



Consolidated Earnings Report for Fiscal 2014 [Japanese GAAP]

April 25, 2014

Company Name:	KOITO MANUFACTURING CO., LTD.
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	7276
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Planned Date of the General Meeting of Shareholders:	June 27, 2014
Planned Date of Dividends Payment:	June 30, 2014
Planned Date of Filing of Annual Securities Report:	June 30, 2014
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes

(¥ millions are rounded down)

1. Consolidated Results for Fiscal 2014 (April 1, 2013 to March 31, 2014)

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

	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2014	597,502	26.4%	49,506	31.4%	51,895	29.7%	21,378	28.6%
Fiscal 2013	472,843	9.7%	37,668	18.7%	40,007	27.0%	16,625	24.2%

Note: Comprehensive income: Fiscal 2014: ¥40,341 million (Δ 2.0%); Fiscal 2013: ¥41,166 million (105.9%)

	Net income per share (¥)	Net income per share (diluted) (¥)	Return on equity (%)	Recurring profit to total assets ratio (%)	Operating income to net sales ratio (%)
Fiscal 2014	133.04	—	10.4	11.5	8.3
Fiscal 2013	103.46	—	9.5	10.2	8.0

Reference: Equity in earnings of affiliated companies: Fiscal 2014: ¥11 million; Fiscal 2013: ¥4 million

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
March 31, 2014	483,093	256,072	45.5	1,368.72
March 31, 2013	418,087	218,131	45.4	1,180.61

Reference: Equity: March 31, 2014: ¥219,945 million; March 31, 2013: ¥189,720 million

(3) Consolidated Cash Flows (¥ millions)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
Fiscal 2014	35,572	Δ 36,030	5,377	27,750
Fiscal 2013	42,138	Δ 41,947	Δ 2,812	21,992

2. Dividends

	Dividend per share (¥)					Dividend paid (annual) (¥ millions)	Payout ratio (Consolidated) (%)	Ratio of dividends to net assets (Consolidated) (%)
	First Quarter	Second Quarter	Third Quarter	Year end	Full year			
Fiscal 2013	—	10.00	—	12.00	22.00	3,535	21.3	2.0
Fiscal 2014	—	12.00	—	14.00	26.00	4,178	19.5	2.0
Fiscal 2015 (forecast)	—	—	—	—	—		—	

Note: Forecasts of dividends for fiscal 2015 are currently undecided.

3. Forecast of Consolidated Results for Fiscal 2015 (April 1, 2014 to March 31, 2015)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	294,000	10.0%	18,500	13.4%	19,500	12.0%	9,500	△6.5%	59.12
Full year	626,000	4.8%	50,000	1.0%	52,000	0.2%	27,000	26.3%	168.02

*Notes

(1) Changes to important subsidiaries during fiscal 2014 (changes in specified subsidiaries resulting in revised scope of consolidation): None

(2) Changes in accounting principles, accounting estimates and restatements

① Changes in accounting policies in conjunction with revisions to accounting standards: Yes

② Other changes: None

③ Changes in accounting estimates: None

④ Restatements: None

Note: For details, please see “Changes in Accounting Principles” on page 15 of the Supplementary materials.

(3) Number of shares issued (common stock)

① Number of shares issued (including treasury stock):	March 31, 2014	160,789,436	March 31, 2013	160,789,436
② Number of treasury shares:	March 31, 2014	95,079	March 31, 2013	91,522
③ Average number of shares during the year:	Fiscal 2014	160,696,020	Fiscal 2013	160,698,123

《 For Reference Only 》

Non-consolidated Earnings Report for Fiscal 2014

1. Non-consolidated Results for Fiscal 2014 (April 1, 2013 to March 31, 2014)

(1) Non-consolidated Business Results (¥ millions; percentage figures represent year-on-year changes)

	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2014	245,412	6.6%	18,085	2.7%	29,857	18.8%	13,364	19.5%
Fiscal 2013	230,263	5.5%	17,611	12.3%	25,130	7.3%	11,184	62.0%

	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2014	83.17	—
Fiscal 2013	69.60	—

(2) Non-consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
March 31, 2014	268,438	165,535	61.7	1,030.13
March 31, 2013	248,742	150,807	60.6	938.45

Note: Equity: March 31, 2014: ¥165,535 million; March 31, 2013: ¥150,807 million

2. Forecast of Non-consolidated Results for Fiscal 2015 (April 1, 2014 to March 31, 2015)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	112,000	△1.7%	7,000	1.8%	14,000	△0.6%	9,000	△17.2%	56.01
Full year	236,000	△3.8%	15,500	△14.3%	26,500	△11.2%	16,000	19.7%	99.57

*Explanations concerning status of auditing procedures

This consolidated earnings report is not subject to the auditing procedures for reports based on the Financial Instruments and Exchange Act. At the time of issue of this report, we are carrying out auditing procedures for reports based on the Financial Instruments and Exchange Act.

*Explanations concerning proper use of business forecasts and other noteworthy matters

1. The above forecasts are based on information available, and certain assumptions that are judged to be reasonable, at the time of the release of this report. Koito is not promising that the Company will achieve these forecasts. Actual results could differ from forecasts due to a variety of factors.
2. The dividend forecasts for the fiscal year ending March 31, 2015 have not been decided. Koito intends to promptly disclose the dividend forecasts when able to do so.

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1. Analysis of Operations and Financial Position

(1) Analysis of Operations

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

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

In these circumstances, the Koito Group is working to enhance production capabilities overseas, strengthen product development and reinforce order-winning activities with the goal of expanding sales of automotive lighting equipment in the medium- to long-term. In addition to the start of operations at the Second Plant of GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (GUANGHZOU KOITO) in September last year, North American Lighting, Inc. started expanded operations at both its Alabama Plant and its Paris Plant.

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

Results by geographical segment are outlined as follows:

[Japan]

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

[North America]

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

[China]

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

[Asia]

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

[Europe]

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

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

(2) Analysis of Financial Position

-1. Analysis of assets, liabilities and net assets

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

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

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

-2. Analysis of cash flows

Operating activities provided net cash of ¥35.5 billion after payment of taxes, mainly reflecting income before income taxes of ¥46.5 billion and depreciation of ¥21.5 billion.

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

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

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

(3) Basic Earnings Distribution Policies and Dividend Payments for Fiscal 2014 and Fiscal 2015

As regards Koito's business forecast for fiscal 2015, the fiscal year ending March 31, 2015, net sales are projected to increase over the previous fiscal year, despite concerns about the absence of the previous fiscal year's surge in demand in Japan ahead of a consumption tax increase, increased orders are expected from North America, and higher overseas automobile production is expected in emerging markets such as China.

On the earnings front, operating income is expected to be largely unchanged from the previous year, mainly due to the impact of reduced automobile production in Japan and the contribution from the commencement of operations at a new plant in Mexico, among other factors. Net income is expected to increase year on year, due mainly to improvements in extraordinary losses.

For the second quarter of the fiscal year under review, Koito paid a dividend of ¥12 per share to shareholders. Koito plans to propose a year-end dividend of ¥14 per share, ¥2 per share higher than in the previous fiscal year. This increase reflects the Company's record-high results in terms of net sales, operating income, recurring profit, and net income, and is intended to express the Company's appreciation of shareholders for their continued support. Including the interim dividend, this would result in a full year dividend of ¥26 per share applicable to fiscal 2014, ¥4 per share higher than in the previous fiscal year.

The full year dividend for fiscal 2015 is currently undecided because the future business environment remains unclear.

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

The differences between the actual results for fiscal 2014 herein and the previous forecasts issued in the Consolidated Earnings Report for the First Three Quarters of Fiscal 2014 dated January 30, 2014, are as follows:

Consolidated Results for Fiscal 2014

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously announced forecast (A)	587,000	44,000	46,000	19,000	118.24
Actual results for fiscal 2014 (B)	597,502	49,506	51,895	21,378	133.04
Difference (B-A)	10,502	5,506	5,895	2,378	—
Change (%)	1.8	12.5	12.8	12.5	—
(Reference) Actual results for previous year (fiscal 2013)	472,843	37,668	40,007	16,625	103.46

(Reference) Non-Consolidated Results for Fiscal 2014

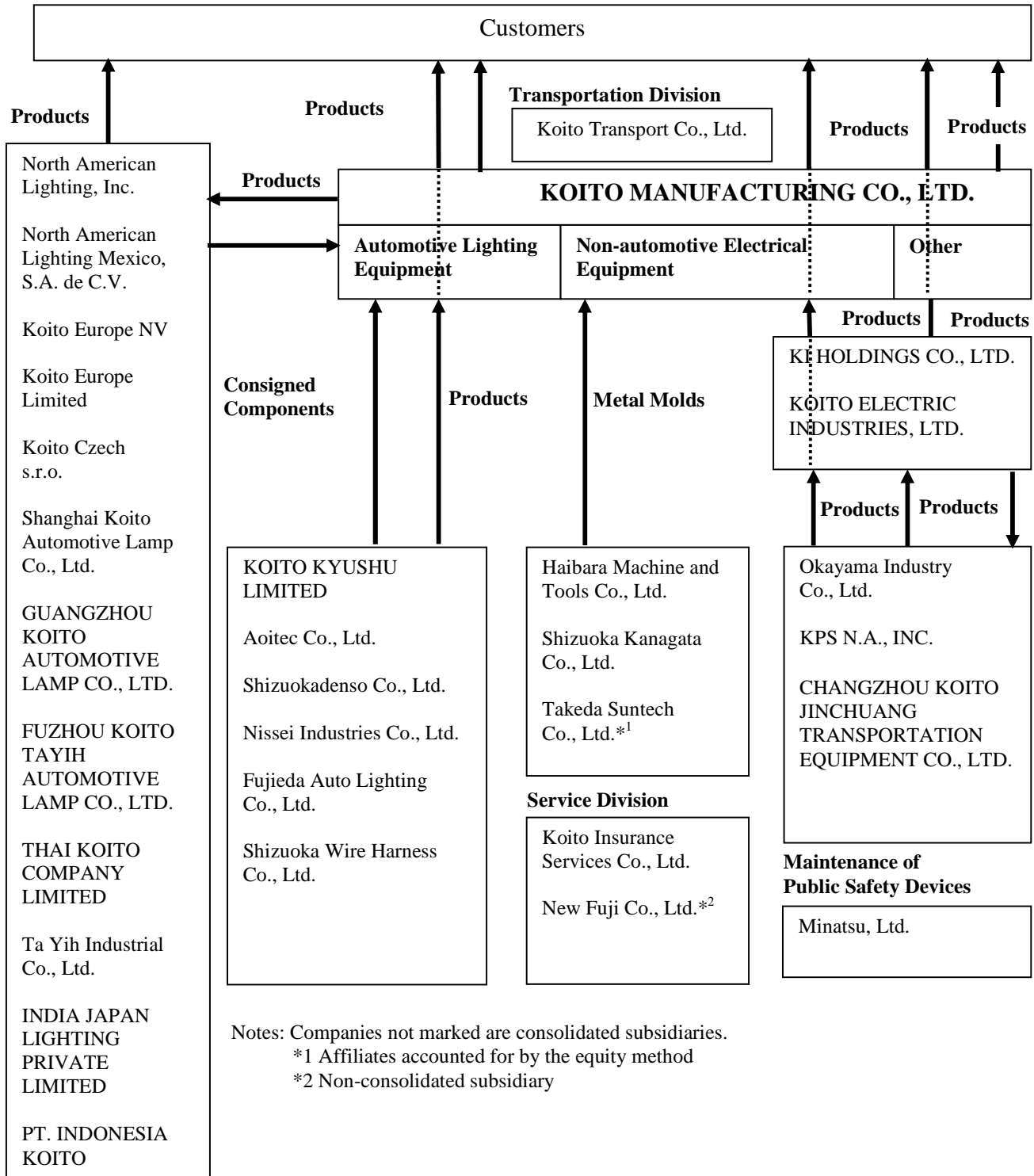
(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously announced forecast (A)	244,000	16,000	27,000	12,000	74.68
Actual results for fiscal 2014 (B)	245,412	18,085	29,857	13,364	83.17
Difference (B-A)	1,412	2,085	2,857	1,364	—
Change (%)	0.6	13.0	10.6	11.4	—
Actual results for previous year (fiscal 2013)	230,263	17,611	25,130	11,184	69.60

2. Koito Group

The Koito Group comprises KOITO MANUFACTURING CO., LTD., its 28 subsidiaries and 2 affiliates. The Group manufactures and sells automobile lights, components for airplanes, trains and railways, and a variety of electrical devices and measuring equipment. The Koito Group is also involved in related financial and distribution operations.

The following chart provides an overview of the structure of the Koito Group.



3. Management Policies

(1) Basic Management Policies

The Koito Group's basic management policies call for the stimulation of new customer demand for "lighting" while contributing to the progress of society and fostering mutually beneficial relationships with all stakeholders, including shareholders, customers, employees and business partners. The Koito Group addresses corporate social responsibility (CSR) and other issues by engaging in environmental preservation measures and social contribution activities and also adheres to the policy of "manufacturing products that put people and the environment first" in all its business activities.

(2) Management Targets

Koito considers ROE and the equity ratio to be important targets from the viewpoint of maintaining highly profitable and financially sound management. Koito will continue working to strengthen and refine its corporate structure to enable it to respond with agility to future changes in the business environment, develop new technologies and products, and streamline operations. In doing so, Koito will strive to raise its corporate value in the medium- and long-term.

(3) Medium- and Long-Term Management Strategies

Under its corporate slogan of "Lighting for Your Safety," the Koito Group, as a manufacturer of automotive lighting and electrical equipment, is committed to playing a part in creating a better society through the creation of new value sought by customers. Strategies for taking Koito forward are as follows:

- 1. To address the automobile industry's expansion of globally optimal production systems, the Koito Group will work to enhance its system to respond to the world's five key regional automobile markets (Japan, North America, Europe, China and Asia). To this end, the Group will further reinforce the product development, manufacturing and sales functions of its overseas bases, among other measures.
 - 2. The Koito Group will bring attractive products to market in good time by developing cutting-edge technologies that stay ahead of customer and market needs, and commercializing products at the earliest opportunity.
 - 3. The Koito Group will pursue the highest quality and safety standards while advancing the protection of the environment and strengthening compliance.
 - 4. The Koito Group will reinforce its corporate and earnings structure by acquiring and effectively allocating resources.
- These four undertakings encapsulate Koito's commitment to providing satisfaction to shareholders, customers, employees and business partners, while fulfilling its vital mission of helping to preserve the environment.

(4) Key Issues

As a global supplier, the Koito Group is working to realign and reinforce its management framework and organization to be able to respond flexibly to worldwide trends in the automobile industry, to establish development, production and sales systems, and enhance internal controls on corporate activities.

In this context, Koito is building a stronger management structure. Key to this will be developing innovative new technologies and products that anticipate market and customer needs, increasing environmental preservation measures, increasing productivity, implementing cost cutting measures and improving quality.

On March 22, 2013, Koito received a cease and desist order and surcharge payment orders from the Japan Fair Trade Commission, on suspicion of violating the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, in connection with automotive lighting equipment transactions. 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 will make hearing requests to the Commission. At the current time, Koito is still in the process. Koito will explain its stance in these hearings and seek fair judgments.

In the U.S. and Canada, plaintiffs have filed a class action against Koito and its U.S. subsidiary, and are seeking payment for damages they claim to have incurred. After closely reviewing the details of the plaintiffs' claims, Koito will deal with this matter in an appropriate manner.

After carefully considering various circumstances, on January 16, 2014, Koito entered into a plea agreement with the U.S. Department of Justice, agreeing to pay a fine regarding transactions for automotive lamps and ballasts for automotive HID lamps.

Koito takes this situation very seriously, and the Company's directors and corporate auditors have voluntarily returned part of their monthly remuneration. Going forward, as a company committed to fulfilling its social responsibilities and to continue as a company that is trusted by all its stakeholders, Koito has been striving to further enhance its compliance systems and to thoroughly implement recurrence prevention measures.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	Fiscal 2013 As of March 31, 2013	Fiscal 2014 As of March 31, 2014
Assets		
Current assets:		
Cash and time deposits	76,485	95,018
Trade notes and accounts receivable	90,299	105,236
Electronically recorded monetary claims-operating	6,820	6,236
Marketable securities	778	1,847
Inventories	39,540	52,046
Deferred income tax assets	3,370	3,565
Accrued income	15,450	16,255
Other current assets	18,440	26,774
Less: Allowance for doubtful accounts	△12,846	△13,103
Total current assets	238,338	293,878
Fixed assets:		
Property, plant and equipment:		
Buildings and structures (net)	32,059	34,262
Machinery and transportation equipment (net)	30,570	39,649
Fixtures, equipment and tools (net)	9,786	13,257
Land	13,938	13,821
Construction in progress	12,837	13,089
Total property, plant and equipment	99,193	114,080
Intangible fixed assets	981	1,039
Investments and other assets:		
Investment securities	71,658	71,695
Long-term loans	56	29
Deferred income tax assets	5,882	1,000
Other investments	2,141	1,520
Less: Allowance for doubtful accounts	△165	△152
Total investments and other assets	79,574	74,093
Total fixed assets	179,749	189,214
Total assets	418,087	483,093

(¥ millions)

	Fiscal 2013 As of March 31, 2013	Fiscal 2014 As of March 31, 2014
Liabilities		
Current liabilities:		
Trade notes and accounts payable	86,495	105,326
Short-term loans	27,297	38,269
Accrued expenses	18,663	17,969
Income taxes payable	7,582	8,506
Allowance for employees' bonuses	4,408	4,546
Reserve for product warranties	1,800	2,151
Provision for administrative monetary penalty	3,428	—
Other current liabilities	6,957	8,558
Total current liabilities	156,633	185,328
Non-current liabilities:		
Long-term debt	2,800	5,241
Deferred income tax liabilities	—	582
Allowance for employees' retirement benefits	30,120	—
Net defined liability for retirement benefits	—	26,141
Allowance for directors' and corporate auditors' retirement benefits	293	353
Allowance for expenses for damages	7,960	2,589
Allowance for environmental strategies	253	246
Reserve for product warranties	—	4,841
Other non-current liabilities	1,894	1,694
Total non-current liabilities	43,322	41,692
Total liabilities	199,956	227,020
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	17,108	17,108
Retained earnings	140,588	158,109
Treasury common stock, at cost	△78	△84
Total shareholders' equity	171,889	189,404
Accumulated other comprehensive income:		
Valuation adjustment on marketable securities	13,297	18,532
Translation adjustments	4,534	8,665
Adjustments in defined benefit plans	—	3,343
Total accumulated other comprehensive income	17,831	30,541
Non-controlling interests	28,410	36,127
Total net assets	218,131	256,072
Total liabilities and net assets	418,087	483,093

(2) Consolidated Statements of Income and Comprehensive Income

(¥ millions)

	Fiscal 2013 April 1, 2012 to March 31, 2013	Fiscal 2014 April 1, 2013 to March 31, 2014
Net sales	472,843	597,502
Cost of sales	399,474	504,321
Gross profit	73,368	93,180
Selling, general and administrative expenses		
Selling expenses	13,099	15,077
General and administrative expenses	22,600	28,596
Total selling, general and administrative expenses	35,699	43,674
Operating income	37,668	49,506
Non-operating income:		
Interest income	592	1,593
Dividends	551	869
Equity in earnings of affiliates	4	11
Foreign exchange gains	802	334
Other non-operating income	2,263	1,127
Total non-operating income	4,214	3,936
Non-operating expenses:		
Interest expenses	574	828
Aircraft business safety measure expenses	405	490
Other non-operating expenses	895	228
Total non-operating expenses	1,876	1,547
Recurring profit	40,007	51,895
Extraordinary gains:		
Gain on sales of investment securities	757	985
Gain on sales of property and equipment	10	34
Other extraordinary gains	2	5
Total extraordinary gains	770	1,025
Extraordinary losses:		
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	—	5,965
Loss on sales and disposal of property and equipment	244	340
Loss on abandonment of inventories	13	11
Provision for administrative monetary penalty	3,428	—
Loss on revaluation of investment securities	3,031	—
Special retirement expenses	781	—
Loss on sales of investment securities	254	—
Loss on revaluation of inventories	18	—
Other extraordinary losses	—	7
Total extraordinary losses	7,772	6,324
Income before income taxes	33,004	46,596
Income taxes	13,845	17,409
Income tax adjustment	△2,033	△235
Total income taxes	11,812	17,173
Income before non-controlling interests	21,192	29,422
Non-controlling interests in consolidated subsidiaries	4,566	8,044
Net income	16,625	21,378

	(¥ millions)	
	Fiscal 2013 April 1, 2012 to March 31, 2013	Fiscal 2014 April 1, 2013 to March 31, 2014
Non-controlling interests in consolidated subsidiaries	4,566	8,044
Income before non-controlling interests	21,192	29,422
Other comprehensive income		
Valuation adjustment on marketable securities	9,911	5,230
Translation adjustments	10,062	5,688
Total other comprehensive income	19,973	10,919
Comprehensive income	41,166	40,341
(Breakdown)		
Attributable to shareholders of the parent company	33,119	30,745
Attributable to non-controlling interests	8,047	9,596

(3) Consolidated Changes in Shareholders' Equity
Fiscal 2013 (April 1, 2012 to March 31, 2013)

(¥ millions)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	14,270	17,108	127,638	△76	158,940
Changes during fiscal year					
Dividends from retained earnings	—	—	△3,213	—	△3,213
Net income for the fiscal year	—	—	16,625	—	16,625
Purchases of treasury stock	—	—	—	△1	△1
Effect of applying IFRS at foreign subsidiaries	—	—	△461	—	△461
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—
Total changes during fiscal year	—	—	12,950	△1	12,949
Balance at fiscal year-end	14,270	17,108	140,588	△78	171,889

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation adjustment on marketable securities	Translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of year	4,014	△2,676	1,338	22,638	182,916
Changes during fiscal year					
Dividends from retained earnings	—	—	—	—	△3,213
Net income for the fiscal year	—	—	—	—	16,625
Purchases of treasury stock	—	—	—	—	△1
Effect of applying IFRS at foreign subsidiaries	—	—	—	—	△461
Changes in items other than shareholders' equity during fiscal year (net)	9,282	7,210	16,493	5,772	22,266
Total changes during fiscal year	9,282	7,210	16,493	5,772	35,215
Balance at fiscal year-end	13,297	4,534	17,831	28,410	218,131

Fiscal 2014 (April 1, 2013 to March 31, 2014)

(¥ millions)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	14,270	17,108	140,588	△78	171,889
Changes during fiscal year					
Dividends from retained earnings	—	—	△3,856	—	△3,856
Net income for the fiscal year	—	—	21,378	—	21,378
Purchases of treasury stock	—	—	—	△6	△6
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—
Total changes during fiscal year	—	—	17,521	△6	17,514
Balance at fiscal year-end	14,270	17,108	158,109	△84	189,404

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation adjustment on marketable securities	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of year	13,297	4,534	—	17,831	28,410	218,131
Changes during fiscal year						
Dividends from retained earnings	—	—	—	—	—	△3,856
Net income for the fiscal year	—	—	—	—	—	21,378
Purchases of treasury stock	—	—	—	—	—	△6
Changes in items other than shareholders' equity during fiscal year (net)	5,235	4,131	3,343	12,710	7,716	20,426
Total changes during fiscal year	5,235	4,131	3,343	12,710	7,716	37,941
Balance at fiscal year-end	18,532	8,665	3,343	30,541	36,127	256,072

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2013 April 1, 2012 to March 31, 2013	Fiscal 2014 April 1, 2013 to March 31, 2014
Cash flows from operating activities		
Income before income taxes	33,004	46,596
Depreciation	17,827	21,522
Equity in earnings of affiliated companies	△4	△11
Provision for allowance for doubtful accounts	△99	164
Provision for accrued retirement benefits	996	—
Net defined liability for retirement benefits	—	781
Provision for reserve for bonuses	△46	141
Reserve for product warranties	100	5,193
Interest and dividends received	△1,143	△2,463
Interest payments	574	828
Gain on sale of marketable and investment securities	△502	△983
Loss on sale of marketable and investment securities	3,031	—
Loss on sale of property and equipment	233	306
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	—	5,965
Increase or decrease in trade notes and accounts receivable	2,970	△8,330
Increase or decrease in inventories	987	△10,508
Increase in other current assets	△9,347	△8,051
Increase in trade notes and accounts payable	2,800	14,524
Increase or decrease in accrued expenses and other current liabilities	394	△1,166
Directors' and corporate auditors' bonuses paid	△317	—
Provision for administrative monetary penalty	3,428	—
Others	△1,118	769
Subtotal	53,768	65,277
Interest and dividends received	1,143	2,463
Interest paid	△574	△828
Damages paid	△604	△5,371
Administrative monetary penalty paid	—	△9,393
Income taxes paid	△11,595	△16,576
Net cash provided by operating activities	42,138	35,572
Cash flows from investing activities		
Payments into time deposits	△52,785	△65,390
Proceeds from the redemption of time deposits	34,959	52,050
Payments for purchase of marketable and investment securities	△16	△16
Proceeds from sale of marketable and investment securities	2,256	9,221
Acquisition of property and equipment	△27,103	△32,906
Proceeds from sale and disposal of property and equipment	149	356
Payments for new loans receivable	△16	△12
Proceeds from repayments on loans receivable	56	40
Others	553	627
Net cash used in investing activities	△41,947	△36,030

(¥ millions)

	Fiscal 2013 April 1, 2012 to March 31, 2013	Fiscal 2014 April 1, 2013 to March 31, 2014
Cash flows from financing activities		
Increase in short-term loans payable	1,723	8,558
Increase in long-term debt	1,874	3,934
Repayment of long-term debt	△914	△1,125
Payments for repurchase of treasury stock	△1	△6
Proceeds from stock issuance to non-controlling shareholders	—	888
Dividends paid	△3,214	△3,857
Dividends paid to non-controlling shareholders	△2,280	△3,015
Net cash provided by or used in financing activities	△2,812	5,377
Effect of exchange rate changes on cash and cash equivalents	1,396	838
Increase or decrease in cash and cash equivalents	△1,225	5,758
Cash and cash equivalents at beginning of year	23,217	21,992
Cash and cash equivalents at end of year	21,992	27,750

**(5) Notes to Consolidated Financial Statements
(Going Concern Assumption)**

None

(Changes in Accounting Principles)

From the fiscal year under review, Koito has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of May 17, 2012), and the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 of May 17, 2012). (However, Article 35 of the “Accounting Standard for Retirement Benefits” and Article 67 of the “Guidance on Accounting Standard for Retirement Benefits” are excluded from this application.) As a result, Koito changed its accounting method to record a net defined liability and net defined asset for retirement benefits for the amount calculated by deducting plan assets from defined benefit obligations. Accordingly, Koito recorded in net defined benefits, unrecognized actuarial gains and losses, and unrecognized prior service costs.

The current financial statements conform to the treatment as defined in Article 37 of the “Accounting Standard for Retirement Benefits.” Koito reflected the impact of the accounting change by making adjustments in the defined benefit plans under accumulated other comprehensive income in the fiscal year under review.

As a result, Koito recorded an increase in accumulated other comprehensive income of ¥3,343 million at the end of the fiscal year under review.

(Segment Information)

a. Segment Information

1. Overview of Reporting Segments

The Koito Group produces primarily automotive lighting equipment in Japan and overseas, and supplies products to countries around the world as a global supplier. Each local subsidiary is an independent business entity, and the Group does business by establishing a comprehensive plan for each region. The Company's five reporting segments are therefore geographical segments based on production and sales structures, comprising Japan, North America, China, Asia and Europe.

Within each of these geographical segments are segments that produce and sell automotive lighting equipment, railroad car control equipment, aircraft components, and seats for railroad cars and aircraft.

2. Calculation for Net Sales, Segment Income or Loss, Assets, Liabilities and Others of Reporting Segments

Accounting treatment for reporting segments conforms to the principles and treatment described in “Significant Accounting Policies Used in Preparation of Consolidated Financial Statements.”

Income of reporting segments is based on operating income.

Inter-segment sales and transfers are based on general market prices.

3. Information Concerning Net Sales and Operating Income or Loss for Each Segment

I Fiscal 2013 (April 1, 2012 to March 31, 2013)

(¥ millions)

	Japan	North America	China	Asia	Europe	Total	Adjustment (Note 1)	Amount recorded on consolidated statements of income
Net sales								
Sales to outside customers	261,568	62,869	94,070	42,798	11,536	472,843	—	472,843
Inter-segment sales and transfers	112,629	6	1,593	4,515	12,721	131,466	(131,466)	—
Total	374,197	62,876	95,663	47,314	24,258	604,310	(131,466)	472,843
Segment operating income or loss	26,790	1,188	6,155	4,294	△928	37,500	167	37,668
Segment assets	192,126	38,179	72,676	38,885	11,880	353,749	64,338	418,087
Other items								
Depreciation	10,575	2,074	2,519	2,017	569	17,757	69	17,827
Increase in property, plant and equipment and intangible fixed assets	8,320	3,680	2,208	7,249	826	22,285	—	22,285

Notes: 1. Adjustments are as follows:

- (1) The ¥167 million adjustment in segment operating income includes ¥3,991 million in intersegment eliminations and ¥△3,824 million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the Head Office of the parent company.

- (2) The ¥64,338 million adjustment in segment assets includes ¥△98,632 million in intersegment eliminations, ¥50,711 million in surplus operational funds at the parent company (cash and time deposits), ¥110,361 million in long-term investments (investment securities, etc.) and ¥1,898 million in the Head Office building, etc.
- (3) The ¥69 million adjustment of depreciation expenses are the fixed assets amortization expenses for the parent company's Head Office.
2. The breakdown of countries and regions other than Japan and China is as follows:
- (1) North America: United States and Mexico
- (2) Asia: Thailand, Republic of Indonesia, Taiwan and India
- (3) Europe: Belgium, United Kingdom and Czech Republic
3. Segment operating income or loss is adjusted to the operating income in the "Consolidated Statements of Income and Comprehensive Income."

II Fiscal 2014 (April 1, 2013 to March 31, 2014)

(¥ millions)

	Japan	North America	China	Asia	Europe	Total	Adjustment (Note 1)	Amount recorded on consolidated statements of income
Net sales								
Sales to outside customers	277,167	93,580	149,846	57,285	19,171	597,502	—	597,502
Inter-segment sales and transfers	122,215	—	5,076	5,007	20,521	152,820	(152,820)	—
Total	399,833	93,580	154,922	62,292	39,693	750,322	(152,820)	597,502
Segment operating income or loss	30,346	1,524	9,519	6,433	895	48,719	787	49,506
Segment assets	200,127	60,485	93,794	44,383	20,240	419,031	64,061	483,093
Other items								
Depreciation	10,971	3,384	3,268	3,072	761	21,458	63	21,522
Increase in property, plant and equipment and intangible fixed assets	10,141	8,481	9,701	4,905	1,331	34,561	—	34,561

Notes: 1. Adjustments are as follows:

- (1) The ¥787 million adjustment in segment operating income includes ¥4,868 million in intersegment eliminations and ¥△4,081 million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the Head Office of the parent company.
- (2) The ¥64,061 million adjustment in segment assets includes ¥△115,136 million in intersegment eliminations, ¥61,116 million in surplus operational funds at the parent company (cash and time deposits), ¥116,497 million in long-term investments (investment securities, etc.) and ¥1,584 million in the Head Office building, etc.
- (3) The ¥63 million adjustment of depreciation expenses are the fixed assets amortization expenses for the parent company's Head Office.
2. The breakdown of countries and regions other than Japan and China is as follows:
- (1) North America: United States and Mexico
- (2) Asia: Thailand, Republic of Indonesia, Taiwan and India
- (3) Europe: Belgium, United Kingdom and Czech Republic
3. Segment operating income or loss is adjusted to the operating income in the "Consolidated Statements of Income and Comprehensive Income."

(Per Share Information)

Fiscal 2013 April 1, 2012 to March 31, 2013		Fiscal 2014 April 1, 2013 to March 31, 2014	
Net assets per share	¥1,180.61	Net assets per share	¥1,368.72
Net income per share	¥103.46	Net income per share	¥133.04
Net income per share after adjustment for dilution is not shown because although treasury-stock stock options were introduced and there is treasury stock, after adjustment there is no dilution effect.		Net income per share after adjustment for dilution is not shown because although treasury-stock stock options were introduced and there is treasury stock, after adjustment there is no dilution effect.	

(Note) The following shows the basis for calculation of net income per share.

	Fiscal 2013 April 1, 2012 to March 31, 2013	Fiscal 2014 April 1, 2013 to March 31, 2014
Net income per share		
Net income	¥16,625 million	¥21,378 million
Amount not attributable to common stock	—	—
Net income associated with common stock	¥16,625 million	¥21,378 million
Average number of shares outstanding during the period	160,698 thousand shares	160,696 thousand shares

(Significant Subsequent Events)

None

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(¥ millions)

	Fiscal 2013 As of March 31, 2013	Fiscal 2014 As of March 31, 2014
Assets		
Current assets:		
Cash and time deposits	50,711	61,116
Notes receivable	349	361
Electronically recorded monetary claims-operating	6,820	6,236
Accounts receivable-trade	34,505	40,809
Finished products	3,798	4,848
Work in progress	863	910
Raw materials and supplies	3,945	4,606
Accrued income	15,098	14,904
Short-term loans receivable	60	333
Deferred income tax assets	2,171	2,195
Other current assets	260	244
Less: Allowance for doubtful receivables	△12,211	△12,220
Total current assets	106,372	124,346
Fixed assets:		
Property, plant and equipment:		
Buildings (net)	10,681	9,946
Structures (net)	649	587
Machinery (net)	1,616	1,370
Transportation equipment (net)	102	104
Fixtures, equipment and tools (net)	2,332	2,563
Land	7,102	6,847
Construction in progress	—	—
Total property, plant and equipment	22,485	21,420
Intangible fixed assets:		
Telephone subscription rights	37	37
Other intangible fixed assets	84	347
Total intangible fixed assets	121	384
Investments and other assets:		
Investment securities	53,564	51,320
Shares of affiliated companies	44,919	53,299
Investments in affiliated companies	11,877	11,877
Long-term loans	55	24
Deferred income tax assets	8,300	5,388
Guarantee deposits	500	493
Other investments	680	18
Less: Allowance for doubtful accounts	△134	△136
Total investments and other assets	119,763	122,286
Total fixed assets	142,369	144,092
Total assets	248,742	268,438

(¥ millions)

	Fiscal 2013 As of March 31, 2013	Fiscal 2014 As of March 31, 2014
Liabilities		
Current liabilities:		
Notes and accounts payable	40,935	48,067
Accrued amount payable	1,193	1,461
Accrued expenses	10,482	5,922
Allowance for employees' bonuses	3,529	3,526
Reserve for product warranties	1,800	2,151
Provision for administrative monetary penalty	3,428	—
Income taxes payable	5,559	5,623
Other current liabilities	950	563
Total current liabilities	67,879	67,316
Non-current liabilities:		
Allowance for retirement benefits	21,796	22,634
Allowance for losses on overseas investments	7,000	7,000
Reserve for product warranties	—	4,841
Allowance for environmental strategies	24	15
Other non-current liabilities	1,235	1,095
Total non-current liabilities	30,055	35,586
Total liabilities	97,935	102,902
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital		
Capital reserve	17,107	17,107
Other additional paid-in capital	0	0
Total additional paid-in capital	17,108	17,108
Retained earnings		
Profit reserve	3,567	3,567
Other retained earnings		
Reserve for reductions of asset costs	799	799
Other reserve	80,000	80,000
Retained earnings brought forward	22,436	31,944
Total retained earnings	106,803	116,311
Treasury common stock, at cost	△78	△84
Total shareholders' equity	138,104	147,605
Revaluations and translation adjustments:		
Valuation adjustment on marketable securities	12,702	17,929
Total revaluations and translation adjustments	12,702	17,929
Total net assets	150,807	165,535
Total liabilities and net assets	248,742	268,438

(2) Non-consolidated Statements of Income

(¥ millions)

	Fiscal 2013 April 1, 2012 to March 31, 2013	Fiscal 2014 April 1, 2013 to March 31, 2014
Net sales	230,263	245,412
Cost of sales	194,563	208,505
Gross profit	35,699	36,907
Selling, general and administrative expenses:		
Selling expenses	8,970	9,088
General and administrative expenses	9,118	9,733
Total selling, general and administrative expenses	18,088	18,821
Operating income	17,611	18,085
Non-operating income:		
Interest income	77	126
Marketable securities interest income	239	1,126
Dividend income	3,771	5,889
Royalty income, other	2,892	3,530
Rent income	569	567
Miscellaneous income	392	556
Total non-operating income	7,943	11,795
Non-operating expenses:		
Miscellaneous expenses	423	23
Total non-operating expenses	423	23
Recurring profit	25,130	29,857
Extraordinary gains:		
Gain on sale of investment securities	757	984
Gain on sale of fixed assets	—	20
Total extraordinary gains	757	1,005
Extraordinary losses:		
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	—	5,965
Loss on sale and disposal of fixed assets	171	232
Provision for administrative monetary penalty	3,428	—
Loss on revaluation of investment securities	3,030	—
Loss on valuation of stocks of affiliates	1,018	—
Loss on sale of investment securities	254	—
Total extraordinary losses	7,904	6,197
Income before income taxes	17,983	24,665
Income taxes	8,111	11,228
Income tax adjustment	△1,312	72
Total income taxes	6,798	11,301
Net income	11,184	13,364

(3) Non-consolidated Changes in Shareholders' Equity
Fiscal 2013 (April 1, 2012 to March 31, 2013)

(¥ millions)

	Shareholders' equity								
	Common stock	Additional paid-in capital			Profit reserve	Retained earnings			Total retained earnings
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital		Other retained earnings			
					Reserve for reductions of asset costs	Other reserve	Retained earnings brought forward		
Balance at beginning of year	14,270	17,107	0	17,108	3,567	810	80,000	14,454	98,832
Changes during fiscal year									
Reserve for reduction of asset costs	—	—	—	—	—	—	—	—	—
Reversal of reserve for reduction of asset costs	—	—	—	—	—	△11	—	11	—
Dividends of retained earnings	—	—	—	—	—	—	—	△3,213	△3,213
Net income	—	—	—	—	—	—	—	11,184	11,184
Acquisition of treasury stock	—	—	—	—	—	—	—	—	—
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—	—	—	—	—
Total changes during fiscal year	—	—	—	—	—	△11	—	7,982	7,971
Balance at fiscal year-end	14,270	17,107	0	17,108	3,567	799	80,000	22,436	106,803

	Shareholders' equity		Revaluations and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation adjustment on marketable securities	Total revaluations and translation adjustments	
Balance at beginning of year	△76	130,134	4,055	4,055	134,190
Changes during fiscal year					
Reserve for reduction of asset costs	—	—	—	—	—
Reversal of reserve for reduction of asset costs	—	—	—	—	—
Dividends of retained earnings	—	△3,213	—	—	△3,213
Net income	—	11,184	—	—	11,184
Acquisition of treasury stock	△1	△1	—	—	△1
Changes in items other than shareholders' equity during fiscal year (net)	—	—	8,646	8,646	8,646
Total changes during fiscal year	△1	7,969	8,646	8,646	16,616
Balance at fiscal year-end	△78	138,104	12,702	12,702	150,807

Fiscal 2014 (April 1, 2013 to March 31, 2014)

(¥ millions)

	Shareholders' equity								
	Common stock	Additional paid-in capital			Profit reserve	Retained earnings			
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital		Other retained earnings			Total retained earnings
					Reserve for reductions of asset costs	Other reserve	Retained earnings brought forward		
Balance at beginning of year	14,270	17,107	0	17,108	3,567	799	80,000	22,436	106,803
Changes during fiscal year									
Reserve for reduction of asset costs	—	—	—	—	—	10	—	△10	—
Reversal of reserve for reduction of asset costs	—	—	—	—	—	△10	—	10	—
Dividends of retained earnings	—	—	—	—	—	—	—	△3,856	△3,856
Net income	—	—	—	—	—	—	—	13,364	13,364
Acquisition of treasury stock	—	—	—	—	—	—	—	—	—
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—	—	—	—	—
Total changes during fiscal year	—	—	—	—	—	0	—	9,507	9,507
Balance at fiscal year-end	14,270	17,107	0	17,108	3,567	799	80,000	31,944	116,311

	Shareholders' equity		Revaluations and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation adjustment on marketable securities	Total revaluations and translation adjustments	
Balance at beginning of year	△78	138,104	12,702	12,702	150,807
Changes during fiscal year					
Reserve for reduction of asset costs	—	—	—	—	—
Reversal of reserve for reduction of asset costs	—	—	—	—	—
Dividends of retained earnings	—	△3,856	—	—	△3,856
Net income	—	13,364	—	—	13,364
Acquisition of treasury stock	△6	△6	—	—	△6
Changes in items other than shareholders' equity during fiscal year (net)	—	—	5,227	5,227	5,227
Total changes during fiscal year	△6	9,501	5,227	5,227	14,728
Balance at fiscal year-end	△84	147,605	17,929	17,929	165,535