

Shinji Watanabe

Masatoshi Yoneyama

FINANCIAL SECTION

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TEN-YEAR SUMMARY

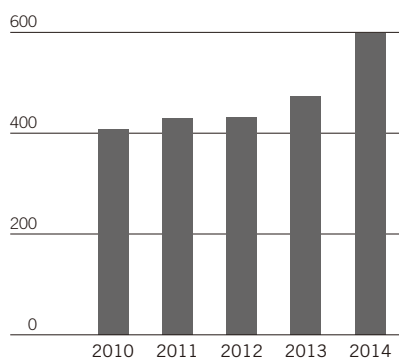
KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Consolidated	Millions of yen (except per share amounts)			
	2005	2006	2007	2008
For the year:				
Net sales	¥361,477	¥397,509	¥452,520	¥470,648
Operating income	17,962	22,262	21,328	28,959
Income before income taxes	18,287	23,277	24,799	30,097
Income taxes	7,225	9,078	9,622	11,678
Net income	9,093	12,731	13,374	15,581
Amounts per share (yen and U.S. dollars):				
Net income	¥ 55.62	¥ 79.39	¥ 83.23	¥ 96.95
Cash dividends	14.00	20.00	22.00	23.00
At year-end:				
Working capital	¥ 24,043	¥ 27,993	¥ 24,182	¥ 26,813
Property, plant and equipment, less accumulated depreciation	70,106	76,800	84,644	83,875
Total assets	318,739	366,254	385,300	388,585
Total equity	119,278	139,849	149,553	151,713

Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥102.92 = US\$1, the rate prevailing on March 31, 2014.
2. The above total equity for fiscal 2011 and thereafter, included noncontrolling interests.

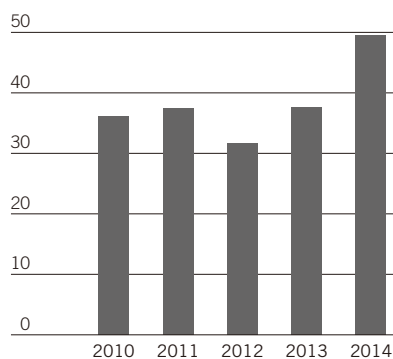
Net Sales

(Billions of yen)



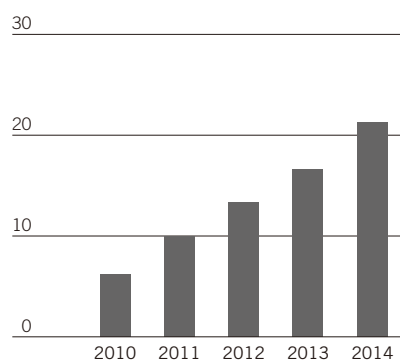
Operating Income

(Billions of yen)



Net Income

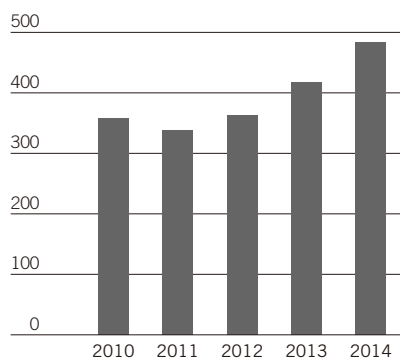
(Billions of yen)



						Thousand of U.S.dollars (except per share amounts)
2009	2010	2011	2012	2013	2014	2014
¥400,232	¥408,430	¥428,977	¥430,929	¥472,843	¥597,502	\$5,805,499
9,131	36,054	37,434	31,725	37,668	49,506	481,014
7,980	13,731	17,591	27,093	33,004	46,596	452,739
2,051	9,736	11,850	10,599	11,812	17,173	166,857
4,042	6,217	10,012	13,391	16,625	21,378	207,714
¥ 25.16	¥ 38.69	¥ 62.30	¥ 83.33	¥ 103.46	¥ 133.04	\$ 1.29
20.00	18.00	19.00	19.00	22.00	26.00	0.25
¥ 13,091	¥ 39,512	¥ 58,015	¥ 65,554	¥ 81,705	¥108,550	\$1,054,702
83,244	73,252	65,010	66,791	72,415	87,168	846,949
351,869	357,530	338,760	363,273	418,087	483,093	4,693,869
142,184	148,664	168,414	182,916	218,131	256,072	2,488,068

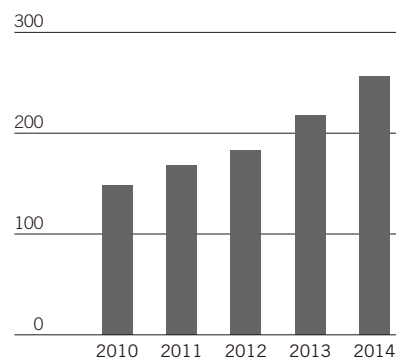
Total Assets

(Billions of yen)



Total Equity

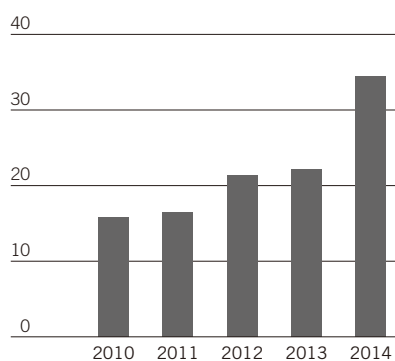
(Billions of yen)



* Fiscal 2011 and thereafter figures included noncontrolling interests.

Capital Expenditures

(Billions of yen)



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The Koito Group comprises the parent company (KOITO MANUFACTURING CO., LTD.), 30 subsidiaries, 1 affiliate and 1 associated company. The Group manufactures and sells automotive lighting equipment; components for airplanes, trains and railways; a wide variety of electrical devices; and measuring equipment. It is also involved in related distribution operations.

NET SALES

In the Japanese auto industry, domestic automobile production volume increased year on year. Production picked up from September 2013 and increased year on year, partly because of a surge in demand ahead of the consumption tax increase, despite decreasing year on year for the first half as a result of the depletion of subsidies for purchasing "eco-cars" (environmentally friendly vehicles) from the previous fiscal year. Overseas, production worldwide increased year on year, as expansion of production driven by higher demand in North America, as well as in emerging markets including China and Indonesia, made up for level year-on-year results in Europe due to economic stagnation.

In this climate, for the fiscal year under review, the Koito Group reported consolidated net sales of ¥597.5 billion, up 26.4% year on year, due to significant sales growth in the mainstay automotive lighting equipment segment.

EARNINGS

Operating income was ¥49.5 billion, up 31.4% year on year, and recurring profit was ¥51.8 billion, up 29.7% year on year. Earnings growth was driven by sales growth in Japan due to a surge in demand ahead of the consumption tax increase, higher sales accompanying increased automobile production in North America, China and Asia, and contributions from the operation of new overseas plants. Net income rose 28.6% to ¥21.3 billion, despite an extraordinary loss recorded in relation to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.

RESULTS BY GEOGRAPHICAL SEGMENT

JAPAN

Sales in Japan increased 6.1% to ¥277.6 billion. This reflected higher automobile production since September, partly due to a surge in demand ahead of the consumption tax increase, despite a decline in production during the first half, mainly due to the depletion of eco-car subsidies from the previous fiscal year.

NORTH AMERICA

Sales in North America increased 48.8% to ¥93.5 billion mainly due to an increase in automobile production by Japanese makers accompanying the recovery in automobile demand, and to increased orders from local automobile manufacturers.

CHINA

Sales in China rose 59.3% to ¥149.8 billion. This increase was mainly due to increased orders from local automobile manufacturers amid growing demand for automobiles, and contributions from operations at the Second Plant of GUANGHZOU KOITO AUTOMOTIVE LAMP CO., LTD.

ASIA

Sales in Asia rose 33.8% to ¥57.2 billion. Sales growth was driven by expanding market share and orders in Thailand, along with firm production of motorcycles and automobiles in Indonesia.

EUROPE

Sales in Europe increased 66.2% to ¥19.1 billion mainly due to a slight pick-up in intraregional automobile sales and the winning of more orders, despite a continuing slump in the economies of Europe.

FINANCIAL POSITION

Total assets as of March 31, 2014 increased ¥65.0 billion from March 31, 2013 to ¥483.0 billion. This was mainly due to increases in current assets, mostly cash and time deposits, and increases in property, plant and equipment accompanying the construction of new overseas plants.

Total liabilities as of March 31, 2014 increased ¥27.0 billion from March 31, 2013 to ¥227.0 billion, mainly reflecting an increase in trade notes and accounts payable, and an increase in borrowings.

Total net assets as of March 31, 2014 increased ¥37.9 billion from March 31, 2013 to ¥256.0 billion. This increase was mainly due to an increase in retained earnings from net income, and to an increase in total accumulated other comprehensive income accompanying the yen's depreciation and higher stock prices.

CASH FLOWS

Operating activities provided net cash of ¥35.5 billion, mainly reflecting net income of ¥21.3 billion and depreciation of ¥21.5 billion.

Investing activities used net cash of ¥36.0 billion, mainly reflecting acquisition of property and equipment of ¥32.9 billion, including construction of a new plant at an overseas subsidiary.

Financing activities provided net cash of ¥5.3 billion, mainly reflecting fund procurement of ¥11.3 billion and dividends paid of ¥6.8 billion.

As a result, cash and cash equivalents as of March 31, 2014 were ¥27.7 billion, ¥5.7 billion higher than on March 31, 2013.

CAPITAL EXPENDITURES

Capital expenditures, primarily in Japan, totaled ¥34.5 billion, with the goal of streamlining production, boosting product quality, and reducing costs. A breakdown of capital expenditures for the fiscal year under review, excluding consumption tax, is as follows.

Capital expenditures in Japan totaled ¥10.1 billion: ¥8.4 billion in North America, ¥9.7 billion in China, ¥4.9 billion in Asia, and ¥1.3 billion in Europe.

The funds required for capital expenditures were allocated from internal funds and debt.

There were no disposals or sales of key facilities during the fiscal year under review.

PRESSING ISSUES

(1) THE KOITO GROUP'S CURRENT OUTLOOK

During fiscal 2014, the period under review, the Japanese economy experienced a recovery trend, albeit modest, as improvements were seen in corporate earnings mainly in the export industries, due to economic stimulus measures, correction of the strong yen and high stock prices. Growth in the world economy was robust although slow, mainly due to economic conditions picking up in the U.S. and expansion of demand in emerging countries, despite the persistence of the debt problems in some European countries, instabilities in Ukraine, and risks in China.

The Koito Group will make efforts to increase order activities, boost productivity, enhance our mutually complementary supply network and structure, and implement more cost-cutting measures. All of these activities are aimed at further improving the Group's business results as a global supplier with 5 development and production bases.

(2) KEY ISSUES IN THE NEAR TERM

As a global supplier, the Koito Group faces the challenges of establishing a research, production and sales structure for responding flexibly to trends in the global automobile industry, reorganizing and strengthening its management structure and organization, and enhancing internal control over corporate activities.

To accomplish this, the Group is striving to improve management practices by developing innovative new technologies and products that anticipate market and customer needs, and preserving the environment, as well as boosting productivity, implementing cost-cutting measures, promoting quality improvement activities and strengthening the corporate structure.

On March 22, 2013, Koito received cease and desist orders and surcharge payment orders from the Japan Fair Trade Commission (JFTC), on suspicion of violating the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade concerning transactions for automotive lighting equipment. As a result of carefully reviewing the contents of these orders, Koito has found that its understanding of this matter differs from that expressed in the contents of the cease and desist orders and surcharge payment orders, and that they are unacceptable. On May 23, 2013, Koito has made hearing requests to the JFTC. At the current time, Koito is still in the process. Koito will explain its stance in these hearings, and will seek fair judgments.

In the U.S. and Canada, plaintiffs have filed lawsuits against Koito and its U.S. subsidiary, and are seeking payment for damages they claim to have incurred. Koito will closely review the details of the statement of claim and deal with this matter in an appropriate manner.

As a result of consideration of various circumstances, on January 16, 2014, Koito has entered into a plea agreement with the U.S. Department of Justice, agreeing to pay a fine regarding transactions for automotive lamps, etc.

Koito takes this situation very seriously, and the Company's directors and corporate auditors have voluntarily returned part of their monthly remuneration. Koito will ensure the further enhancement of compliance systems and the thorough implementation of recurrence prevention measures, as a company which should fulfill its social responsibility and to continue as a company that is trusted by all its stakeholders, and will make efforts to comply with corporate ethics and restore trust.

(3) POLICIES

In line with its corporate slogan of "Lighting for Your Safety," the Koito Group will create new markets and contribute to achieving a better society. At the same time, the basic policy of management is to work together for mutual harmony and benefit with all stakeholders, including shareholders, customers, employees and business partners. Furthermore, from the perspective of CSR (corporate social responsibility), Koito aims to be a trusted company that strengthens compliance and conducts environmental preservation and social contribution activities.

(4) SPECIFIC MEASURES

To advance to the next stage of growth, the Koito Group will take the following measures:

- ① To address the automobile industry's expansion of globally optimal production systems, the Koito Group will work to enhance its system to respond to the world's five key regional automobile markets (Japan, North America, Europe, China and Asia). To this end, the Group will further reinforce the product development, manufacturing and sales functions of its overseas bases, among other measures.
- ② The Koito Group will develop cutting-edge technologies that stay ahead of customer and market needs and commercialize products at the earliest opportunity. Moreover, the Group will bring attractive products to market in a timely manner.
- ③ The Koito Group aims to pursue the highest quality and safety standards, while advancing the protection of the environment and strengthening compliance.
- ④ The Koito Group plans to further reinforce its profit structure and operations by securing and effectively allocating resources.

The Koito Group will formulate specific policies related to these measures, and strive to increase the satisfaction of our shareholders, customers, employees and business partners, and to preserve the environment, and to enhance internal control.

BUSINESS RISK FACTORS

The following factors could affect the Koito Group's operating results, share price and financial position. Forward-looking statements in this annual report are based on the management's judgment as of June 30, 2014.

(1) ECONOMIC CONDITIONS

Demand for automotive lighting equipment, which represents a material share of the Koito Group's operating income around the world, is subject to economic conditions in countries and regions in which the Group's products are sold. Consequently, an economic downturn and accompanying contraction of demand in the Koito Group's main markets, including Japan and elsewhere in North America, Asia and Europe, may adversely affect its operating results and financial position.

(2) LEGAL REGULATIONS

Automotive lighting equipment, the mainstay product of the Koito Group, is subject to various legal regulations, including road transportation vehicle laws and safety standards, in Japan as well as all other countries where the Group conducts business, to provide key safety components of vehicles. Consequently, unexpected changes in legal regulations could adversely affect the Koito Group's operating results and financial position.

(3) EXCHANGE RATE MOVEMENTS

The Koito Group produces and sells products around the world. Sales, expenses, assets, liabilities and other accounts denominated in the local currencies of each region in which the Group operates are converted into yen for the purpose of preparing Koito's consolidated financial statements. Accordingly, the exchange rate prevailing on the conversion date may affect the post-conversion yen value of these accounts. Generally speaking, an appreciation of the yen relative to other currencies may adversely affect the Koito Group's operating results and financial position.

(4) POTENTIAL RISKS OF EXPANDING OVERSEAS

The Koito Group is rapidly becoming more dependent on overseas-based production and sales activities. The expansion of these business activities in overseas markets carries the following inherent risks:

- ① Unanticipated changes in laws and regulations
- ② Disadvantageous changes in political and economic conditions
- ③ Social unrest caused by terrorism, war or other factors

(5) PRODUCT DEFECTS

The Koito Group manufactures products in accordance with quality control standards approved in Japan and other countries where it conducts business. Nevertheless, there is no guarantee that all products will be free of defects and that recall and other costs will not arise from defects in the future. Therefore, product defects could adversely affect the Koito Group's operating results and financial position.

(6) CHANGES IN RAW MATERIAL PRICES

The Koito Group currently faces the risk of raw material price fluctuations. In particular, prices for plastics, key raw materials for the Koito Group's businesses, have been rising along with changing market prices for crude oil. This trend could cause a rise in procurement costs for the Koito Group, which could adversely affect the Koito Group's operating results and financial position.

(7) NATURAL DISASTERS, ETC.

There is a risk that the production, logistics, sales and other bases of the Koito Group, its customers or its suppliers could be damaged by an earthquake, tsunami, typhoon or other natural disaster. While the Koito Group conducts disaster prevention activities and carries out inspections of facilities, these efforts do not guarantee that bases will be completely shielded from their effects. In particular, the Koito Group production bases in Japan are concentrated in the prefecture of Shizuoka, and there is a Koito plant in the vicinity of Chubu Electric Power Co., Inc.'s Hamaoka nuclear power station. Therefore, a major disaster could dramatically lower the Koito Group's capacity to produce automotive lighting equipment and other products and in turn adversely affect its operating results and financial position.

(8) OTHER RISKS

As a global supplier, the Koito Group engages in business in many countries worldwide, and is subject to the application of the various laws about competition in Japan and overseas. Therefore, becoming involved in legal action could adversely affect the Koito Group's operating results and financial position.

CONSOLIDATED BALANCE SHEETS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

At March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 21,992	¥ 28,253	\$ 274,514
Trade notes and accounts receivable	97,119	111,472	1,083,093
Less: Allowance for doubtful accounts	(12,846)	(13,103)	(127,312)
	84,273	98,369	955,781
Marketable securities	—	—	—
Inventories	39,540	52,046	505,693
Deferred income tax assets—current (Note 6)	3,370	3,565	34,638
Prepaid expenses and others	89,161	111,641	1,084,735
Total current assets	238,338	293,878	2,855,402
Investments:			
Investment securities	71,658	71,695	696,609
Loans	56	29	281
Deferred income tax assets—non-current (Note 6)	5,882	1,000	9,716
Other investments	3,122	2,559	24,863
Less: Allowance for doubtful accounts	(165)	(152)	(1,476)
Total investments	80,555	75,131	729,994
Property, plant and equipment, at cost:			
Buildings and structures	89,860	94,588	919,043
Machinery, equipment and tools	217,866	245,308	2,383,482
Less: Accumulated depreciation	(235,309)	(252,727)	(2,455,567)
	72,415	87,168	846,949
Land	13,938	13,821	134,288
Construction in progress	12,837	13,089	127,176
Property, plant and equipment, net	99,193	114,080	1,108,433
Total assets	¥ 418,087	¥ 483,093	\$ 4,693,869

At March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
LIABILITIES AND EQUITY			
Current liabilities:			
Trade notes and accounts payable	¥ 86,495	¥105,326	\$1,023,377
Short-term loans (Note 4)	27,297	38,269	371,832
Income taxes payable	7,582	8,506	82,646
Accrued expenses and other current liabilities	35,259	33,224	322,813
Total current liabilities	156,633	185,328	1,800,699
Non-current liabilities:			
Long-term debt (Note 4)	2,800	5,241	50,923
Accrued retirement benefits	30,120	–	–
Liability for retirement benefits (Note 5)	–	26,141	253,993
Other non-current liabilities	10,402	10,305	100,126
Total non-current liabilities	43,322	41,692	405,091
Equity:			
KOITO MANUFACTURING CO., LTD. shareholders' equity			
Common stock	14,270	14,270	138,651
320,000,000 shares authorized and 160,789,436 shares issued at March 31, 2013 and 2014			
Additional paid-in capital	17,108	17,108	166,226
Retained earnings	140,588	158,109	1,536,232
Treasury common stock, at cost:			
91,522 shares in 2013 and 95,079 shares in 2014	(78)	(84)	(816)
Total KOITO MANUFACTURING CO., LTD. shareholders' equity	171,889	189,404	1,840,303
Accumulated other comprehensive income:			
Valuation adjustment on investment securities	13,297	18,532	180,062
Translation adjustments	4,534	8,665	84,191
Retirement benefits liability adjustments	–	3,343	32,481
Total accumulated other comprehensive income	17,831	30,541	296,745
Noncontrolling interests	28,410	36,127	351,020
Total equity	218,131	256,072	2,488,068
Total liabilities and equity	¥418,087	¥483,093	\$4,693,869

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Net sales	¥472,843	¥597,502	\$5,805,499
Cost of sales	399,474	504,321	4,900,126
Gross profit	73,368	93,180	905,363
Selling, general and administrative expenses	35,699	43,674	424,349
Operating income	37,668	49,506	481,014
Other income (expenses):			
Interest income	592	1,593	15,478
Interest expenses	(574)	(828)	(8,045)
Loss on sale and disposal of property and equipment	(244)	(340)	(3,303)
Other, net	(4,438)	(3,334)	(32,394)
Income before income taxes and noncontrolling interests	33,004	46,596	452,739
Income taxes	11,812	17,173	166,857
Income before noncontrolling interests income	21,192	29,422	285,872
Noncontrolling interests income in consolidated subsidiaries	4,566	8,044	78,157
Net income	¥ 16,625	¥ 21,378	\$ 207,714
Noncontrolling interests income in consolidated subsidiaries	4,566	8,044	78,157
Income before noncontrolling interests income	21,192	29,422	285,872
Other comprehensive income			
Valuation adjustment on investment securities	9,911	5,230	50,816
Translation adjustments	10,062	5,688	55,266
Total other comprehensive income	19,973	10,919	106,092
Comprehensive income	¥ 41,166	¥ 40,341	\$ 391,964
Attributable to:			
Shareholders of the parent company	¥ 33,119	¥ 30,745	\$ 298,727
Noncontrolling interests	¥ 8,047	¥ 9,596	\$ 93,237
		Yen	U.S. dollars
	2013	2014	2014
Per share:			
Net income	¥ 103.46	¥ 133.04	\$ 1.29
Cash dividends	22	26	0.25
Average total number of shares during the year (thousands of shares)	160,698	160,696	160,696

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
KOITO MANUFACTURING CO., LTD. shareholders' equity			
Common stock:			
Beginning balance	¥ 14,270	¥ 14,270	\$ 138,651
Ending balance	¥ 14,270	¥ 14,270	\$ 138,651
Additional paid-in capital:			
Beginning balance	¥ 17,108	¥ 17,108	\$ 166,226
Ending balance	¥ 17,108	¥ 17,108	\$ 166,226
Retained earnings:			
Beginning balance	¥127,638	¥140,588	\$1,365,993
Net income	16,625	21,378	207,714
Deductions:			
Cash dividends applicable to the year	(3,213)	(3,856)	(37,465)
Other	(461)	–	–
Ending balance	¥140,588	¥158,109	\$1,536,232
Treasury stock	¥ (78)	¥ (84)	\$ (816)
KOITO MANUFACTURING CO., LTD. shareholders' equity	¥171,889	¥189,404	\$1,840,303
Total accumulated other comprehensive income			
Valuation adjustment on investment securities	13,297	18,532	180,062
Translation adjustments	4,534	8,665	84,191
Retirement benefits liability adjustments	–	3,343	32,481
	¥ 17,831	¥ 30,541	\$ 296,745
Noncontrolling interests	¥ 28,410	¥ 36,127	\$ 351,020
Total equity	¥218,131	¥256,072	\$2,488,068

CONSOLIDATED STATEMENTS OF CASH FLOWS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash flows from operating activities:			
Net income	¥ 16,625	¥ 21,378	\$ 207,714
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	17,827	21,522	209,113
Noncontrolling interests in consolidated subsidiaries	4,566	8,044	78,157
Provision for allowance for doubtful accounts	(99)	164	1,593
Provision for accrued retirement benefits	996	–	–
Liability for retirement benefits	–	781	7,588
Loss on revaluation of marketable securities	3,031	–	–
Loss on sale and disposal of property and equipment	233	306	2,973
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	2,970	(8,330)	(80,936)
Inventories	987	(10,508)	(102,098)
Prepaid expenses and others	(9,347)	(8,051)	(78,225)
Trade notes and accounts payable	2,800	14,524	141,119
Accrued expenses and other current liabilities	6,697	(1,111)	(10,794)
Others, net	(5,148)	(3,147)	(30,577)
Net cash provided by operating activities	42,138	35,572	345,627
Cash flows from investing activities:			
Decrease in time deposits and other due over three months, net	(17,826)	(13,340)	(129,615)
Purchase of marketable and investment securities	(16)	(16)	(155)
Proceeds from sale of marketable and investment securities	2,256	9,221	89,593
Acquisition of property and equipment	(27,103)	(32,906)	(319,724)
Proceeds from sale of property and equipment	149	356	3,458
Increase in long-term loans	40	28	272
Decrease in other investments and other assets	553	627	6,092
Net cash used in investing activities	(41,947)	(36,030)	(350,077)
Cash flows from financing activities:			
Increase in short-term bank loans	1,723	8,558	83,151
Increase in long-term bank loans	960	2,809	27,293
Increase in treasury stock	(1)	(6)	(58)
Proceeds from noncontrolling shareholders	–	888	8,628
Cash dividends	(5,494)	(6,872)	(66,770)
Net cash used in financing activities	(2,812)	5,377	52,244
Foreign currency translation adjustment on cash and cash equivalents	1,396	838	8,142
Change in cash and cash equivalents	(1,225)	5,758	55,946
Cash and cash equivalents at beginning of the year	23,217	21,992	213,680
Cash and cash equivalents at end of the year	¥ 21,992	¥ 27,750	\$ 269,626

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation

KOITO MANUFACTURING CO., LTD. (the "Company") and its subsidiaries maintain their accounts in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their accounts in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan.

In preparing the consolidated financial statements, certain rearrangements and reclassifications have been made and certain additional financial information has been included in the consolidated financial statements issued in Japan for the convenience of readers outside Japan.

2. Summary of significant accounting policies

- (1) **The accompanying consolidated financial statements for the years ended March 31, 2013 and 2014 include the accounts for the Company and the 28 subsidiaries listed below:**

Names of consolidated subsidiaries for the year ended March 31, 2014	Equity ownership percentage (*) %
KOITO KYUSHU LIMITED	100
Koito Transport Co., Ltd.	100
Aoitec Co., Ltd.	70
Shizuokadenso Co., Ltd.	100
Nissei Industries Co., Ltd.	62
Fujieda Auto Lighting Co., Ltd.	100
Shizuoka Wire Harness Co., Ltd.	100
Haibara Machine and Tools Co., Ltd.	100
Shizuoka Kanagata Co., Ltd.	40
Koito Insurance Services Co., Ltd.	100
KI HOLDINGS CO., LTD.	50
KOITO ELECTRIC INDUSTRIES, LTD.	100
Minatsu, Ltd.	100
Okayama Industry Co., Ltd.	51
North American Lighting, Inc.	100
North American Lighting Mexico, S.A. de C.V.	90
Koito Europe NV	100
Koito Europe Limited	100
Koito Czech s.r.o.	100
Shanghai Koito Automotive Lamp Co., Ltd.	45
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	100
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.	100
THAI KOITO COMPANY LIMITED	62
PT. INDONESIA KOITO	90
Ta Yih Industrial Co., Ltd.	33
INDIA JAPAN LIGHTING PRIVATE LIMITED	50
KPS N.A., INC.	100
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	50

(*) Represents ownership at March 31, 2014 and includes shares owned through consolidated subsidiaries.

(2) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The excess of the costs over the underlying net equity of investments in the consolidated subsidiaries is amortized over five years.

Investments in one affiliate (owned 20% to 50%) are stated at cost plus equity in their undistributed earnings.

Consolidated net income or loss includes the Company's equity in the current net income or loss of such companies, after the elimination of unrealized intercompany profits.

(3) Translation of foreign currency financial statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date, except for the components of shareholders' equity, which are translated at exchange rates in effect at acquisition dates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year.

Foreign currency translation adjustments are included in noncontrolling interest and shareholders' equity in the accompanying consolidated financial statements.

(4) Inventories

Inventories are stated principally at cost. The cost of finished products and work in process are determined primarily by the weighted average method.

Raw materials and supplies are determined by the moving-average method. Inventories in the consolidated foreign subsidiaries are stated at the lower of cost or market as determined by the moving-average method.

(5) Securities

Securities for the year are valued by type of security as follows:

Securities held for trading	Market value
Securities held to maturity	Depreciable cost
Other securities	
Where there is a market quotation	Market value as determined by the quoted price at the end of the fiscal year
Where there is no market quotation	Cost as determined by the moving-average method
Specified money trusts	Market value

(6) Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed with the declining-balance method or straight-line method, at rates based on the estimated useful lives of the assets.

Machinery held by the Company is depreciated over useful lives estimated by the Company, which are between 3 to 7 years. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(7) Liability for retirement benefits

Under the terms of the retirement plans of the Company, certain employees are entitled to severance payments upon retirement or termination from the Company. The amount of the payment is based on the length of service, salary at the time of severance, and the cause of the severance.

The Company has a non-contributory funded pension plan which covers substantially all of the benefits at the retirement age under the above retirement plan.

Liability for retirement benefits is recorded based on the amount that would be required if all eligible employees retired at the balance sheet date less the amount funded by plan assets.

Consolidated subsidiary KI HOLDINGS CO., LTD. has two types of defined benefit retirement plan: a fund-type corporate pension plan and a lump-sum retirement benefit plan. Other domestic consolidated subsidiaries have qualified retirement plans and lump-sum retirement benefit plans. Certain overseas subsidiaries have defined contribution retirement plans or defined benefit retirement plans.

The directors and corporate auditors of some consolidated subsidiaries are covered by a retirement benefit plan which allows retiring directors and corporate auditors to receive lump-sum retirement benefits. The amount of such benefits is determined based on the length of service and the level of remuneration at the time of retirement.

The amount of the retirement benefits for directors and auditors is recorded in other non-current liabilities.

(8) Income taxes

The Company and its subsidiaries adopt tax-effect accounting and account for income taxes using the asset and liability method. Under this method, deferred tax assets and deferred tax liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities using enacted rates.

(9) Appropriation of retained earnings

Under the Corporation Law of Japan, proposals by the Board of Directors for the appropriation of retained earnings (principally the payment of annual cash dividends) should be approved by a shareholders' meeting that must be held within three months of the end of each financial year. In addition to such appropriation, the Law permits the Board of Directors to distribute cash to shareholders at an interim date (interim dividend). The appropriation of retained earnings reflected in the accompanying consolidated financial statements for each financial year represents the appropriation which was approved by the shareholders' meeting or by the Board of Directors and disposed of during that year.

(10) Research and development costs

Research and development costs are charged to income as incurred.

(11) Net income and dividends per share

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share represent dividends, including "interim dividends" declared, as applicable to the respective periods.

(12) Cash equivalents

Cash and cash equivalents include time deposits and readily marketable securities with original maturities of three months or less.

(13) Consumption tax

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services with certain exceptions. The consumption tax withheld on sales and consumption tax paid by the Companies on the purchases of goods and services is not included in the amounts of respective income or costs and expenses in the accompanying consolidated statements of income, but is recorded as an asset or a liability, as the case may be, and the net balance is included in other current liabilities.

(14) Derivative transactions

The Company utilizes foreign exchange forward contracts and interest rate swap agreements designated as hedges. The hedge transactions are only utilized on foreign exchange forward transactions and interest rate swap transactions when the transactions are fixed to hedge any risk anticipated from these transactions and to fix the cash flows value resulting from future transactions denominated in foreign currencies and loans bearing interest. Due to the nature of the hedging arrangements, no significant losses are anticipated.

(15) Accounting change

Effective from the fiscal year ended March 31, 2014, "the Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued May 17, 2012; hereinafter, the Accounting Standard) and "the Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued May 17, 2012; hereinafter, the Guidance) have been applied

(however, except for the rules provided in paragraph 35 of the Accounting Standard and provided in paragraph 67 of the Guidance). These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard, based on the provisional treatment set out in paragraph 37 of the Accounting Standard, the effects of such changes in the current fiscal year have been recorded in retirement benefit liability adjustments through accumulated other comprehensive income.

As a result of this change, a liability for retirement benefits was recognized in the amount of ¥26,141 million (\$253,993 thousand) and accumulated other comprehensive income increased by ¥3,343 million (\$32,481 thousand) at March 31, 2014. In addition, net assets per share increased by ¥20.80 (\$0.20).

3. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥102.92=US\$1, the approximate rate of exchange at March 31, 2014, has been used. This translation should not be construed as a representation that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. Short-term loans and long-term debt

At March 31, 2013 and 2014, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Loans, principally from banks			
To the Company	¥ -	¥ -	\$ -
To consolidated subsidiaries	27,297	38,269	371,832
Total	<u>¥27,297</u>	<u>¥38,269</u>	<u>\$371,832</u>

At March 31, 2013 and 2014, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Loans, principally from banks			
To the Company	¥ -	¥ -	\$ -
To consolidated subsidiaries	2,800	5,241	50,923
Total	<u>¥2,800</u>	<u>¥5,241</u>	<u>\$50,923</u>

5. Employee retirement benefits

The reconciliation of beginning and ending balance of retirement benefit obligations at March 31, 2014 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligations at April 1, 2013	¥53,779	\$522,532
Service cost	2,572	24,990
Interest cost	779	7,568
Actuarial differences	1,235	11,999
Retirement benefit paid	(3,060)	(29,731)
Retirement benefit obligations at March 31, 2014	¥55,306	\$537,368

The reconciliation of beginning and ending balance of the plan assets at March 31, 2014 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at April 1, 2013	¥23,813	\$231,373
Expected return on plan assets	373	3,624
Actuarial differences	4,985	48,435
Contributions by the Company	1,849	17,965
Retirement benefits paid	(1,857)	(18,043)
Plan assets at March 31, 2014	¥29,164	\$283,365

The reconciliation of projected benefit obligation and plan assets to net defined benefit liability and asset recognized in the consolidated balance sheet at March 31, 2014 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded projected benefit obligation	¥ 37,724	\$ 366,537
Plan assets at fair value	(29,164)	(283,365)
	8,560	83,171
Unfunded projected benefit obligation	17,581	170,821
Net liability for retirement benefits recognized in consolidated balance sheet	26,141	253,993
Liability for retirement benefit	26,141	253,993
Net liability for retirement benefits recognized in consolidated balance sheet	¥ 26,141	\$ 253,993

The components of retirement benefit costs for the fiscal year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥2,572	\$24,990
Interest cost	779	7,568
Expected return on plan assets	(373)	(3,624)
Amortization of actuarial differences	815	7,918
Total	¥3,793	\$36,853

Unrecognized actuarial differences included in accumulated other comprehensive income (before income tax) at March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial differences	¥4,731	\$45,967

Plan assets at March 31, 2014:

The major categories of plan assets at March 31, 2014 were as follows:

	2014
Bonds	38%
Stocks	38%
Cash on hand and in banks, and other	24%
Total	100%

Retirement benefit obligations at March 31, 2013 consisted of the following:

	Millions of yen
	2013
Projected benefit obligations	¥ 53,779
Plan assets	(23,813)
Unfunded pension liabilities	29,965
Unrecognized net transition obligation	-
Unrecognized actuarial differences	154
Accrued retirement benefits on balance sheet	¥ 30,120

Net periodic cost for the fiscal year ended March 31, 2013 consisted of the following:

	Millions of yen
	2013
Service cost	¥2,470
Interest cost	1,045
Expected return on plan assets	(483)
Amortization of transition obligation	-
Actuarial loss	1,248
Total	¥4,281

6. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income, which in the aggregate resulted in a normal statutory tax rate of approximately 38%.

Foreign subsidiaries are subject to income taxes of the countries in which they operate.

(a) The significant components of deferred tax assets and liabilities at March 31, 2013 and 2014 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred income tax assets:			
Excess accrued bonus	¥ 1,658	¥ 1,627	\$ 15,808
Excess accrued retirement benefits	10,507	—	—
Excess liability for retirement benefits	—	9,401	91,342
Disallowed retirement allowance to directors	535	509	4,945
Loss on revaluation of investment securities, other	5,133	4,799	46,628
Reserve for liability claims	1,827	952	9,249
Loss on revaluation of land	582	582	5,654
Reserve for product warranties	671	2,447	23,775
Excess allowance for doubtful account	311	359	3,488
Tax loss carry-forward	7,800	10,851	105,431
Others	3,303	3,580	34,784
	32,332	35,111	341,148
Less valuation allowance	(14,460)	(18,400)	(178,779)
Deferred income tax assets total	¥ 17,872	¥ 16,710	\$ 162,359
Deferred tax liabilities:			
Depreciation	¥ (919)	¥ (1,999)	\$ (19,422)
Reserve for reduction of asset costs	(430)	(430)	(4,178)
Valuation adjustment on investment securities	(7,268)	(10,297)	(100,048)
Deferred income tax liabilities total	¥ (8,619)	¥(12,727)	\$(123,659)
Net deferred income tax assets (liabilities)	¥ 9,253	¥ 3,983	\$ 38,699

(b) The net deferred income tax assets and liabilities at March 31, 2013 and 2014 were included in the balance sheets as follows:

At March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred income tax assets—current	¥3,370	¥3,565	\$34,638
Deferred income tax assets—non-current	5,882	1,000	9,716
Deferred income tax liabilities—non-current	—	(582)	(5,654)
Net deferred income tax assets (liabilities)	¥9,253	¥3,983	\$38,699

7. Segment information

REPORTING SEGMENT INFORMATION

The Company has manufacturing operations in Japan and other countries, mainly producing automotive lighting equipment, and supplies products all over the world. Each of the Group companies located in its respective area is an independent management unit, and conducts business activities in line with a comprehensive business plan for its respective area. Segment information of the Company is therefore presented by region, based on the geographical distribution of manufacturing and sales operations. The segments are Japan, North America, China, Asia, and Europe. Some segments include manufacturing and sales operations of control systems for rail transports, aircraft equipment, and aircraft and train seats, in addition to the mainstay automotive lighting equipment.

	Millions of yen						Adjustments	Consolidated Total
	Japan	North America	China	Asia	Europe	Total		
For the year ended March 31, 2014								
Sales:								
Sales to outside customers . . .	¥277,617	¥93,580	¥149,846	¥57,285	¥19,171	¥597,502	¥ -	¥597,502
Inter-area sales and transfers	122,215	-	5,076	5,007	20,521	152,820	(152,820)	-
Total	¥399,833	¥93,580	¥154,922	¥62,292	¥39,693	¥750,322	¥(152,820)	¥597,502
Segment income	¥ 30,346	¥ 1,524	¥ 9,519	¥ 6,433	¥ 895	¥ 48,719	¥ 787	¥ 49,506
Segment assets	¥200,127	¥60,485	¥ 93,794	¥44,383	¥20,240	¥419,031	¥ 64,061	¥483,093
Others								
Depreciation	¥ 10,971	¥ 3,384	¥ 3,268	¥ 3,072	¥ 761	¥ 21,458	¥ 63	¥ 21,522
Increase in fixed assets and intangible assets	¥ 10,141	¥ 8,481	¥ 9,701	¥ 4,905	¥ 1,331	¥ 34,561	¥ -	¥ 34,561

	Thousands of U.S. dollars						Adjustments	Consolidated Total
	Japan	North America	China	Asia	Europe	Total		
For the year ended March 31, 2014								
Sales:								
Sales to outside customers . . .	\$2,697,405	\$909,249	\$1,455,946	\$556,597	\$186,270	\$5,805,499	\$ -	\$5,805,499
Inter-area sales and transfers	1,187,475	-	49,319	48,649	199,387	1,484,842	(1,484,842)	-
Total	\$3,884,891	\$909,249	\$1,505,266	\$605,246	\$385,668	\$7,290,342	\$(1,484,842)	\$5,805,499
Segment income	\$ 294,850	\$ 14,807	\$ 92,489	\$ 62,504	\$ 8,696	\$ 473,367	\$ 7,646	\$ 481,014
Segment assets	\$1,944,490	\$587,689	\$ 911,329	\$431,237	\$196,657	\$4,071,424	\$ 622,434	\$4,693,869
Others								
Depreciation	\$ 106,597	\$ 32,879	\$ 31,752	\$ 29,848	\$ 7,394	\$ 208,492	\$ 612	\$ 209,113
Increase in fixed assets and intangible assets	\$ 98,532	\$ 82,403	\$ 94,257	\$ 47,658	\$ 12,932	\$ 335,804	\$ -	\$ 335,804

8. Subsequent events

At the general shareholders' meeting held by the Company on June 27, 2014, appropriations of retained earnings were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥14 per share (\$136.02 per 1,000 shares)	¥2,249	\$21,851

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT AUDIT AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors
KOITO MANUFACTURING CO., LTD.

(Financial statement audit)

MEIJI AUDIT CORPORATION (We, hereinafter) have examined the consolidated balance sheets of KOITO MANUFACTURING CO., LTD. and its subsidiaries at March 31, 2013 and 2014, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for the years ended March 31, 2013 and 2014, all expressed in Japanese yen. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KOITO MANUFACTURING CO., LTD. and its subsidiaries at March 31, 2013 and 2014, and the consolidated results of their operations and their cash flows for the years ended March 31, 2013 and 2014, in conformity with generally accepted accounting principles in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

(Internal control audit)

We also have audited the accompanying Internal Control Report of KOITO MANUFACTURING CO., LTD. and its subsidiaries at March 31, 2014. The design and operation of the internal control over financial reporting and the preparation of the Internal Control Report are the responsibility of the Company's management and our responsibility is to independently express an opinion on the Internal Control Report based on our audit. The internal control over financial reporting may not completely prevent or detect financial misstatements.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan.

MEIJI AUDIT CORPORATION

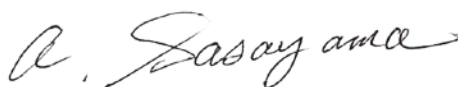
Responsible Auditor
Certified Public Accountant

Responsible Auditor
Certified Public Accountant

Responsible Auditor
Certified Public Accountant



M. Yoshii



A. Sasayama



H. Nikaido

June 27, 2014

CORPORATE INFORMATION

As of March 31, 2014

KOITO MANUFACTURING CO., LTD.

Head office: 4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan

Founded: April 1, 1915

Incorporated: April 1, 1936

Capital: ¥14,270 million

Employees: 18,742 (Consolidated)
4,162 (Non-consolidated)

Common stock:

Authorized: 320,000,000 shares

Issued: 160,789,436 shares

Number of shareholders: 4,608

Principal shareholders:

TOYOTA MOTOR CORPORATION
JP Morgan Chase Bank 385632
Nippon Life Insurance Company
Sumitomo Mitsui Banking Corporation
The Master Trust Bank of Japan, Ltd. (Trust account)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Dai-ichi Life Insurance Company, Limited
Japan Trustee Services Bank, Ltd. (Trust account)
DENSO CORPORATION
Aioi Nissay Dowa Insurance Co., Ltd.

Transfer agent:

**Contact address of account
management agent for
special accounts:**

Mitsubishi UFJ Trust and Banking Corporation
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Department
10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan
Phone: 81-3-3212-1211

For further information, please contact:

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4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan
Phone: 81-3-3443-7111
Facsimile: 81-3-3447-1520
Or via our website at: <http://www.koito.co.jp/english>

CORPORATE DIRECTORY

HEAD OFFICE

4-8-3, Takanawa, Minato-ku,
Tokyo 108-8711, Japan
Phone: 81-3-3443-7111
Facsimile: 81-3-3447-1520

INTERNATIONAL OPERATIONS HEADQUARTERS

Administration Dept.-International Ops.

Phone: 81-3-3447-5171
Facsimile: 81-3-3447-5173

American Operations

Phone: 81-3-3447-5166
Facsimile: 81-3-3447-5173

European Operations

Phone: 81-54-345-4416
Facsimile: 81-54-345-4959

China Operations

Phone: 81-3-3447-5165
Facsimile: 81-3-3447-5173

Asia Operations

Phone: 81-54-345-2593
Facsimile: 81-54-345-4959

PLANTS

Shizuoka Plant (Shizuoka Pref.)

Phone: 81-54-345-2251
Facsimile: 81-54-346-9174

Haibara Plant (Shizuoka Pref.)

Sagara Plant (Shizuoka Pref.)

Fujikawa Tooling Plant (Shizuoka Pref.)

LABORATORY

Laboratory (Shizuoka Pref.)

PARTS CENTER

Koito Parts Center (Shizuoka Pref.)

DOMESTIC BUSINESS NETWORK

Tokyo Branch (Tokyo)

Phone: 81-3-3447-5161
Facsimile: 81-3-3447-1660

Kitakanto Branch (Tochigi Pref.)

Phone: 81-28-636-4066
Facsimile: 81-28-636-4050

Toyota Branch (Aichi Pref.)

Phone: 81-565-28-1129
Facsimile: 81-565-29-1217

Osaka Branch (Osaka Pref.)

Phone: 81-6-6391-6731
Facsimile: 81-6-6395-1154

Hiroshima Branch (Hiroshima Pref.)

Phone: 81-82-893-1281
Facsimile: 81-82-893-1341

Sapporo Sales Office (Hokkaido Pref.)

Sendai Sales Office (Miyagi Pref.)

Kitakanto Sales Office (Tochigi Pref.)

Tokyo Sales Office (Tokyo)

Nagoya Sales Office (Aichi Pref.)

Osaka Sales Office (Osaka Pref.)

Fukuoka Sales Office (Fukuoka Pref.)

OVERSEAS REPRESENTATIVE OFFICES

Detroit Office (U.S.A.)

c/o North American Lighting, Inc.
36600 Corporate Drive Farmington Hills,
Michigan 48331, U.S.A.
Phone: 1-248-553-6408
Facsimile: 1-248-553-6454

Seattle Office (U.S.A.)

c/o Sojitz Corporation of America Columbia Center,
Suite 1160, 701 5th Avenue,
Seattle, Washington 98104, U.S.A.
Phone: 1-206-386-5624
Facsimile: 1-206-386-5640

GLOBAL NETWORK

OVERSEAS SUBSIDIARIES AND AFFILIATES

North American Lighting, Inc.

2275 South Main Street, Paris, Illinois 61944, U.S.A.
Phone: 1-217-465-6600
Facsimile: 1-217-465-6607

North American Lighting Mexico, S.A. de C.V.

Av. Santiago Poniente No. 109,
Parque Industrial Colinas de San Luis Colonia
Ciudad Satélite, San Luis Potosí, S.L.P.
C.P.78423, México
Phone: 52-444-804-2300
Facsimile: 52-444-804-2320

Koito Europe NV

Vaartdijk 59, 3018 Leuven (Wijgmaal), Belgium
Phone: 32-16-7213-00
Facsimile: 32-16-7213-01

Koito Europe Limited

Kingswood Road,
Hampton Lovett Industrial Estate,
Droitwich, Worcestershire WR9 0QH, U.K.
Phone: 44-1905-790-800
Facsimile: 44-1905-794-466

Koito Czech s.r.o.

Na Astre 3001, 438 01 Zatec, Czech Republic
Phone: 420-415-930-111
Facsimile: 420-415-930-109

Shanghai Koito Automotive Lamp Co., Ltd.

767 Ye-cheng RD. Jia Ding South Door,
Shanghai, 201821, People's Republic of China
Phone: 86-21-6708-5999
Facsimile: 86-21-6708-5189

GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.

No. B01, Transnational Industry Park,
Yuexi Village, Shilou Town, Panyu District,
Guangzhou City, Guangdong 511447,
People's Republic of China
Phone: 86-20-3930-7000
Facsimile: 86-20-3930-7020

FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.

South East Motor Zone, Qingkou, Minhou,
Fujian 350119, People's Republic of China
Phone: 86-591-2276-5266
Facsimile: 86-591-2276-7466

THAI KOITO COMPANY LIMITED

370 Moo 17 Tambol Bangsaothong
Amphur Bangsaothong,
Samutprakarn 10540, Thailand
Phone: 66-2-706-7900
Facsimile: 66-2-315-3281

PT. INDONESIA KOITO

Kawasan Industri Indotaisei Sektor 1A Blok P-3,
Kalihurip-Cikampek,
Karawang, Jawa Barat, 41373, Indonesia
Phone: 62-264-837-1088
Facsimile: 62-264-837-1075

Ta Yih Industrial Co., Ltd.

No.11 Shin-Sin Road, An-Ping Industrial District,
Tainan 702, Taiwan, Republic of China
Phone: 886-6-261-5151
Facsimile: 886-6-264-4614

INDIA JAPAN LIGHTING PRIVATE LIMITED

No.1, Puduchathram, (Via) Tirumazhisai,
Tiruvellore High Road,
Tamilnadu 602-107, India
Phone: 91-44-3910-6246
Facsimile: 91-44-3910-6106

KPS N.A., INC.

149 Wheeler Ave., Pleasantville, New York 10570,
U.S.A.
Phone: 1-914-747-8035
Facsimile: 1-914-747-8038

CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.

Industrial Park, Yaoguan Town, Wujin District,
Changzhou City, Jiangsu 213011,
People's Republic of China
Phone: 86-519-8837-6007
Facsimile: 86-519-8837-6006

OVERSEAS TECHNICAL ASSOCIATES

North American Lighting, Inc. (U.S.A.)

KPS N.A., INC. (U.S.A.)

North American Lighting Mexico, S.A. de C.V. (Mexico)

Hella Automotive Mexico S.A. de C.V. (Mexico)

Industrias Arteb S.A. (Brazil)

Koito Europe NV (Belgium)

Koito Europe Limited (U.K.)

Koito Czech s.r.o. (Czech Republic)

HELLA KGaA HUECK & CO. (Germany)

Farba Otomotiv Aydinlatma ve Plastik Fabrikalari A.S. (Turkey)

Automotive Lighting Italia S.p.A. (Italy)

AVTOSVET Limited Liability Company (Russia)

Shanghai Koito Automotive Lamp Co., Ltd. (China)

GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (China)

FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (China)

Chongqing Koito Automotive Lamp Co., Ltd. (China)

CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD. (China)

Shanghai TanDa Railway Vehicle Seat System Co., Ltd. (China)

AMS Co., Ltd. (Korea)

THAI KOITO COMPANY LIMITED (Thailand)

Bangkok Diecasting and Injection Co., Ltd. (Thailand)

PT. INDONESIA KOITO (Indonesia)

Ta Yih Industrial Co., Ltd. (Taiwan)

INDIA JAPAN LIGHTING PRIVATE LIMITED (India)

Hella Australia Pty Ltd. (Australia)

Hella-Phil., Inc. (Philippines)

Lumotech (Pty.) Ltd. (South Africa)

EP Polymers (M) Sdn. Bhd. (Malaysia)

AuVitronics Limited (Pakistan)

DOMESTIC SUBSIDIARIES AND AFFILIATES

KOITO KYUSHU LIMITED (Saga Pref.)

Business lines: Manufacturing and marketing of automotive lighting equipment

Koito Transport Co., Ltd. (Shizuoka Pref.)

Business lines: Transportation services and logistics

Aoitec Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery

Shizuokadensho Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of automotive lighting equipment

Nissei Industries Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of miniature bulbs and electrical equipment

Fujieda Auto Lighting Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of automotive lighting equipment

Shizuoka Wire Harness Co., Ltd.

(Shizuoka Pref.)

Business lines: Manufacturing and marketing of automotive lighting equipment

Haibara Machine and Tools Co., Ltd.

(Shizuoka Pref.)

Business lines: Manufacturing and marketing of resin metal molds

Shizuoka Kanagata Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of resin metal molds

Koito Insurance Services Co., Ltd. (Tokyo)

Business lines: Insurance agent

Takeda Suntech Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of resin metal molds

New Fuji Co., Ltd. (Shizuoka Pref.)

Business lines: Service businesses

KI HOLDINGS CO., LTD. (Kanagawa Pref.)

Business lines: Manufacturing and marketing of seats for aircraft

KOITO ELECTRIC INDUSTRIES, LTD.

(Shizuoka Pref.)

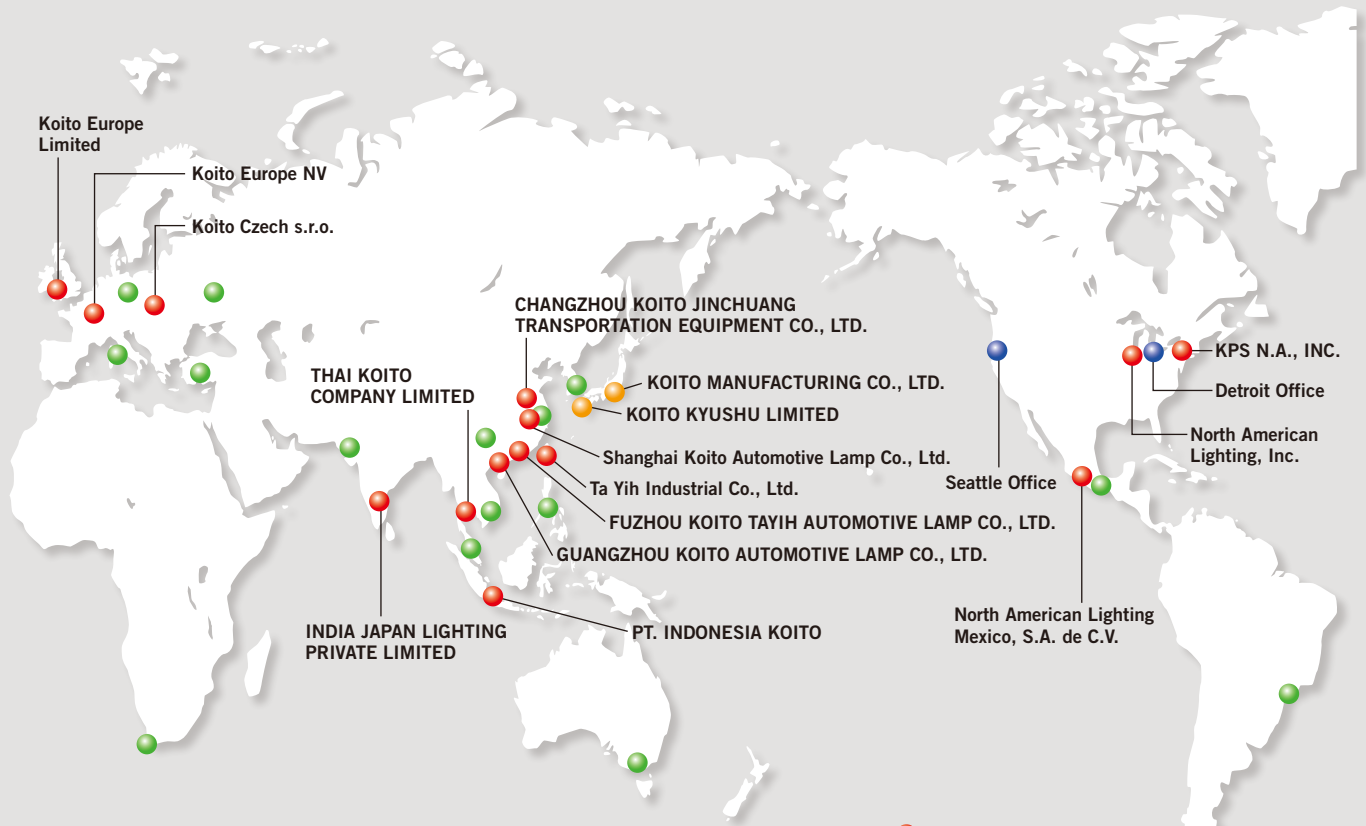
Business lines: Manufacturing and marketing of railroad car electrical components, seats for railroad cars, road information system equipment and road traffic signals

Minatsu, Ltd. (Kanagawa Pref.)

Business lines: Maintenance of traffic signals and safety equipment, and road information equipment

Okayama Industry Co., Ltd. (Gunma Pref.)

Business lines: Manufacturing and marketing of railroad car seats



- OVERSEAS SUBSIDIARIES AND AFFILIATES
- OVERSEAS TECHNICAL ASSOCIATES
- OVERSEAS REPRESENTATIVE OFFICES



KOITO MANUFACTURING CO., LTD.

