



KOITO



***WORLDWIDE
AUTOMOTIVE LIGHTING***

2017 ANNUAL REPORT

Year ended March 31, 2017

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.

Today, our lighting is widely used in a variety of fields, including transportation such as automobiles, aviation, railways, shipping, and traffic systems. In all these areas, the KOITO Group's lighting contributes to safety.

KOITO will continue manufacturing products based on the corporate message, "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 2017, the period under review ended March 31, 2017, although sales in mini vehicles decreased, the overall automotive production volume in Japan increased year on year due to the effect of introduction of new vehicles and increase in exports. The global automobile production volume as a whole increased year on year mainly due to firm production volume in the U.S. and Europe, and increased demand in China led by a tax reduction on compact cars.

The consolidated performance of the KOITO Group for fiscal 2017 improved year on year due to favorable operation in the mainstay automotive lighting equipment segment. As a result, net sales, operating income, recurring profit and profit attributable to owners of parent marked the fifth consecutive fiscal year of record business performance.

Looking ahead, global automobile production is expected to expand, mainly driven by growing demand in China and other emerging countries, even as production volume in Japan is assumed to remain flat.

In this climate, in order to increase sales of automotive lighting equipment in the mid- and long-term perspective, the KOITO Group is working to reinforce its overseas production capacity and strengthen its product development capability. In June 2016, Hubei Koito Automotive Lamp Co., Ltd. in China started production, and in January 2017, a new manufacturing subsidiary was established in Brazil, which is scheduled to commence operation in May 2018.

With a view to increasing its market share, the KOITO Group will continue to strive to win orders, expand its production capacity, enhance productivity, reinforce its mutually complementary supply network, and establish business systems that can quickly respond to changes in the market, and promote compliance and corporate governance to establish an even more reliable corporation.

In order to provide even more safety, reliance, and comfort to the society, with our corporate message “Lighting for Your Safety”, the KOITO Group is operating its business by striving to develop our mainstay automotive lighting equipment, as well as foreseeing an autonomous driving society and changes in the future automotive industry.

As a leading automotive lighting equipment manufacturer, we will continue to develop the newest and the best technologies, improve performance and quality of our products, promote training for employees to raise their performance and skills, as well as staying true to our basic stance to adopt the perspective of customers to supply products and services that would meet their expectations. We would greatly appreciate your continued understanding and support.

August 2017



Masahiro Otake

Masahiro Otake
Chairman and CEO

Hiroshi Mihara

Hiroshi Mihara
President and COO

FINANCIAL OVERVIEW AND MEDIUM-TERM OUTLOOK

Fiscal 2017 Results

During fiscal 2017, the period under review, the Japanese economy experienced a trend of moderate recovery due to pickup in personal consumption led by improvement in employment and personal income, and the increase in capital expenditure and exports. Meanwhile, the global economy continued to be robust as a whole. This was primarily due to comparatively firm economy in the U.S. and Europe, despite the effect of deceleration of growth in China and other emerging countries, as well as concerns over the Brexit issue and protectionist policies, and risks in the Middle East.

In the Japanese auto industry, although sales of mini vehicles decreased, the overall production volume increased year on year due to the effect of the introduction of new vehicles and increase in exports. The global automobile production volume as a whole increased year on year mainly due to firm production volume in the U.S. and Europe, and increased demand in China led by a tax reduction on compact cars.

In this climate, despite the effect of yen's appreciation, KOITO Group's consolidated net sales increased 3.4% year on year to ¥841.4 billion. The increase was due to sales growth in the mainstay automotive lighting equipment segment, which was driven by an increase in new orders and a shift in automobile lamps to LED. On the earnings front, operating income was

¥92.5 billion, up 12.5% and recurring profit was ¥95.3 billion, up 13.1% year on year. In addition to the effect of sales increase, the increase was mainly attributable to rationalization effect in Japan and overseas. Profit attributable to owners of parent increased 22.4% year on year to ¥56.6 billion, marking the highest business performance for fifth consecutive fiscal year. The increase was also attributable to loss on compensation for damages related to aircraft seats recorded at consolidated subsidiary KI HOLDINGS CO., LTD. in the previous fiscal year.

KOITO's policy is to continuously pay stable dividends to shareholders based on the comprehensive evaluation of our present business results, business climate, etc. Based on this policy, KOITO had paid ¥34 year-end dividend per share, ¥14 higher than that of the previous year.

Accordingly, the full year dividend, including the interim dividend, has resulted in ¥54, which is ¥18 higher than the previous year.

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



Masahiro Otake
Chairman and 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)
	2015	2016	2017	2017
Annual:				
Net sales	¥706,470	¥813,477	¥841,456	\$7,500,276
Operating income	64,155	82,218	92,523	824,699
Profit attributable to owners of parent	36,060	46,303	56,692	505,321
Per share (yen and U.S. dollars):				
Net income	¥ 224.41	¥ 288.15	¥ 352.80	\$ 3.14
Year-end:				
Total assets	¥575,268	¥588,683	¥658,341	\$5,868,089
Total equity	316,826	329,671	381,000	3,396,024

Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥112.19 = US\$1, the rate prevailing on March 31, 2017.
2. The above total equity includes non-controlling interests.

Outlook for Fiscal 2018

Compared to the previous fiscal year, the global automobile production is expected to increase due to expansion in overseas demand primarily in China and other emerging countries, although the production in Japan is assumed to remain flat.

As regards KOITO's business forecasts for fiscal 2018, the fiscal year ending March 31, 2018, net sales are expected to increase year on year due to an increase in new orders and the worldwide shift to LED automobile lamps.

On the earnings front, although R&D expenditure increases, operating income, recurring profit, and profit attributable to owners of parent are all expected to increase compared to the previous fiscal year due to increase in sales.



Hiroshi Mihara
President and COO

Medium-Term Outlook

In the automobile industry, international competition and production in optimum locations continues to accelerate as globalization progresses. In Japan, automobile production volume is projected to keep decreasing mainly due to the trend of carmakers to transfer production overseas. In the medium- to long-term perspective, the global automobile production volume tends to increase due to further demand in emerging markets such as China, Thailand, Indonesia and India.

We believe these medium- and long-term trends in the automobile industry will present considerable business opportunities for the KOITO Group. The Group currently conducts its businesses in its 15 production bases located in 10 overseas countries, and is working to strengthen production capability and enhance the corporate structure of each member company so as to achieve more competitiveness and profitability in line with globally optimized production requirements. KOITO is strengthening production systems and sales activities in regions where major global automakers are expanding production, hoping to win further orders. In Japan, KOITO is accelerating the optimization of business structures and efficient utilization of resources through plant realignment.

We are aggressively developing high-value 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 countries, and other products that would meet respective market needs. These are 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 establishment of a complementary supply structure among the KOITO Group companies. In this manner, we will work to increase our market share.

In addition, given future changes in automotive industry such as autonomous driving, it is assumed that competition in the industry would become increasingly fierce as players from other industries successively enter the automotive sector. Under this situation, KOITO Group is developing its R&D network, and is gathering information about advanced technology that addresses Advanced Driver Assistance Systems (ADAS) and autonomous driving.

The KOITO Group is also conducting its businesses with other products and services; road traffic control systems, LED displays, electronic aircraft components and hydraulic equipment, and seats for railroad cars such as the bullet train. We are striving to develop new products in order to expand our business field.

As a company conducting business on the basis of CSR (corporate social responsibility), the KOITO Group will cultivate personnel who can inherit our manufacturing philosophy, including developing and providing eco-friendly products, such as LED headlamps. Furthermore, we will ensure the further enhancement of corporate governance and compliance systems, in order to continue as a company trusted by all stakeholders. We will continue to bring together the knowledge and skills of KOITO and the Group companies to deliver products and services that would meet our customer's expectation.



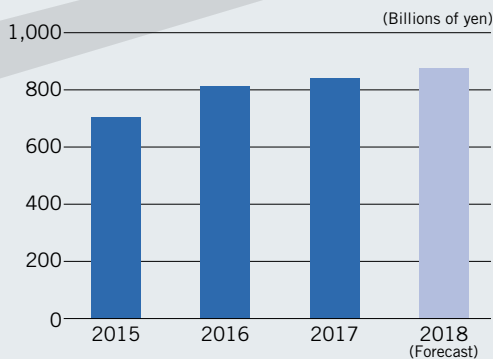
OPERATIONS BY REGION AND FUTURE DEVELOPMENTS

OUTLOOK FOR MEDIUM-TERM GLOBAL STRATEGIES



CONSOLIDATED NET SALES

Years ended March 31,



Consolidated net sales of the KOITO Group for fiscal 2018 are projected to be ¥876.0 billion, mainly due to an increase in new orders and the worldwide market shift to LED automobile lamps.



NAL Brasil (under construction)

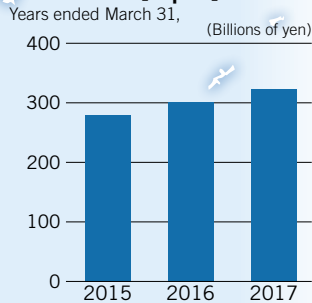
In order to respond to the growing automotive market in South America, the KOITO Group established NAL Brasil, a manufacturing subsidiary in Sao Paulo State, Brazil. The subsidiary is scheduled to commence operation in May 2018.

*NAL Brasil: NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.

JAPAN

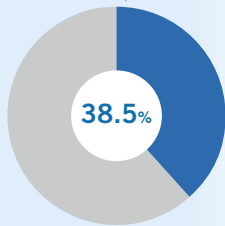
In fiscal 2017, Japan's automobile production increased year on year to the 9.3 million unit level mainly due to the effect of the introduction of new vehicles and an increase in exports.

NET SALES [Japan]



SHARE OF SALES [Japan]

Year ended March 31, 2017



KOITO MANUFACTURING CO., LTD.

In fiscal 2017, net sales of KOITO MANUFACTURING increased 9.9% year on year to ¥297.7 billion, mainly as a result of an increase in new orders and a shift in automobile lamps to LED, amid increased trend in automobile domestic production volume.

On the earnings front, KOITO MANUFACTURING reported operating income of ¥29.2 billion, a 35.8% increase from the previous year, while recurring profit increased 23.7% to ¥45.7 billion. These increases reflected measures to an increase in sales, in addition to the decrease in unit costs. Net income increased by 42.7% to ¥31.1 billion.

KOITO made total capital expenditures of ¥8.5 billion primarily for the development of new products and model changes in the automotive lighting equipment segment, and for new facilities needed for rationalizations and cost-cutting measures, as well as molds and industrial tools.

Japanese automobile production is projected to decrease due to sluggish sales and a shift away from exports to manufacturing overseas.

KOITO will work to expand sales of new products and to increase market share for high-value products such as LED headlamps and the ADB, while working to achieve profitability by enhancing productivity.



KOITO MANUFACTURING Shizuoka Plant



KOITO MANUFACTURING Haibara Plant



KOITO MANUFACTURING Sagara Plant



KOITO MANUFACTURING Fujikawa Tooling Plant

KOITO KYUSHU LIMITED

KOITO KYUSHU LIMITED is responsible for supporting automobile production in the Kyushu region by various automakers, in conjunction with building a mutually complementary supply network and structure through collaboration with KOITO MANUFACTURING.

Net sales of KOITO KYUSHU in fiscal 2017 increased 7.5% year on year to ¥57.1 billion, mainly due to a shift in automobile lamps to LED.



KOITO KYUSHU Head Office and Plant

KI HOLDINGS CO., LTD.

KI HOLDINGS' consolidated net sales for fiscal 2017 (the period from April 1, 2016 to March 31, 2017) decreased 11.3% year on year to ¥47.0 billion.

Results by segment were as follows:

[Transportation Equipment Segment]

Segment sales decreased 20.3% year on year to ¥22.2 billion, as a result of decreased sales in the railroad car equipment business and a subsidiary in China.

[Electrical Equipment Segment]

Segment sales decreased 0.5% year on year to ¥23.1 billion, as a result of decreased sales in information systems business, despite increased sales in the lighting and traffic systems businesses.

[Home Appliances and Environment Segment]

Segment sales decreased 10.2% year on year to ¥1.6 billion due to decreased sales in the home appliances business, despite increasing in the environmental systems business.

* Figures for KI HOLDINGS, whose fiscal year ends in September, were restated by the Company to facilitate comparison.



KI HOLDINGS Head Office and Plant

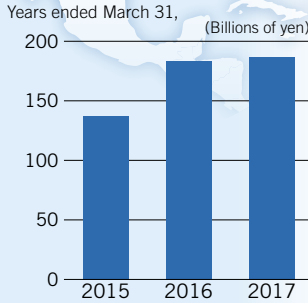


KOITO ELECTRIC INDUSTRIES Head Office and Fuji Nagaizumi Plant

NORTH AMERICA

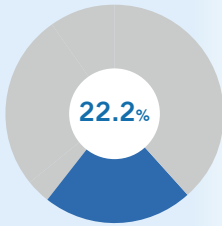
In fiscal 2017, automobile production in North America increased from the previous year to a level of 18.2 million unit level due to a continued increase in demand.

NET SALES [North America]



SHARE OF SALES [North America]

Year ended March 31, 2017



In North America, KOITO operates automotive lighting equipment business at North American Lighting, Inc. (NAL) and North American Lighting Mexico, S.A. de C.V. (NAL Mexico).

NAL conducts production operations at 4 plants at Paris, Flora and Salem in Illinois, and a plant in Alabama. As the largest independent manufacturer of lighting equipment in North America, NAL delivers lighting equipment to U.S.-based and all Japanese automakers. NAL also produces molding dies at a tooling plant in Indiana. In research and development, NAL conducts product development at its Technical Center in the city of Farmington Hills in Michigan.

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

In fiscal 2017, despite the impact of the exchange rate conversion, net sales in North American business increased 2.1% over the previous fiscal year to ¥186.9 billion. Factors contributing to the sales increase were the increase in new orders and a shift in automobile lamps to LED, while the automobile production volume held firm.



NAL Head Office (Paris)



NAL Mexico



NAL Paris Plant



NAL Flora Plant



NAL Salem Plant



NAL Alabama Plant



NAL Indiana Tooling Plant



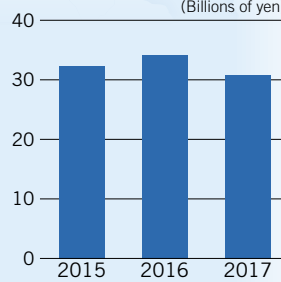
NAL Technical Center

EUROPE

Automobile production in Europe increased from the previous year to over 16.9 million units in fiscal 2017 as demand continued to recover primarily in Western Europe.

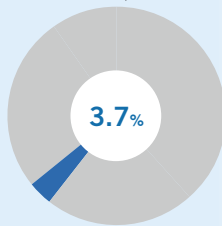
NET SALES [Europe]

Years ended March 31,
(Billions of yen)



SHARE OF SALES [Europe]

Year ended March 31, 2017



KOITO's automotive lighting equipment business in Europe is developed by 2 manufacturing bases: Koito Europe Limited (KEL) in Droitwich, the U.K., and Koito Czech s.r.o. (KCZ) in Zatec, Czech Republic.

Research and development activities are conducted at Technical Section in KCZ, and a wide range of businesses are being carried out; from gathering technological information to developing and designing for local and Japanese automakers.

In fiscal 2017, net sales in the European business decreased 9.8% year on year to ¥30.8 billion. This was due to the impact of exchange rate conversion, which more than offset the increase in sales on a local currency basis led by an increase in new orders and a shift in automotive lamps to LED amid a robust trend in automobile production in the region.

KOITO will strengthen its local development structure, further develop strategic sales activities, 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.



KEL



KCZ

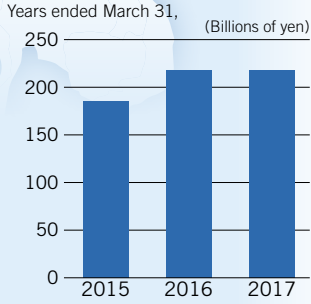


KCZ Technical Section

CHINA

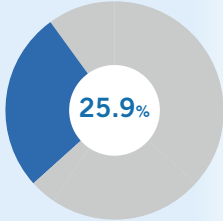
Automobile production in China exceeded 28.6 million units overall in fiscal 2017 due to a tax reduction on compact cars.

NET SALES [China]



SHARE OF SALES [China]

Year ended March 31, 2017



KOITO has been developing its automotive lighting equipment business in China through 4 companies: Shanghai Koito Automotive Lamp Co., Ltd. (Shanghai Koito), GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (GUANGZHOU KOITO), Hubei Koito Automotive Lamp Co., Ltd. (Hubei Koito), and FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (FUZHOU KOITO TAYIH). In research and development, KOITO is conducting product development at Technical Center in Shanghai Koito.

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

As for net sales in China for fiscal 2017, despite the effect of exchange rate conversion, sales increased 0.3% year on year to ¥218.1 billion. This was due to sales increase on a local currency basis, led by expansion in new orders while the automobile production volume increased led by a tax reduction on compact cars.



Shanghai Koito First and Second Plants



Shanghai Koito Third Plant



Shanghai Koito Technical Center



GUANGZHOU KOITO



FUZHOU KOITO TAYIH



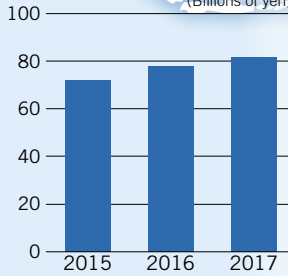
Hubei Koito

ASIA

In fiscal 2017, compared to the previous year, Asian automobile production volume increased in India, Thailand, and Indonesia.

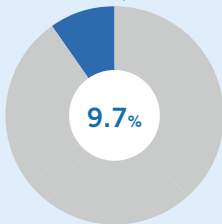
NET SALES [Asia]

Years ended March 31, (Billions of yen)



SHARE OF SALES [Asia]

Year ended March 31, 2017



In Asia, KOITO's business is developed by 4 manufacturing bases: THAI KOITO COMPANY LIMITED (THAI KOITO) in Thailand, PT. INDONESIA KOITO in Indonesia, Ta Yih Industrial Co., Ltd. (Ta Yih Industrial) in Taiwan, and INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL) in India. Furthermore, KOITO opened a Technical Center within THAI KOITO in April 2012 to strengthen its development framework in Asia.

In fiscal 2017, despite the negative effect of exchange rate, net sales in Asian business increased 5.1% year on year to ¥81.8 billion. This was led by an increase in new orders in India and Indonesia, and a shift in motorcycle lamps to LED, amid increased trend in automobile production volume.

Looking ahead, the Group will develop products matching the needs in each market to win more orders in the growing Asian automobile market.



THAI KOITO Bangplee Plant



THAI KOITO Prachinburi Plant



THAI KOITO Technical Center



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 unique systems and multi-functional products to improve safety.

Under the theme of “Eco-friendly Manufacturing for people and the Earth”, in each R&D processes, KOITO pursues to conduct developing and manufacturing activities that put people and the environment first.

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 NAL Technical Center in North America, KCZ's Technical Section in Europe, Shanghai Koito Technical Center in China, and THAI KOITO Technical Center in Asia. As of March 31, 2017, the number of personnel engaged in the KOITO Group's R&D activities stood at 3,035.

In fiscal 2017, R&D expenditure totaled ¥34.2 billion (4.1% of consolidated net sales); ¥15.4 billion in Japan and ¥18.8 billion in North America, China, Asia and Europe.

In April 2017, KOITO established an R&D lab in Silicon Valley in the U.S., to respond to future changes in the automotive industry. The facility is conducting R&D activities into Advanced Driver Assistance Systems (ADAS) and autonomous driving.



KOITO MANUFACTURING Technical Center

Purpose of R&D by Segment

Japan

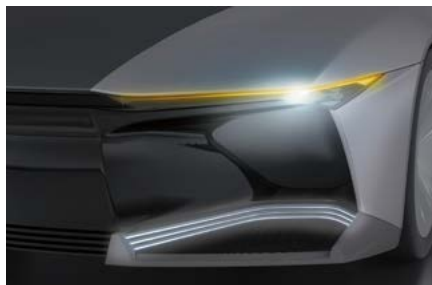
1. Core technologies of automotive lighting equipment (optics, electronics, mechanical and structural engineering, etc.)
2. New light sources (lasers, OLED, etc.)
3. Technologies related to autonomous driving
4. ITS-related systems
5. Electrical components for railroad cars
6. Internet-based systems
7. Aircraft components
8. New products in new business domains and others

North America, China, Asia and Europe

1. Core technologies of automotive lighting equipment (optics, electronics, mechanical and structural engineering, etc.)

Headlamp with Built-in Sensors

In autonomous driving, headlamps with built-in sensors support safe driving.



Next-generation Headlamps Using Lasers

Using high-output laser as a light source, laser headlamps can illuminate in the farther distance, and offer sophisticated light distribution.

Next-generation Rear Combination Lamps Using OLED

OLED technology enables stacking or bending light sources. It offers lamp design of three-dimensional illumination patterns.



R&D Network



Development of LED Headlamps

KOITO is diligently developing products to increase the use of LED headlamps.

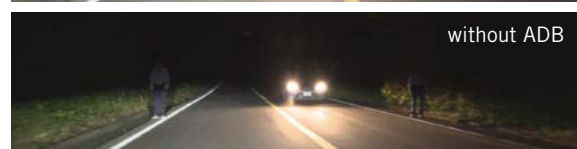
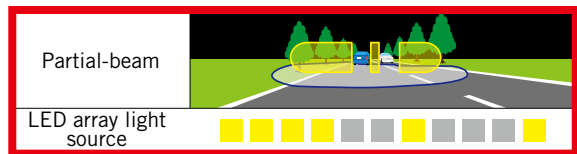
To this end, KOITO developed the LED Compact-Bi-function, a headlamp using one LED light source to switch high-beam and low-beam, and became the first in the world to succeed in its mass production.

Furthermore, KOITO is leveraging the compact and lightweight characteristics of LED units to bring daring and innovative lamp designs to life, such as commercializing the ultra-compact triple-eyed bi-function LED headlamp.



Development of Adaptive Driving Beam (ADB)

By automatically control high-beam light distribution, the ADB ensures wide visibility for drivers by enabling to drive with high beams all the time while avoiding glaring to oncoming vehicles or vehicles ahead.



SOCIAL CONTRIBUTION AND ENVIRONMENTAL ACTIVITIES

Public Communication and Social Contribution Activities

In conducting business operations, KOITO puts importance on being in 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 website, environmental reports and annual reports. Disclosure of this kind is essential to fostering a deeper understanding of KOITO's business and environmental conservation 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 is actively engaging in activities that contribute to society to help fulfill its obligations as a good corporate citizen.

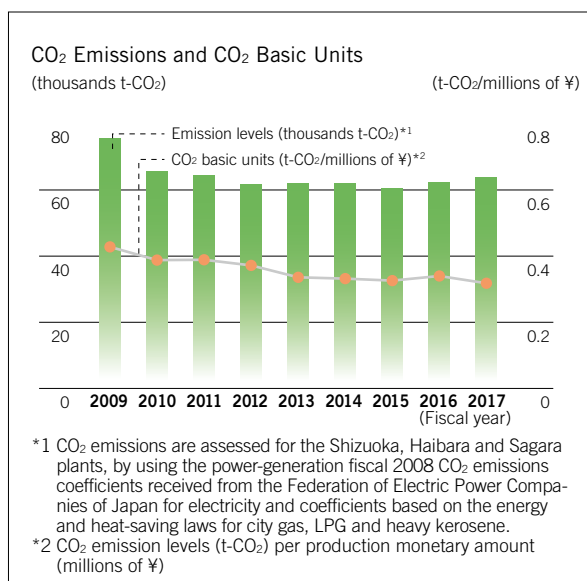
Promoting Manufacturing that Puts the Environment First

KOITO has established an Environmental Committee as a top management system that oversees two sub-committees: the Environmental Conservation 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.

KOITO is promoting measures to reduce its overall environmental impact through its entire product lifecycle from product development to manufacturing, use, disposal and recycling, thereby working to preserve the environment.

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.



KOITO Group Environmental Management System

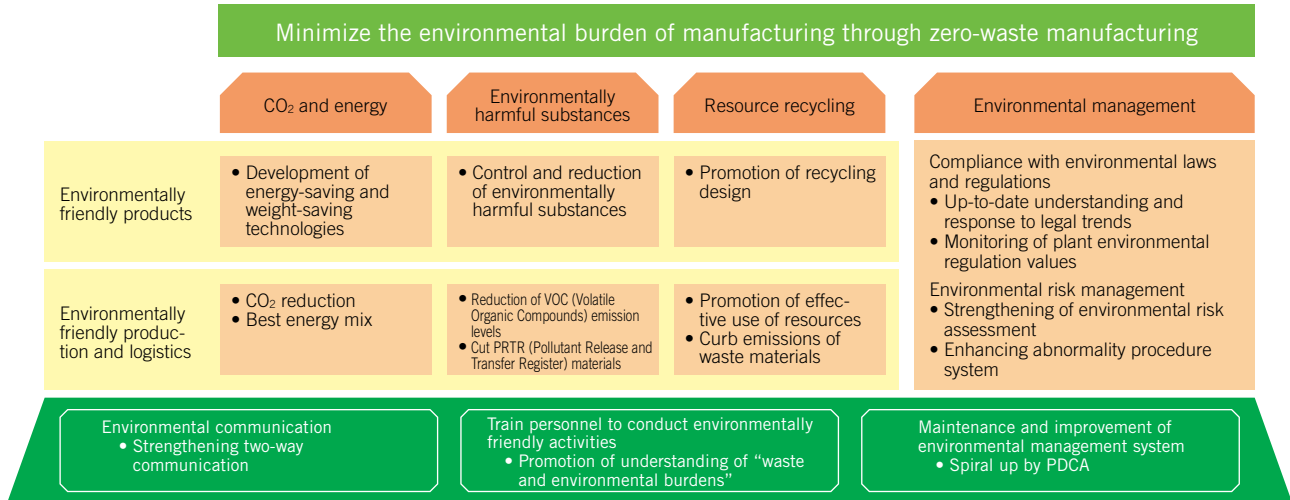
In developing its operations globally, the KOITO Group recognizes the need to further enhance its environmental preservation systems. Our ongoing efforts in this regard include building environmental management systems and obtaining environmental certification at our affiliated companies.

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 4 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.

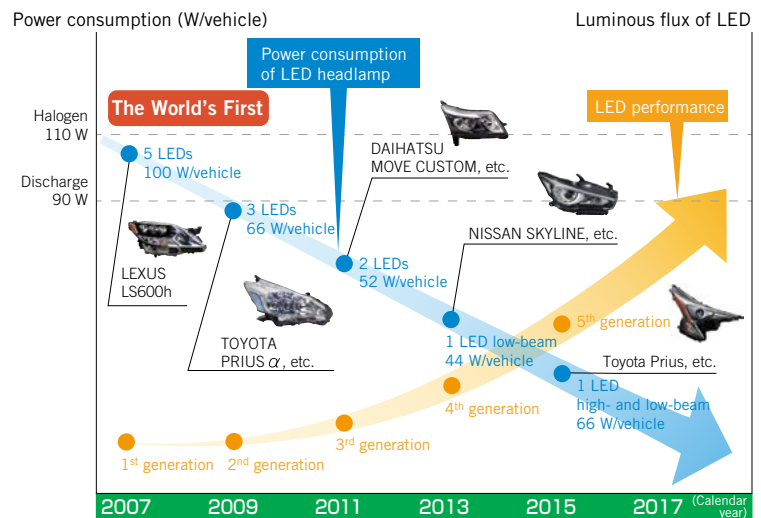
Basic Approach to Environmental Activities



Saving Electric Power with LED Headlamps

Due to their long life and power saving characteristics, LED headlamps are being installed in a wide variety of automobiles, from large vehicles to compact vehicles and mini vehicles.

The power consumption of LED headlamps is currently decreasing as the performance of LED chips improves and the number of lights decreases. This contributes to better automobile fuel efficiency and lower CO₂ emissions.



Realization of Energy-Saving Plants

The KOITO Group's manufacturing approach pays consideration to the environment from the development and design to the production stage.

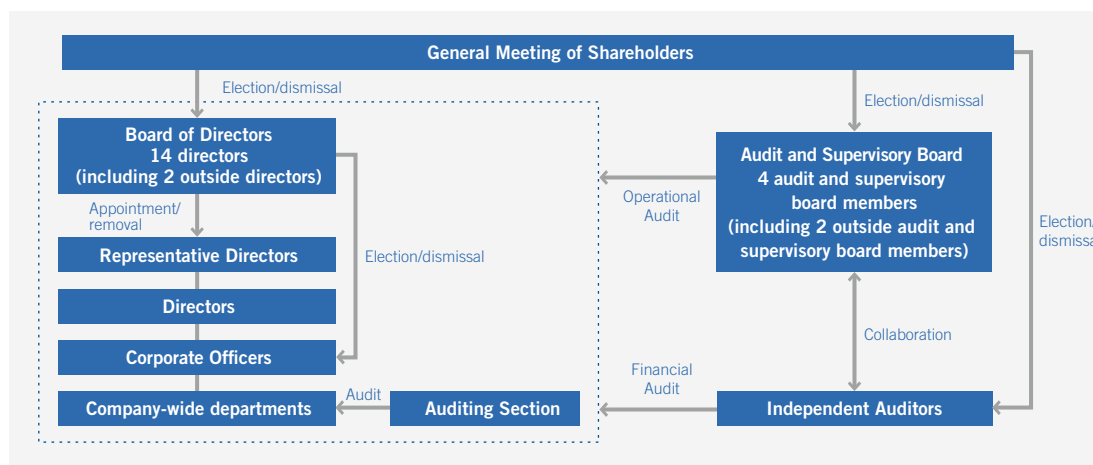
Along with significantly reducing energy consumption in the production stage by simplifying and downsizing the facilities, our worldwide plants are built on one floor with a simplified building structure to maximize natural ventilation and the intake of sunlight to save energy.



CORPORATE GOVERNANCE

The KOITO Group's basic approach to corporate governance is to recognize the importance of ethical standards and sound management if it is to retain the trust of all its stakeholders (people concerned). Based on this approach, KOITO is making efforts to enhance corporate governance and strengthen compliance.

(1) Establishment Status of the Corporate Governance Structure and Internal Control Systems



① Overview of the Corporate Governance Structure

At KOITO, management decisions and supervision are conducted by the Board of Directors, business execution is conducted by the Corporate Officers, and business execution is audited by the Audit and Supervisory Board. The Board of Directors, which comprises 14 directors (including 2 outside directors), in principle meets once per month and is attended by directors and audit and supervisory board members. 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 Audit and Supervisory Board comprises 4 audit and supervisory board members (including 2 outside audit and supervisory board members). Each audit and supervisory board member audits the performance of directors in line with auditing policies through their participation in meetings of the Board of Directors, and surveys of the Company's operations and financial condition. Moreover, the standing audit and supervisory board members attend the Managing Committee and other important meetings or committees to audit business execution by directors.

② Status of Establishment of the Internal Control System

KOITO is establishing a system of internal controls based on the following basic policies.

- i. System ensuring that directors and employees execute their business duties in compliance with laws and regulations and the Company's Articles of Incorporation

The Compliance Committee, Compliance Department, Internal Audit Department, whistle-blower internal reporting system and other organizations and systems, as well as the Code of Corporate Ethics and other relevant regulations, will be developed and enhanced based on the Koito Group Corporate Behavior Charter. At the same time, KOITO's directors, corporate officers and employees will receive education familiarizing them with the organizations, systems and regulations.
- ii. System for the preservation and administration of information on directors executing their business duties

Regulations will be developed and enhanced to appropriately preserve and administer minutes to the General Meeting of Shareholders, Board of Directors, Managing Committee, and other information on directors executing their business duties.
- iii. Regulations and other systems for managing the risk of loss

Risk Management Regulations and other regulations and systems for managing risk will be developed to avoid and eliminate material risks that could threaten the Company's survival, and minimize the impact when they arise. At the same time, KOITO's directors, corporate officers and employees will receive education and training on risk management.
- iv. System for ensuring the efficient execution of business duties by directors

Board of Directors and Managing Committee meetings will be held regularly. Meanwhile, Board of Directors Regulations, Managing Committee Regulations and other regulations pertaining to the execution of business duties by directors, as well as the corporate officer system and other organizations and systems, will be developed and enhanced to ensure the efficient execution of business duties by directors. At the same time, business duties will be executed according to specific plans the divisions develop each year based on the president's policy.
- v. System for ensuring appropriate business execution by the corporate group comprising KOITO and its subsidiaries

- KOITO and its Group companies will subscribe together to the Koito Group Corporate Behavior Charter and develop a system for ensuring and administering the appropriate execution of business duties.
- vi. Matters pertaining to the status of certain employees, their independence from directors, and ensuring the viability of instruction in the event corporate auditors request for such employees to assist in the execution of their duties
An Audit and Supervisory Board Member's Office will be established to help the audit and supervisory board members execute their duties under the instruction and order of the audit and supervisory board member and the Audit and Supervisory Board. Moreover, assignment of personnel to the Audit and Supervisory Board Member's Office shall be decided upon approval by the Audit and Supervisory Board to ensure independence from directors.
- vii. System for directors and employees of KOITO and its subsidiaries to report to audit and supervisory board members and for preventing unfair treatment of the directors and employees for reporting to the audit and supervisory board members
Directors, corporate officers and employees of KOITO and its Group companies shall report to the audit and supervisory board members when they learn of matters of material impact on the Company, serious violations of laws, regulations and the Company's Articles of Incorporation, and other issues of compliance. Moreover, each audit and supervisory board members shall exercise their own discretion in reporting the findings from such reports to the Audit and Supervisory Board. Meanwhile, the Company's organization and systems will be developed and enhanced to rigorously prevent the unfair treatment of directors, corporate officers and employees for reporting to the audit and supervisory board members.
- viii. Policy on expenses arising from the audit and supervisory board members of KOITO executing their duties and system for enabling the audit and supervisory board members to conduct effective audits
The Company shall pay all necessary expenses involved in the audit and supervisory board member executing their duties. The audit and supervisory board member shall monitor and audit the execution of business duties at the Company by means that include attending the Board of Directors, Managing Committee, Compliance Committees and other relevant conferences and committees, and examining important documents. The audit and supervisory board member shall exchange opinions periodically, or as need be with directors, corporate officers, independent auditors, and the Internal Audit Department, among others.

③ Status of Establishment of the Risk Management System

KOITO's risk management system implements measures for avoiding and minimizing various risks and is delegated to various divisions within the Company for administration on a daily basis. In the event of a given risk transpiring, KOITO will make a rapid and appropriate response based on leadership from top management.

④ Status of Internal Audits and Audits by Corporate Auditors

KOITO's Internal Audit Department, an independent organization, performs internal audits concerning operations, finance, compliance and other areas based on annual audit plans. The results are reported to the directors and audit and supervisory board members.

The Audit and Supervisory Board comprises 2 standing audit and supervisory board members and 2 outside audit and supervisory board members. The audit and supervisory board members participate in Board of Directors and other important meetings and committees, review significant authorization documents, audit the performance of directors. In addition, the audit and supervisory board member monitors the structure and operation of the internal control system by site visiting plants and branches, interviewing with administrative divisions, and auditing domestic and overseas subsidiaries. Moreover, the audit and supervisory board member attends the audit performed by the independent auditors and the Internal Audit Department, along with working to promote collaboration by exchanging information through regular meetings with the independent auditors, the in-house Compliance Department and the Internal Audit Department.

⑤ Status of Accounting 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 accounting audits based on relevant directives and other laws from the independent auditors.

KOITO's accounting audit was performed by certified public accountants, Yasushi Onuki, Tsuguhiro Tsukakoshi and Yoshie Suwa from KOITO's independent auditor, accounting firm ARK MEIJI AUDIT & Co. Furthermore, 9 certified public accountants and 9 other staff who belong to ARK MEIJI AUDIT & Co. 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, 2017 was as follows:

Remuneration for Directors and Corporate Auditors:		Remuneration for the Independent Auditor:	
For directors	¥1,019 million	Fee for certification of audit	¥76 million
For corporate auditors	¥ 49 million	(Remuneration based on work stipulated by Article 2, Paragraph 1 of the Certified Public Accountants Act)	
For outside directors and outside auditors	¥ 50 million		
Total	¥1,119 million		

DIRECTORS, AUDIT AND SUPERVISORY BOARD MEMBERS AND CORPORATE OFFICERS



Chairman and CEO
Masahiro Otake



President and COO
Hiroshi Mihara



Executive Vice President
Yuji Yokoya



Executive Vice President
Koichi Sakakibara

■ Directors

Chairman and CEO
Masahiro Otake

President and COO
Hiroshi Mihara

Executive Vice President
Yuji Yokoya
Koichi Sakakibara

Senior Managing Director
Kenji Arima
Masami Uchiyama
Michiaki Kato
Hideharu Konagaya

Director and Senior Adviser
Takashi Ohtake

Director and Managing Corporate Officer
Katsuyuki Kusakawa
Hideo Yamamoto
Jun Toyota

Director
Haruya Uehara
Kingo Sakurai

■ Audit and Supervisory Board Members

Standing Audit and Supervisory Board Member
Mitsuo Kikuchi
Yohei Kawaguchi

Audit and Supervisory Board Member
Koichi Kusano
Yukinobu Suzuki

■ Corporate Officers

(Excluding the members with an additional concurrent post as a director)

Managing Corporate Officer	Corporate Officer
Atsushi Inoue	Koichi Toyoda
Kiyoshi Sato	Shinji Watanabe
Takayuki Katsuda	Mamoru Murakoshi
Masatoshi Yoneyama	Masahiro Otake
Toshiyuki Katsumata	Yuji Higashi
	Hideki Ochiai
	Masataka Choji
	Kakuya Yamamoto
	Kohei Yamasaki
	Kirk Gadberry

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)			
	2008	2009	2010	2011
For the year:				
Net sales	¥470,648	¥400,232	¥408,430	¥428,977
Operating income	28,959	9,131	36,054	37,434
Income before income taxes	30,097	7,980	13,731	17,591
Income taxes	11,678	2,051	9,736	11,850
Net income	15,581	4,042	6,217	10,012
Amounts per share (yen and U.S. dollars):				
Net income	¥ 96.95	¥ 25.16	¥ 38.69	¥ 62.30
Cash dividends	23.00	20.00	18.00	19.00
At year-end:				
Working capital	¥ 26,813	¥ 13,091	¥ 39,512	¥ 58,015
Property, plant and equipment less accumulated depreciation	83,875	83,244	73,252	65,010
Total assets	388,585	351,869	357,530	338,760
Total equity	151,713	142,184	148,664	168,414

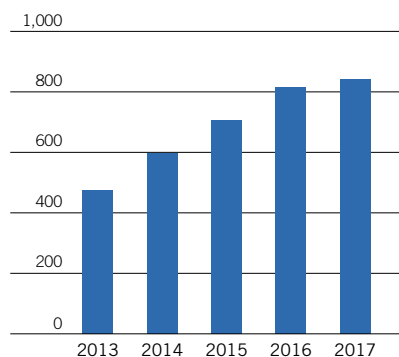
Notes: 1. Amounts in U.S.dollars are translated from yen, for convenience only, at the rate of ¥112.19 = US\$1, the rate prevailing on March 31, 2017.

2. The above net income refers to profit attributable to owners of parent.

3. The above total equity for fiscal 2011 and thereafter, included non-controlling interests.

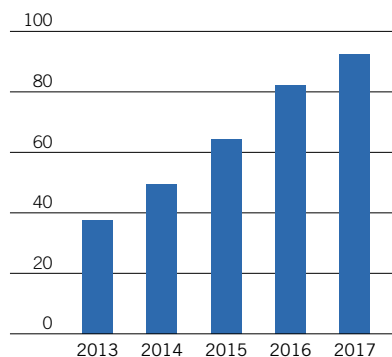
Net Sales

(Billions of yen)



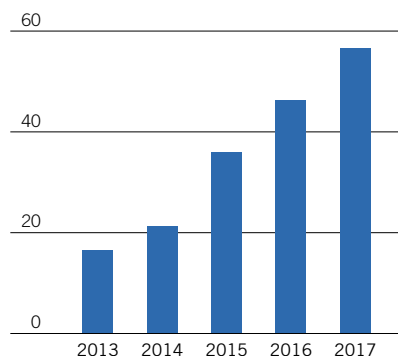
Operating Income

(Billions of yen)



Net Income

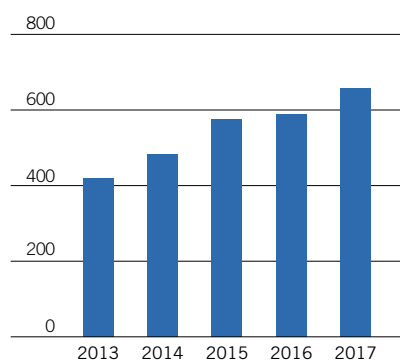
(Billions of yen)



2012	2013	2014	2015	2016	2017	2017
						Thousand of U.S. dollars (except per share amounts)
¥430,929	¥472,843	¥597,502	¥706,470	¥813,477	¥841,456	\$7,500,276
31,725	37,668	49,506	64,155	82,218	92,523	824,699
27,093	33,004	46,596	63,895	74,708	91,614	816,596
10,599	11,812	17,173	19,017	22,422	26,201	233,541
13,391	16,625	21,378	36,060	46,303	56,692	505,321
¥ 83.33	¥ 103.46	¥ 133.04	¥ 224.41	¥ 288.15	¥ 352.80	\$ 3.14
19.00	22.00	26.00	40.00	36.00	54.00	0.48
¥ 65,554	¥ 81,705	¥108,550	¥144,795	¥189,769	¥237,891	\$2,120,429
66,791	72,415	87,168	115,285	115,109	117,509	1,047,410
363,273	418,087	483,093	575,268	588,683	658,341	5,868,089
182,916	218,131	256,072	316,826	329,671	381,000	3,396,024

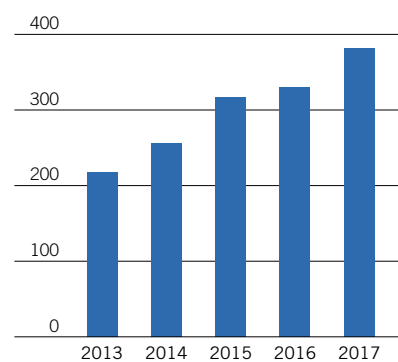
Total Assets

(Billions of yen)



Total Equity

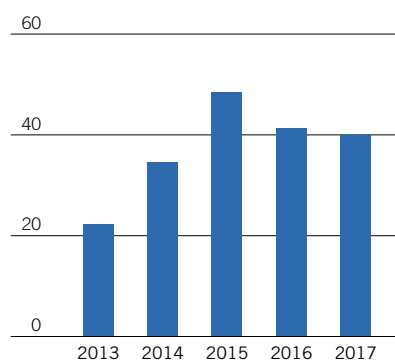
(Billions of yen)



* Non-controlling interests are included.

Capital Expenditures

(Billions of yen)



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The KOITO Group comprises the parent company (KOITO MANUFACTURING CO., LTD.), 29 subsidiaries and 2 affiliates. 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, although sales in mini vehicles decreased, the overall production volume increased year on year due to the effect of introduction of new vehicles and increase in exports. The global automobile production volume as a whole increased year on year mainly due to firm production volume in the U.S. and Europe, and increased demand in China led by a tax reduction on compact cars.

In this climate, the KOITO Group reported consolidated net sales of ¥841.4 billion, up 3.4% year on year, due to sales growth in the mainstay automotive lighting equipment segment.

EARNINGS

Operating income was ¥92.5 billion, up 12.5% and recurring profit was ¥95.3 billion, up 13.1% year on year. In addition to the effect of sales increase, the increase was mainly attributable to rationalization effect in Japan and overseas. Profit attributable to owners of parent increased 22.4% year on year to ¥56.6 billion, marking the highest business performance for fifth consecutive fiscal year. The increase was also attributable to loss on compensation for damages related to aircraft seats recorded on consolidated subsidiary KI HOLDINGS CO., LTD. in the previous fiscal year.

RESULTS BY GEOGRAPHICAL SEGMENT

JAPAN

Sales in Japan increased 7.6% year on year to ¥323.6 billion. This was mainly attributable to an increase in new orders and a shift in automobile lamps to LED, amid increased trend in automobile domestic production volume.

NORTH AMERICA

Despite the impact of the exchange rate conversion, sales in North America increased 2.1% year on year to ¥186.9 billion. Factors contributing to the sales increase were the increase in new orders and a shift in automobile lamps to LED, while the automobile production volume held firm.

CHINA

Despite the effect of exchange rate conversion, sales in China increased 0.3% year on year to ¥218.1 billion. This was due to sales increase on a local currency basis, led by expansion in new orders while the automobile production volume increased led by a tax reduction on compact cars.

ASIA

Sales in Asia increased 5.1% year on year to ¥81.8 billion despite the negative effect of exchange rate. This was led by an increase in new orders in India and Indonesia, and a shift in motorcycle lamps to LED, amid increased trend in automobile production volume.

EUROPE

Sales in Europe decreased 9.8% year on year to ¥30.8 billion. This was due to the impact of exchange rate conversion, which more than offset the otherwise increase in sales on a local currency basis led by an increase in new orders and a shift in automobile lamps to LED, amid a robust trend in automobile production in the region.

OTHER REGIONS

As KOITO established a manufacturing subsidiary in Brazil, 'Other regions' segment was newly included to geographical segment from fiscal 2017. The subsidiary is scheduled to commence operation in May, 2018.

FINANCIAL POSITION

Total assets as of March 31, 2017 increased ¥69.6 billion to ¥658.3 billion. This was mainly due to an increase in current assets such as cash and cash time deposits, trade notes and accounts receivable, and electronically recorded monetary claims-operating.

Total liabilities as of March 31, 2017 increased ¥18.3 billion to ¥277.3 billion mainly due to an increase in trade notes and accounts payable, and electronically recorded monetary obligations-operating.

Net assets as of March 31, 2017 increased ¥51.3 billion to ¥381.0 billion. This increase was mainly due to an increase in retained earnings.

CASH FLOWS

Operating activities provided net cash of ¥98.3 billion after payment of taxes, mainly reflecting income before income taxes of ¥91.6 billion and depreciation of ¥31.7 billion.

Investing activities used net cash of ¥72.4 billion, mainly reflecting acquisition of property and equipment of ¥39.3 billion and payments into time deposits.

Financing activities provided net cash of ¥16.6 billion, the result mainly of ¥10.4 billion in dividends paid, repayment of loans, and others.

As a result, cash and cash equivalents as of March 31, 2017 were ¥39.5 billion, ¥7.6 billion higher than on March 31, 2016.

CAPITAL EXPENDITURES

Capital expenditures totaled ¥40.2 billion. Outlays were centered on investing in the overseas business of the automotive lighting equipment segment, primarily in a new factory and machinery, equipment and tools for adapting to new products and model changes. The breakdown of capital expenditures for the fiscal year under review, excluding consumption tax, is as follows.

Capital expenditures in Japan totaled ¥14.0 billion: ¥11.1 billion in North America, ¥7.1 billion in China, ¥5.8 billion in Asia, ¥1.1 billion in Europe, and ¥0.9 billion in other regions.

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.

MANAGEMENT POLICIES AND PRESSING ISSUES**(1) MANAGEMENT POLICIES**

The KOITO Group will create new markets along the business theme of “Lighting” 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 CSR (corporate social responsibility) and other perspectives, KOITO is conducting manufacturing activities that put people and the environment first throughout all of its business endeavors, as well as environmental preservation and social contribution activities.

(2) MANAGEMENT STRATEGIES

Based on its corporate message of “Lighting for Your Safety,” the KOITO Group will create new value demanded by customers and contribute to achieving a better society as a manufacturer of automotive lighting and electric equipment.

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 5 major regions of the world (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.

(3) OBJECTIVE INDICATORS FOR JUDGING ACHIEVEMENT IN MANAGEMENT GOALS

In order to maintain high profitability and sound management, KOITO puts emphasis on capital efficiency in addition to sales and profits, thus working to strengthen its financial structure. Looking ahead, KOITO will continue taking steps to strengthen its operational structure so that it can flexibly adapt to changes in the business climate, along with developing new products and pursuing the rationalization of operations. Through these and other steps, KOITO will continuously endeavor to increase its corporate value over the medium and long terms.

(4) KEY ISSUES IN BUSINESS AND FINANCIAL TERMS

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 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 filed lawsuits against KOITO and its U.S. subsidiary, and were seeking payment for damages they claim to have incurred. KOITO committed to closely review the details of the statement of claim and deal with this matter in an appropriate manner. As for the lawsuit against KOITO in the U.S., on May 26, 2017, KOITO reached a settlement with the plaintiffs, including by paying approximately ¥3.4 billion to the plaintiffs. With respect to the settlement, it is planned that the U.S. court will follow the approval procedures.

KOITO will ensure the further enhancement of corporate governance, 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 stakeholders, and will make efforts to comply with corporate ethics and restore trust.

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, 2017.

(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 highly 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 and so forth 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
	2016	2017	2017
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 31,886	¥ 39,500	\$ 352,081
Trade notes and accounts receivable	135,754	147,840	1,317,764
Less: Allowance for doubtful accounts	(876)	(843)	(7,514)
	134,878	146,997	1,310,250
Inventories	64,180	66,332	591,246
Deferred tax assets (Note 6)	4,081	4,558	40,627
Prepaid expenses and other current assets	159,535	203,491	1,813,806
Total current assets	394,562	460,880	4,108,031
Property, plant and equipment, at cost:			
Buildings and structures	104,806	109,559	976,548
Machinery, equipment and tools	300,097	316,189	2,818,334
Less: Accumulated depreciation	(289,792)	(308,239)	(2,747,473)
	115,109	117,509	1,047,410
Land	13,749	14,718	131,188
Construction in progress	10,439	9,310	82,984
Property, plant and equipment, net	139,300	141,538	1,261,591
Investments and other assets:			
Investment securities	45,988	46,889	417,942
Long-term loans	11	6	53
Deferred tax assets (Note 6)	5,221	5,522	49,220
Other assets	3,787	3,807	33,933
Less: Allowance for doubtful accounts	(188)	(302)	(2,691)
Total investments and other assets	54,819	55,922	498,457
Total assets	¥ 588,683	¥ 658,341	\$ 5,868,089

At March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
LIABILITIES AND EQUITY			
Current liabilities:			
Trade notes and accounts payable	¥128,357	¥143,492	\$1,279,008
Short-term loans (Note 4)	28,073	21,885	195,070
Income taxes payable	9,398	15,122	134,789
Accrued expenses and other current liabilities	38,962	42,488	378,714
Total current liabilities	204,793	222,989	1,987,601
Long-term liabilities:			
Long-term debt (Note 4)	13,176	13,172	117,407
Liability for retirement benefits (Note 5)	27,621	26,838	239,219
Other long-term liabilities	13,420	14,340	127,818
Total long-term liabilities	54,219	54,351	484,454
Equity:			
Shareholders' equity:			
Common stock	14,270	14,270	127,194
320,000,000 shares authorized and 160,789,436 shares issued at March 31, 2016 and 2017			
Additional paid-in capital	17,108	17,107	152,482
Retained earnings	228,490	278,755	2,484,668
Treasury stock, at cost:			
95,649 shares in 2016 and 95,791 shares in 2017	(86)	(87)	(775)
Total shareholders' equity	259,782	310,045	2,763,570
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	19,123	21,562	192,191
Foreign currency transaction adjustments	7,712	4,572	40,752
Retirement benefits liability adjustments	(432)	(192)	(1,711)
Total accumulated other comprehensive income	26,403	25,942	231,232
Subscription rights to shares	291	291	2,593
Non-controlling interests	43,193	44,719	398,600
Total equity	329,671	381,000	3,396,024
Total liabilities and equity	¥588,683	¥658,341	\$5,868,089

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
	2016	2017	2017
KOITO MANUFACTURING CO., LTD. shareholders' equity			
Common stock:			
Beginning balance	¥ 14,270	¥ 14,270	\$ 127,194
Ending balance	¥ 14,270	¥ 14,270	\$ 127,194
Additional paid-in capital:			
Beginning balance	¥ 17,108	¥ 17,108	\$ 152,491
Change in ownership interest due to purchase of treasury stock by consolidated subsidiaries	–	(0)	(9)
Ending balance	¥ 17,108	¥ 17,107	\$ 152,482
Retained earnings:			
Beginning balance	¥188,935	¥228,490	\$2,036,634
Net income attributable to owners of the parent	46,303	56,692	505,321
Deductions:			
Cash dividends	(6,749)	(6,427)	(57,286)
Ending balance	¥228,490	¥278,755	\$2,484,668
Treasury stock:			
Beginning balance	¥ (85)	¥ (86)	\$ (766)
Purchase of treasury stock	(1)	(0)	(8)
Ending balance	¥ (86)	¥ (87)	\$ (775)
Total shareholders' equity	¥259,782	¥310,045	\$2,763,570
Total accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	¥ 19,123	¥ 21,562	\$ 192,191
Foreign currency transaction adjustments	7,712	4,572	40,752
Retirement benefits liability adjustments	(432)	(192)	(1,711)
	¥ 26,403	¥ 25,942	\$ 231,232
Subscription rights to shares	¥ 291	¥ 291	\$ 2,593
Non-controlling interests	¥ 43,193	¥ 44,719	\$ 398,600
Total equity	¥329,671	¥381,000	\$3,396,024

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
	2016	2017	2017
Cash flows from operating activities:			
Net income attributable to owners of the parent	¥ 46,303	¥ 56,692	\$ 505,321
Adjustments to reconcile net income attributable to owners of the parent to net cash provided by operating activities:			
Depreciation	31,719	31,721	282,743
Net income attributable to non-controlling interests	5,981	8,719	77,716
Increase (decrease) in provision for allowance for doubtful accounts . . .	(929)	129	1,149
Decrease in liability for retirement benefits	(1,523)	(560)	(4,991)
Loss or (gain) on sale and disposal of property plant and equipment, net	(970)	437	3,895
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	(14,301)	(14,518)	(129,405)
Inventories	(7,801)	(4,640)	(41,358)
Prepaid expenses and others	3,992	(7,102)	(63,303)
Trade notes and accounts payable	12,619	18,892	168,392
Accrued expenses and other current liabilities	(1,012)	9,250	82,449
Others, net	(250)	(633)	(5,642)
Net cash provided by operating activities	73,828	98,388	876,976
Cash flows from investing activities:			
Decrease in time deposits and other due over three months, net	(37,561)	(36,798)	(327,997)
Purchase of marketable and investment securities	(127)	(18)	(160)
Proceeds from sale of marketable and investment securities	16,428	3,395	30,261
Acquisition of property, plant, and equipment	(42,224)	(39,375)	(350,967)
Proceeds from sale of property, plant and equipment	2,571	375	3,342
Decrease or (increase) in long-term loans	4	3	26
Others, net	(1,868)	(68)	(606)
Net cash used in investing activities	(62,777)	(72,486)	(646,100)
Cash flows from financing activities:			
Decrease in short-term loans	(9,638)	(7,423)	(66,164)
Increase in long-term debt	10,809	1,265	11,275
Increase in treasury stock	(1)	(0)	(0)
Cash dividends	(11,232)	(10,466)	(93,288)
Net cash used in financing activities	(10,062)	(16,624)	148,177
Effect of exchange rate change on cash and cash equivalents	(2,185)	(1,664)	(14,831)
Change in cash and cash equivalents	(1,196)	7,614	67,867
Cash and cash equivalents at beginning of the year	33,082	31,886	284,214
Cash and cash equivalents at end of the year	¥ 31,886	¥ 39,500	\$ 352,081

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 Act and its related accounting regulations, and in conformity with accounting principles 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. Certain financial statement items of the previous fiscal year were reclassified to conform to the presentation for the current fiscal year.

2. Summary of significant accounting policies

(1) The accompanying consolidated financial statements for the years ended March 31, 2016 and 2017 include the accounts for the Company and the 29 subsidiaries listed below:

Names of consolidated subsidiaries for the year ended March 31, 2017	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 Limited	100
Koito Czech s.r.o.	100
Shanghai Koito Automotive Lamp Co., Ltd.	45
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	100
Hubei 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	70
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.(**)	100
KPS N.A., INC.	100
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	50

(*) Represents ownership at March 31, 2017 and includes shares owned through consolidated subsidiaries.

(**) NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda. was established in January 2017 as a wholly owned subsidiary of the Company.

(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 non-controlling interests and foreign currency translation adjustment in equity in the accompanying consolidated financial statements.

(4) Inventories

Inventories in the Company and consolidated domestic subsidiaries are stated principally at cost as determined primarily by the gross-average method. The book value is written down to the net realizable value to reflect a decline in profitability.

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:

Trading securities	Market value
Held-to-maturity securities	Amortized cost
Available-for-sale securities	
Where there is a market quotation with available market value	Market value as determined by the quoted price at the end of the fiscal year
Where there is no market quotation with no available market value	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 using 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

Accrued pension and liability for employees' retirement benefits has been provided based on the estimated amounts of projected pension and severance obligation and fair value of plan assets at the end of the fiscal year.

In calculating retirement benefit obligation, benefit-formula attribution is adopted for the purpose of attributing expected retirement benefits to periods up to the end of the current fiscal year. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods within the average remaining years of service of the employees (mainly 5 years).

The Company has defined benefit retirement plans and a defined contribution retirement plan.

The Company and its consolidated subsidiary KI HOLDINGS CO., LTD. have two types of defined benefit retirement plan: a fund-type corporate pension plan and a lump-sum retirement benefit plan. Other domestic consolidated

subsidiaries mainly have lump-sum retirement benefit plans. Certain overseas subsidiaries have defined contribution retirement plans or defined benefit retirement plans.

Liability for retirement benefits for 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 long-term liabilities.

(8) Income taxes

The Company and its subsidiaries recognize deferred tax assets and liabilities using the asset and liability method. Under this method, deferred tax assets and deferred tax liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(9) Appropriation of retained earnings

Under the Corporation Act 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 Act 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 was approved by the shareholders' meeting or the Board of Directors.

(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 of the parent 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

Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.

(14) Derivative transactions

The Company and a certain consolidated subsidiary utilize foreign exchange forward contracts and interest rate swap agreements 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

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision to the Japanese Corporation Tax Act, certain domestic consolidated subsidiaries have applied

“Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan Practical Issues Task Force No. 32, June 17, 2016) from the year ended March 31, 2017, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on the consolidated financial statements for the year ended March 31, 2017 was immaterial.

3. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥112.19 = US\$1, the approximate rate of exchange at March 31, 2017, 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, 2016 and 2017, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Loans, principally from banks:			
To the Company	¥ –	¥ –	\$ –
To consolidated subsidiaries	28,073	21,885	195,070
Total	<u>¥28,073</u>	<u>¥21,885</u>	<u>\$195,070</u>

At March 31, 2016 and 2017, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Loans, principally from banks:			
To the Company	¥ –	¥ –	\$ –
To consolidated subsidiaries	13,176	13,172	117,407
Total	<u>¥13,176</u>	<u>¥13,172</u>	<u>\$117,407</u>

5. Employees' retirement benefits

The reconciliation of beginning and ending balance of retirement benefit obligations at March 31, 2016 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Retirement benefit obligations at April 1, 2015 and 2016	¥50,251	¥52,681	\$469,569
Service cost	2,654	2,623	23,379
Interest cost	290	106	944
Actuarial differences	2,506	(278)	(2,477)
Retirement benefits paid	(3,020)	(2,403)	(21,419)
Retirement benefit obligations at March 31, 2016 and 2017	<u>¥52,681</u>	<u>¥52,731</u>	<u>\$470,015</u>

The reconciliation of beginning and ending balance of the plan assets at March 31, 2016 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Plan assets at April 1, 2015 and 2016	¥25,388	¥25,060	\$223,371
Expected return on plan assets	711	694	6,185
Actuarial differences	(1,043)	72	641
Contributions by the Company	1,523	1,488	13,263
Retirement benefits paid	(1,519)	(1,423)	(12,683)
Plan assets at March 31, 2016 and 2017	¥25,060	¥25,892	\$230,787

The reconciliation of the ending balance of projected benefit obligations and plan assets and liability for retirement benefits and assets for retirement benefits recorded in the consolidated balance sheet at March 31, 2016 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Funded retirement benefit obligations	¥ 31,817	¥ 31,219	\$ 278,269
Plan assets	(25,060)	(25,892)	(230,787)
	6,757	5,327	47,481
Unfunded retirement benefit obligation	20,864	21,511	191,737
Net of liability for retirement benefits and assets recorded in consolidated balance sheet	27,621	26,838	239,219
Liability for retirement benefit	27,621	26,838	239,219
Net liability for retirement benefits and assets recorded in consolidated balance sheet	¥ 27,621	¥ 26,838	\$ 239,219

The components of retirement benefit costs for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost	¥2,654	¥2,623	\$23,379
Interest cost	290	106	944
Expected return on plan assets	(711)	(694)	(6,185)
Amortization of actuarial differences	(780)	(108)	(962)
Other	(17)	(15)	(133)
Total	¥1,435	¥1,912	\$17,042

Retirement benefits liability adjustments included in other comprehensive income (before income tax) for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Actuarial differences	¥(4,330)	¥241	\$2,148

Retirement benefits liability adjustments included in accumulated other comprehensive income (before income tax) at March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrecognized actuarial differences	¥(434)	¥(192)	\$(1,711)

Plan assets at March 31, 2016 and 2017:

The components of plan assets as a percentage of total plan assets at March 31, 2016 and 2017 were as follows:

	2016	2017
Bonds	38%	37%
Stocks	36%	37%
General accounts of life insurance company	16%	16%
Alternative investment	8%	8%
Cash on hand and in banks, and other	2%	2%
Total	100%	100%

Defined contribution plans

The amount to be contributed to defined contribution plans for the years ended March 31, 2016 and 2017 were ¥2,310 million and ¥2,309 million (\$20,581 thousand), respectively.

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 33% and 30% for the years ended March 31, 2016 and 2017, respectively.

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, 2016 and 2017 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Excess accrued bonus	¥ 1,553	¥ 1,602	\$ 14,279
Excess liability for retirement benefits	8,126	7,750	69,079
Disallowed retirement allowance to directors	453	429	3,823
Loss on revaluation of investment securities, other	4,732	4,618	41,162
Reserve for liability claims	1,210	495	4,412
Reserve for product warranties	2,324	2,540	22,640
Excess allowance for doubtful account	189	205	1,827
Provision for loss on litigation	–	1,048	9,341
Tax loss carry-forward	10,067	11,696	104,251
Others	2,634	3,772	33,621
	31,301	34,159	304,474
Valuation allowance	(15,744)	(17,511)	(156,083)
Total deferred tax assets	15,556	16,647	148,382
Deferred tax liabilities:			
Depreciation	(3,239)	(2,712)	(24,173)
Reserve for reduction of asset costs	(404)	(393)	(3,502)
Valuation difference on available-for-sale securities	(9,020)	(9,976)	(88,920)
Total deferred tax liabilities	(12,664)	(13,083)	(116,614)
Net deferred tax assets (liabilities)	¥ 2,892	¥ 3,564	\$ 31,767

(b) **Net deferred tax assets and liabilities at March 31, 2016 and 2017 were included in the following accounts of the consolidated balance sheets:**

At March 31	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets—current assets	¥ 4,081	¥ 4,558	\$ 40,627
Deferred tax assets—non-current assets	5,221	5,522	49,220
Deferred tax liabilities—long-term liabilities	(6,410)	(6,516)	(58,080)
Net deferred tax assets (liabilities)	¥ 2,892	¥ 3,564	\$ 31,767

(c) **A reconciliation between the effective tax rate and the statutory tax rate for the years ended March 31, 2016 and 2017 were as follows:**

	2016	2017
Statutory tax rate	33.1 %	30.9 %
Difference in tax rates applied by foreign subsidiaries	(8.9)%	(3.8)%
Loss of consolidated subsidiaries	3.2 %	—
Change in valuation allowance	2.4 %	1.9 %
Other	0.2 %	(0.4)%
Effective tax rate	30.0 %	28.6 %

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, Europe and Other regions. The Company added “Other regions” as a reporting segment from the year ended March 31, 2017 due to establishment of a consolidated subsidiary in Brazil. 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						Total	Adjustments	Consolidated
	Japan	North America	China	Asia	Europe	Other regions			
For the year ended March 31, 2017									
Sales:									
Sales to outside customers	¥323,629	¥186,980	¥218,141	¥81,860	¥30,844	¥ —	¥ 841,456	¥ —	¥841,456
Intersegment sales and transfers	173,955	18	4,309	7,667	1,552	—	187,503	(187,503)	—
Total	497,585	186,999	222,451	89,527	32,396	—	1,028,960	(187,503)	841,456
Segment income	44,108	20,197	14,866	8,397	3,604	(26)	91,148	1,374	92,523
Segment assets	236,148	87,659	132,435	65,762	19,094	2,757	543,857	114,483	658,341
Others:									
Depreciation and amortization	14,352	7,031	4,695	4,694	864	0	31,639	82	31,721
Amortization of goodwill	—	—	—	—	—	—	—	—	—
Increase in fixed assets and intangible assets	14,075	11,120	7,161	5,844	1,168	914	40,284	—	40,284

	Thousands of U.S. dollars						Total	Adjustments	Consolidated
	Japan	North America	China	Asia	Europe	Other regions			
For the year ended March 31, 2017									
Sales:									
Sales to outside customers	\$2,884,651	\$1,666,636	\$1,944,388	\$729,655	\$274,926	\$ –	\$7,500,276	\$ –	\$7,500,276
Intersegment sales and transfers	1,550,539	160	38,408	68,339	13,833	–	1,671,298	(1,671,298)	–
Total	4,435,199	1,666,806	1,982,805	797,994	288,760	–	9,171,583	(1,671,298)	7,500,276
Segment income	393,154	180,024	132,507	74,846	32,124	(231)	812,443	12,247	824,699
Segment assets	2,104,893	781,344	1,180,452	586,166	170,193	24,574	4,847,642	1,020,438	5,868,089
Others:									
Depreciation and amortization	127,925	62,670	41,848	41,839	7,701	0	282,012	730	282,743
Amortization of goodwill	–	–	–	–	–	–	–	–	–
Increase in fixed assets and intangible assets	125,456	99,117	63,829	52,090	10,410	8,146	359,069	–	359,069

8. Subsequent events

- (1) At the general shareholders' meeting of the Company held on June 29, 2017, the following appropriation of retained earnings was approved.

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥34 (\$0.30) per share	¥5,463	\$48,694

- (2) On May 26, 2017, the company and its consolidated subsidiary North American Lighting, Inc. (hereafter referred to as the "Companies") reached a settlement on a litigation for cartel agreements in automobile lamps in America.

The lawsuits settlement cost amounted to \$30.25 million (approximately ¥3.4 billion). The Companies had recorded ¥3,393 million (\$30,243 thousand) for the provision for loss on litigation on March 31, 2017.

- (3) At the meeting of the board of directors held on April 26, 2017, the Company resolved to introduce a restricted stock compensation plan for directors (except for outside directors) and to submit a proposal to the ordinary general meeting of stockholders held on June 29, 2017. The proposal has been resolved as proposed at the shareholders meeting.

Total remuneration (annual amount) No more than ¥150 million (\$1,337 thousand)

Total number of restricted stock allocated to the plan (ceiling) 30,000 shares

- (4) KI HOLDINGS CO. LTD., a consolidated subsidiary, received a lawsuit for compensation of damages from 4 companies, DS-RENDITE-FONDS NR. 129 FLUGZEUGFONDS IV GmbH & Co. KG, DS-RENDITE-FONDS NR. 130 FLUGZEUGFONDS V GmbH & Co. KG, DS-RENDITE-FONDS NR. 131 FLUGZEUGFONDS VI (MSN 008) GmbH & Co. KG and DS-RENDITE-FONDS NR.131 FLUGZEUGFONDS VII (MSN 010) GmbH & Co. KG and received a service of the complaint on June 27, 2017.

This suit is a claim compensation for damages concerning the safety level observance and replacement of the plane sheet (the total claimed amount : \$29,120 thousand, approximately ¥3,300 million), and is pending in the Yokohama District Court. KI HOLDINGS will take appropriate actions upon thorough investigation of the claim of plaintiffs.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KOITO MANUFACTURING CO., LTD.:

(Report on the Consolidated Financial Statements)

We have audited the accompanying consolidated financial statements of KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and the consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (all expressed in Japanese yen).

(Management's Responsibility for the Consolidated Financial Statements)

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

(Auditor's Responsibility)

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(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 consolidated subsidiaries as at March 31, 2017, and their financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

(Emphasis of Matter)

- (1) As discussed in Note 8. Subsequent events (2), on May 26, 2017, KOITO MANUFACTURING CO., LTD. and its consolidated subsidiary North American Lighting, Inc. reached a settlement on a litigation for cartel agreements in automobile lamps in America. Our opinion is not modified in respect of this matter.
- (2) As discussed in Note 8. Subsequent events (4), KI HOLDINGS CO., LTD., a consolidated subsidiary, received a lawsuit for compensation of damages from DS-RENDITE-FONDS NR. 129 FLUGZEUGFONDS IV GmbH & Co. KG and other 3 companies. Our opinion is not modified in respect of this matter.

(Convenience Translation)

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note. 3 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

ARK MEIJI AUDIT & Co.

ARK MEIJI AUDIT & Co.

Tokyo, Japan
June 29, 2017

CORPORATE INFORMATION

As of March 31, 2017

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:	23,568 (Consolidated) 4,159 (Non-consolidated)
Common stock:	
Authorized:	320,000,000 shares
Issued:	160,789,436 shares
Number of shareholders:	5,635

Principal shareholders:	TOYOTA MOTOR CORPORATION The Master Trust Bank of Japan, Ltd. (Trust account) Sumitomo Mitsui Banking Corporation Nippon Life Insurance Company Japan Trustee Services Bank, Ltd. (Trust account) The Bank of Tokyo-Mitsubishi UFJ, Ltd. JPMC OPPENHEIMER JASDEC LENDING ACCOUNT JP MORGAN CHASE BANK 385632 The Dai-ichi Life Insurance Company, Limited DENSO CORPORATION
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Shareholder Registry Administrator

Account Management Institution:	Mitsubishi UFJ Trust and Banking Corporation
Contact:	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Department 1-1, Nikko-cho, Fuchu-shi, Tokyo, Japan Phone: 81-42-204-0303

For further information, please contact:	KOITO MANUFACTURING CO., LTD. 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
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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: 81-54-345-1123
Facsimile: 81-54-345-4959

European Operations

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

China Operations

Phone: 81-54-345-4408
Facsimile: 81-54-345-4959

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

Sapporo Branch (Hokkaido)

Phone: 81-11-753-2611
Facsimile: 81-11-753-0520

Kitakanto Branch (Tochigi Pref.)

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

Tokyo Branch (Tokyo)

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

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: 81-82-282-1281
Facsimile: 81-82-282-1285

Sapporo Sales Office (Hokkaido Pref.)

Sendai Sales Office (Miyagi Pref.)

Kitakanto Sales Office (Tochigi Pref.)

Ota Sales Office (Gunma Pref.)

Tokyo Sales Office (Tokyo)

Atsugi Sales Office (Kanagawa Pref.)

Shizuoka Sales Office (Shizuoka Pref.)

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

R&D Lab in Silicon Valley (U.S.A.)

c/o 181 Metro Drive Suite 580, San Jose,
California 95110, U.S.A.
Phone: 1-408-819-5014

GLOBAL NETWORK

OVERSEAS SUBSIDIARIES AND AFFILIATES

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

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. (NAL Mexico / México)

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

Koito Europe Limited (KEL / U.K.)

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. (KCZ / Czech Republic)

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

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

767 Yecheng 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. (GUANGZHOU KOITO / China)

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

Hubei Koito Automotive Lamp Co., Ltd. (Hubei Koito / China)

No.1 Wenchang Road, Xiaogan National Hi-Tech
Development Zone, Xiaogan City, Hubei 432100,
People's Republic of China
Phone: 86-712-210-8700
Facsimile: 86-712-210-8710

FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.

(FUZHOU KOITO TAYIH / China)
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 (THAI KOITO / Thailand)

370 Moo 17 Tambol Bangsaonthong
Amphur Bangsaonthong,
Samutprakarn 10570, Thailand
Phone: 66-2-706-7900
Facsimile: 66-2-315-3281

PT. INDONESIA KOITO (INDONESIA KOITO / Indonesia)

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. (Ta Yih Industrial / Taiwan)

No.11 Shin-Sin Rd., 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 (IJL / India)

No.1, Puduchatram, (VIA) Thirumazhisai, Tiruvallur
High Road, Chennai, Tamil Nadu 600-124, India
Phone: 91-44-3910-6246
Facsimile: 91-44-3910-6106

NAL do Brasil Indústria e Comércio de Compo- nentes de Iluminação Ltda.

(NAL Brasil / Brazil)
Av. Comendador Camilo Júlio, 500 Jardim Ibiti do
Paco, 18086-000 Sorocaba, São Paulo, Brasil
(Operation scheduled for May 2018)

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

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

CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.

(CHANGZHOU KOITO / China)
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

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.)

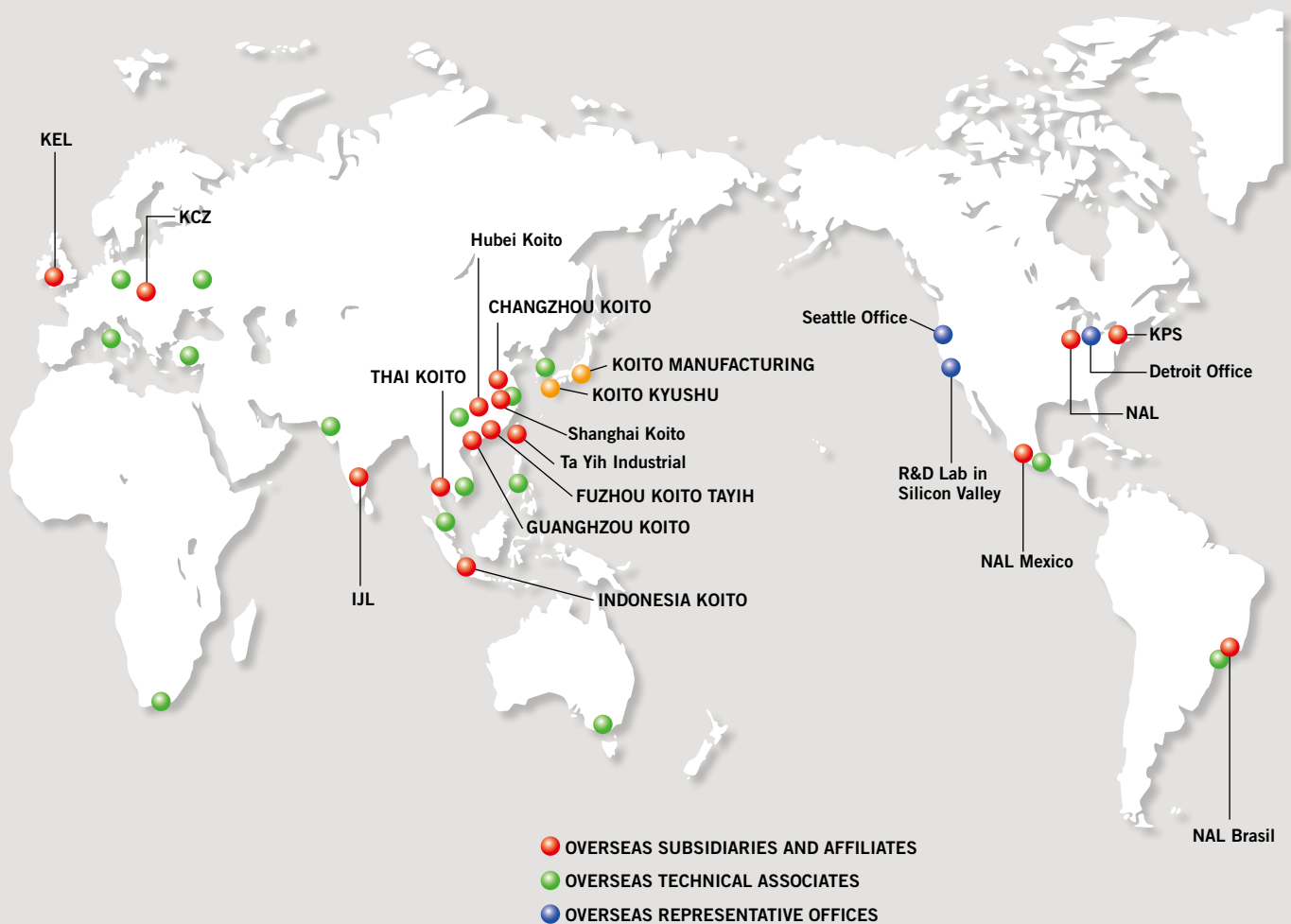
Business lines: Manufacturing and marketing of
railroad car control equipment, road traffic
signals and traffic control systems, and seats for
railroad cars, etc.

Minatsu, Ltd. (Kanagawa Pref.)

Business lines: Maintenance and upkeep of
traffic signals and safety equipment

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

Business lines: Manufacturing and
marketing of railroad car seats



OVERSEAS TECHNICAL ASSOCIATES

- | | | |
|--|--|---|
| North American Lighting, Inc. (U.S.A.) | AVTOSVET Limited Liability Company (Russia) | THAI KOITO COMPANY LIMITED (Thailand) |
| KPS N.A., INC. (U.S.A.) | Shanghai Koito Automotive Lamp Co., Ltd. (China) | Bangkok Diecasting and Injection Co., Ltd. (Thailand) |
| North American Lighting Mexico, S.A. de C.V. (Mexico) | GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (China) | PT. INDONESIA KOITO (Indonesia) |
| Hella Automotive Mexico S.A. de C.V. (Mexico) | Hubei Koito Automotive Lamp Co., Ltd. (China) | Ta Yih Industrial Co., Ltd. (Taiwan) |
| NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda. (Brazil) | FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (China) | INDIA JAPAN LIGHTING PRIVATE LIMITED (India) |
| Industrias Arteb S.A. (Brazil) | Chongqing Koito Automotive Lamp Co., Ltd. (China) | Hella Australia Pty Ltd. (Australia) |
| Koito Europe Limited (U.K.) | CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD. (China) | Hella-Phil., Inc. (Philippines) |
| Koito Czech s.r.o. (Czech Republic) | Shanghai TanDa Railway Vehicle Seat System Co., Ltd. (China) | Lumotech (Pty.) Ltd. (South Africa) |
| HELLA KGaA HUECK & CO. (Germany) | AMS Co., Ltd. (Korea) | EP Polymers (M) Sdn. Bhd. (Malaysia) |
| Farba Otomotiv Aydınlatma ve Plastik Fabrikalari A.S. (Turkey) | | AuVitronics Limited (Pakistan) |
| Automotive Lighting Italia S.p.A. (Italy) | | |



KOITO MANUFACTURING CO., LTD.

