



Koito

WORLDWIDE AUTOMOTIVE LIGHTING

2016 ANNUAL REPORT

Year ended March 31, 2016

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 2016, the period under review ended March 31, 2016, production volume in the Japanese auto industry decreased year on year due to stalled demand caused by an increase in the excise on mini vehicles, among other factors. Overseas, production volume increased in North America, Western Europe and China, but it declined in other places such as the ASEAN countries, Russia and South America. As a result, global automobile production volume as a whole was almost as the same as the previous fiscal year.

The consolidated performance of the Koito Group for fiscal 2016 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 fourth consecutive fiscal year of record business performance.

Looking ahead, global automobile production is expected to expand, mainly driven by growing demand in the U.S. and China, even as production volume in Japan is assumed to decrease.

Under these situations, in order to increase sales of automotive lighting equipment in the mid- and long-term perspective, the Koito Group is working to reinforce its production capacity and strengthen its product development capability around the five major regions of the world (Japan, North America, Europe,

China, and Asia). In September 2014, a new plant of North American Lighting Mexico, S.A. de C.V. started production, and in June 2016, a new plant of Hubei Koito Automotive Lamp Co., Ltd. in China commenced operations.

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.

The Koito Group, with our corporate message “Lighting for Your Safety,” strives to develop our mainstay automotive lighting equipments in order to contribute to society.

As a leading automotive lighting equipment manufacturer, we will continue to develop the newest and best technologies, improve the performance and quality of our products, enrich education 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 2016



M. Otake

Masahiro Otake
Chairman and CEO

Hiroshi Mihara

Hiroshi Mihara
President and COO

FINANCIAL OVERVIEW AND MEDIUM-TERM OUTLOOK

Fiscal 2016 Results

During fiscal 2016, the period under review, the Japanese economy continued to stagnate due to sluggish personal consumption and exports, despite improvements in corporate earnings and capital expenditure. Meanwhile, in spite of a firm trend in the U.S. economy, the global economy continued to decelerate as a whole, primarily due to deceleration in the economy of China and other emerging countries, decrease in exports from resource-rich countries, fluctuation in stock prices and exchange rates, and geopolitical risks in the Middle East and other areas.

In the Japanese auto industry, production volume decreased year on year due to stalled demand caused by an increase in the excise on mini vehicles, among other factors. Overseas, production volume increased in North America, Western Europe and China, but it declined in other places such as the ASEAN countries, Russia and South America. As a result, global automobile production volume as a whole was almost as same as the previous fiscal year.

In this climate, the Koito Group reported consolidated net sales of ¥813.4 billion, up 15.1% year on year. This was due to sales growth in the mainstay automotive lighting equipment segment, driven by a shift in the lamps to LED and an increase in

orders for automobile lamps. On the earnings front, operating income was ¥82.2 billion, up 28.2% year on year. The increase was mainly attributable to revenues rising in Japan, as well as other segments of North America, China, Asia, and Europe, and contribution from the full operation at our subsidiary in Mexico. Recurring profit increased 26.0% to ¥84.2 billion. Profit attributable to owners of parent increased 28.4% year on year to ¥46.3 billion, marking the fourth consecutive fiscal year of record business performance, even though consolidated subsidiary KI HOLDINGS CO., LTD. recorded a loss on compensation for damages related to aircraft seats.

KOITO's basic policy is to pay steady and sustainable dividends in comprehensive consideration of factors such as its earnings performance and business climate in any given fiscal year. Based on this policy, KOITO had paid a year-end dividend of ¥20 per share.

Including the interim dividend, this has resulted in a full year dividend of ¥36 per share applicable to fiscal 2016.

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)
	2014	2015	2016	2016
Annual:				
Net sales	¥597,502	¥706,470	¥813,477	\$7,219,355
Operating income	49,506	64,155	82,218	729,659
Profit attributable to owners of parent	21,378	36,060	46,303	410,925
Per share (yen and U.S. dollars):				
Net income	¥ 133.04	¥ 224.41	¥ 288.15	\$ 2.56
Year-end:				
Total assets	¥483,093	¥575,268	¥588,683	\$5,224,378
Total equity	256,072	316,826	329,671	2,925,727

Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥112.68 = US\$1, the rate prevailing on March 31, 2016.
2. The above total equity includes non-controlling interests.

Outlook for Fiscal 2017

Compared to the previous fiscal year, the global automobile production is expected to pick up slightly due to an increase in North America and China, although the production in Japan is assumed to decrease.

As regards KOITO's business forecasts for fiscal 2017, the fiscal year ending March 31, 2017, net sales are projected to increase in Japan due to the expansion of new orders and the market transition to LED automotive lamps. For overseas business, while new orders are expected to grow and the market to shift to LED automotive lamps mainly in North America,

consolidated net sales are expected to fall from the previous fiscal year due to the effect of yen's appreciation.

On the earnings front, operating income and recurring profit are likely expected to decrease compared to the previous fiscal year due to the exchange rate conversion in overseas as well as increased revenue in Japan. However, profit attributable to owners of parent is expected to rise. This is due to the rebound from a loss on the settlement of damages related to aircraft seats at consolidated subsidiary KI HOLDINGS CO., LTD. that KOITO recorded in fiscal 2015.



Hiroshi Mihara
President and COO

Medium-Term Outlook

In the automobile industry, international competition and production in optimum locations continues to accelerate as the 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 the U.S. and in emerging markets such as China, Thailand, Indonesia and India.

We believe these medium- and long-term trends in the automobile industry will present considerable business opportunities for the Koito Group. The Group currently conducts its businesses in its 14 production bases located in 9 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 requirement. 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.

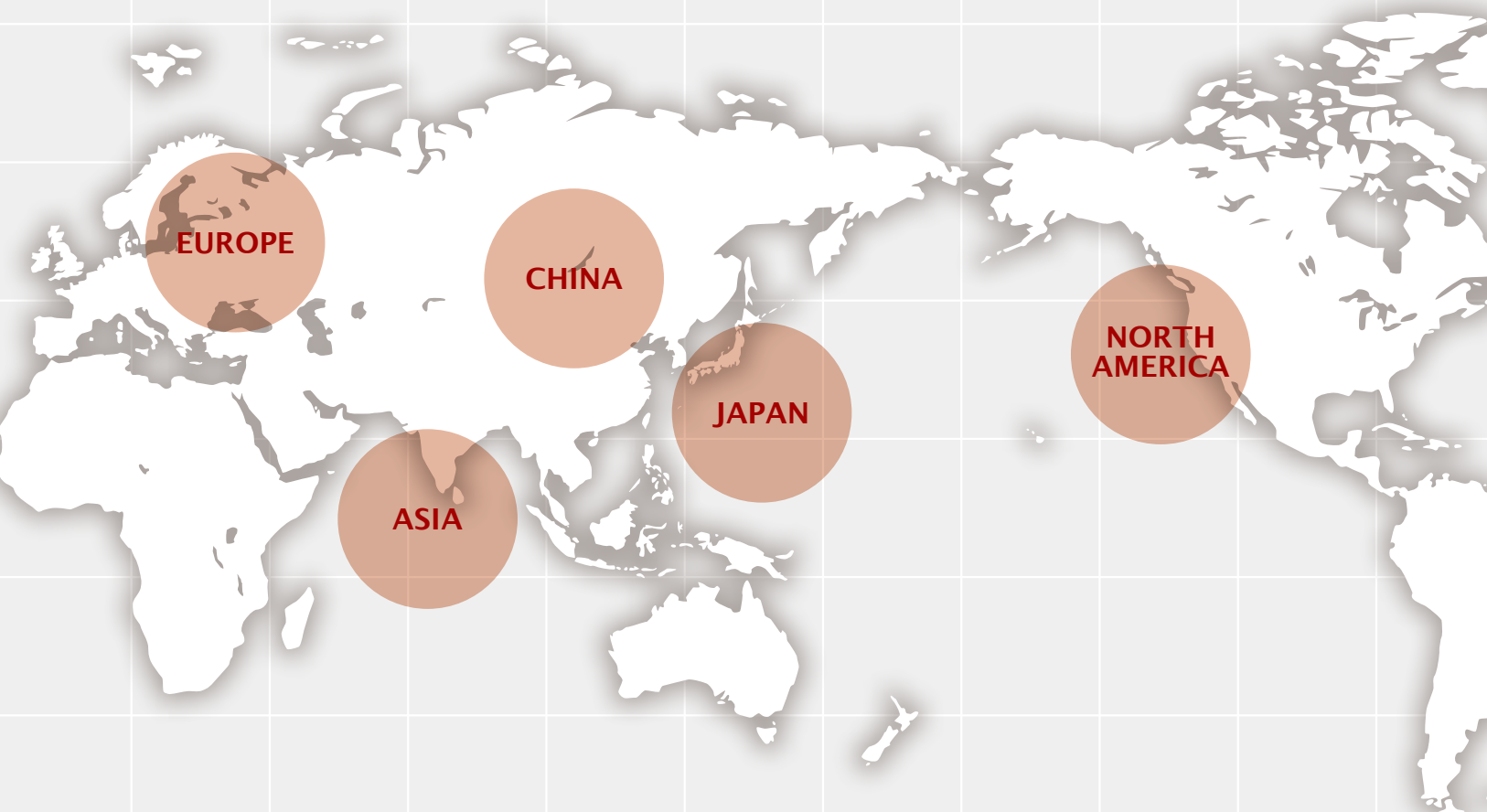
The Koito Group is also conducting its businesses with other products and services; road traffic control systems, LED displays, electronic aircraft components and hydraulic equipment, and seats for railroad cars such as the bullet train. We are striving to develop new products in order to expand our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

As the company conducting business on the basis of CSR (corporate social responsibility), 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

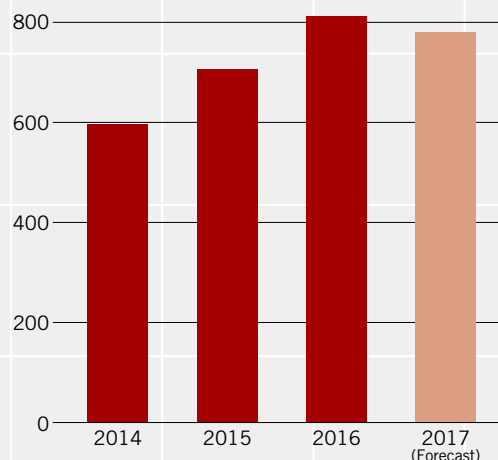
OUTLOOK FOR MEDIUM-TERM GLOBAL STRATEGIES



Consolidated net sales of the Koito Group for fiscal 2017 are projected to be ¥780.0 billion, mainly due to an increase in new orders and a shift in automobile lamps to LED, despite some offset by the foreign exchange effect.

CONSOLIDATED NET SALES

Years ended March 31,
(Billions of yen)

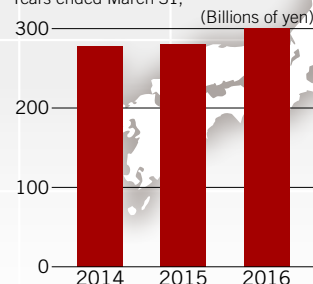


JAPAN

In fiscal 2016, Japan's automobile production decreased year on year to the 9.2 million unit level mainly due to sluggish sales brought on by the increase in the excise on mini vehicles.

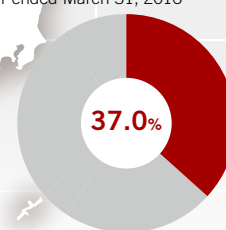
NET SALES [Japan]

Years ended March 31,



SHARE OF SALES [Japan]

Year ended March 31, 2016



KOITO MANUFACTURING CO., LTD.

In fiscal 2016, net sales of KOITO MANUFACTURING increased 7.7% year on year to ¥270.8 billion, mainly as the result of a shift of automobile lamps to LED, while Japanese automobile production volume decreases.

On the earnings front, KOITO MANUFACTURING reported operating income of ¥21.5 billion, a 10.1% increase from the previous year, while recurring profit increased 11.8% to ¥36.9 billion. These increases reflected measures to an increase in sales, in addition to the decrease in unit costs. Net income declined by 6.7% to ¥21.8 billion, in part due to the recording of loss on valuation of shares of subsidiaries and affiliates.

KOITO made total capital expenditures of ¥11.2 billion primarily

for the redevelopment of domestic plants, the development of new products and model changes in the automotive lighting equipment segment, and for new facilities needed for quality enhancements, rationalizations and cost-cutting measures, as well as molds and industrial tools.

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

In order to respond to automaker's production in the Kyushu region, KOITO KYUSHU LIMITED was established in November 2005. The plant commenced operation in October 2006, to build a mutually complementary supply network and structure through collaboration with KOITO MANUFACTURING. In September 2008, as the production volume increases, the second plant commenced operation.

Net sales of KOITO KYUSHU in fiscal 2016 increased 31.2% year on year to ¥53.1 billion due to a shift in automobile lamps to LED.



KOITO KYUSHU LIMITED Head Office and Plant

KI HOLDINGS CO., LTD.

KI HOLDINGS' consolidated net sales for fiscal 2016 (the period from April 1, 2015 to March 31, 2016) decreased 2.2% year on year to ¥53.0 billion.

Results by segment were as follows:

[Transportation Equipment Segment]

Segment sales decreased 1.5% year on year to ¥27.9 billion, as a result of decreased sales in the railroad car equipment business for China.

[Electrical Equipment Segment]

Segment sales decreased 2.4% year on year to ¥23.2 billion, as a result of decreased sales in the lighting, information systems, and traffic systems businesses.

[Home Appliances and Environment Segment]

Segment sales decreased 11.3% year on year to ¥1.8 billion, due to sales having fallen 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 CO., LTD. Head Office and Plant

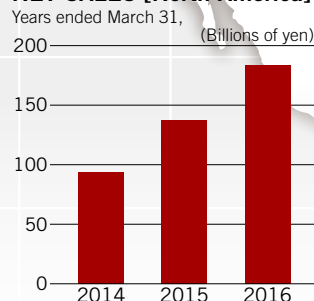


KOITO ELECTRIC INDUSTRIES, LTD. Head Office and Fuji Nagaizumi Plant

NORTH AMERICA

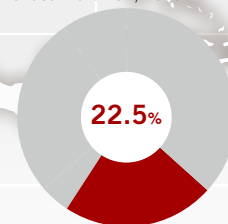
In fiscal 2016, automobile production in North America increased from the previous year to 17.8 million units due to a continued increase in demand.

NET SALES [North America]



SHARE OF SALES [North America]

Year ended March 31, 2016



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

NAL conducts production operations at the 4 plants at Paris, Flora and Salem in Illinois, and a plant in Alabama. NAL also produces molding dies at a tooling plant in Indiana. Research and development is conducted at its Technical Center in the city of Farmington Hills in Michigan.

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

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

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

In fiscal 2016, net sales in the North American business increased 33.8% over the previous fiscal year to ¥183.1 billion mainly due to an increase in automobile production and new orders accompanying an increase in automobile demand. Also contributing were a shift in automotive lighting equipment to LED and full operations at NAL Mexico.



NAL Head Office (Paris)



NAL Mexico



NAL Paris Plant



NAL Flora Plant



NAL Salem Plant



NAL Alabama Plant



NAL Indiana Tooling Plant

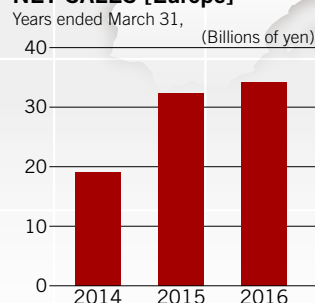


NAL Technical Center

EUROPE

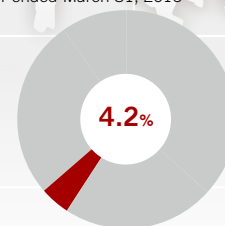
Automobile production in Europe increased from the previous year to over 16.5 million units in fiscal 2016 as demand continued to recover primarily in Western Europe.

NET SALES [Europe]



SHARE OF SALES [Europe]

Year ended March 31, 2016



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

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

In fiscal 2016, net sales in the European business increased 5.7% year on year to ¥34.1 billion, mainly driven 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

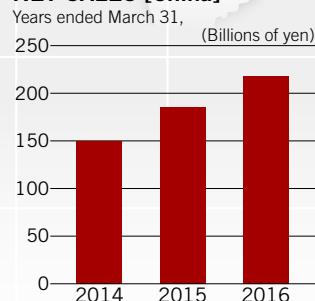


KCZ Technical Section

CHINA

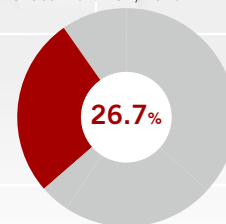
Automobile production in China exceeded 24.5 million units overall in fiscal 2016 due to a tax reduction on compact cars.

NET SALES [China]



SHARE OF SALES [China]

Year ended March 31, 2016



KOITO has been developed its automotive lighting equipment business in China through three companies: Shanghai Koito Automotive Lamp Co., Ltd. (Shanghai Koito), GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (GUANGZHOU KOITO), and FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (FUZHOU KOITO TAYIH). In response to an increase in new orders in Central China, Hubei Koito Automotive Lamp Co., Ltd. (Hubei Koito) was established in September 2014, and launched

operations in June 2016.

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

Net sales in China rose 17.4% year on year to ¥217.4 billion. This was mainly due to an increase in automobile production volume with a tax reduction on compact cars, as well as an increase in new orders and a shift in automobile lamps to LED.



Shanghai Koito First and Second Plants



Shanghai Koito Third Plant



Shanghai Koito Technical Center



GUANGZHOU KOITO



FUZHOU KOITO TAYIH



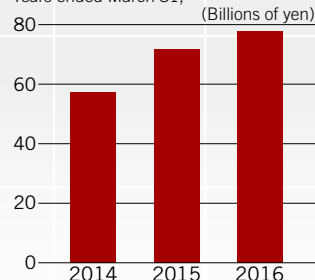
Hubei Koito

ASIA

Automobile production in Asia remained flat from the previous year in fiscal 2016 due to a decrease in production in Thailand, Indonesia and elsewhere, despite output increasing in India.

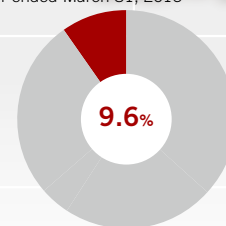
NET SALES [Asia]

Years ended March 31,



SHARE OF SALES [Asia]

Year ended March 31, 2016



In Asia, KOITO's business is developed by four 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 2016, net sales in the Asia business increased 8.4% year on year to ¥77.8 billion mainly due to an increase in new orders in Thailand and Indonesia, and a shift in motorcycle lamps to LED.

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



PT. INDONESIA KOITO



Ta Yih Industrial



IJL Chennai Plant



IJL Bawal Plant

RESEARCH AND DEVELOPMENT

The Koito Group makes full use of electronics and other cutting-edge technologies, and conducts R&D activities to develop unique systems and multi-functional products to improve safety.

At the same time, under the theme of “Eco-Friendly Manufacturing for people and the Earth”, 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 the NAL Technical Center in North America, KCZ's Technical Section in Europe, the Shanghai Koito Technical Center in China, and the THAI KOITO Technical Center in Asia. As of March 31, 2016, the number of personnel engaged in the Koito Group's R&D activities stood at 2,862.

In fiscal 2016, R&D expenditure totaled ¥32.6 billion (4% of consolidated net sales); ¥14.8 billion in Japan and ¥17.8 billion in North America, China, Asia and Europe.



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 automatic 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

Concept Model 'HiResView'

A next-generation lighting concept for automatic driving society.



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.

North America, China, Asia and Europe

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

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.

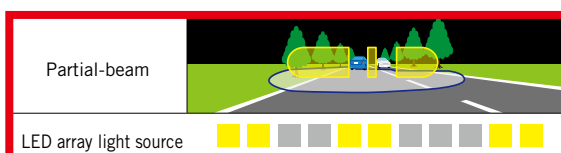
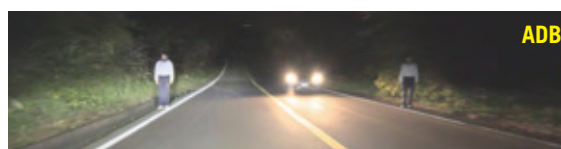
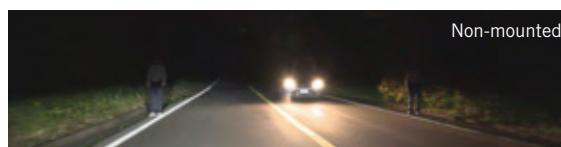
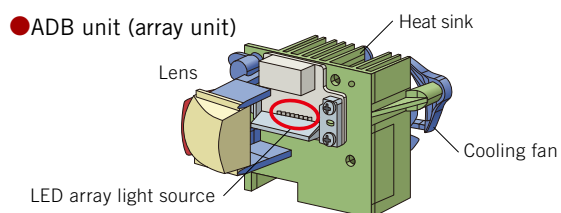
To this end, KOITO developed the LED Compact-Bi-function, a headlamp using one LED light source to switch between high-beam and low-beam, and became the first in the world to succeed in its mass production. In the process, KOITO has revamped its optical technologies, and the LED units have become more energy efficient, compact and lightweight.

At the same time, KOITO is leveraging the compact and lightweight characteristics of LED units to bring daring and innovative lamp designs to life, such as the L-shaped and triple-eyed multiple lighting LED headlamp we commercialized.



Development of the Adaptive Driving Beam (ADB)

The ADB system, with an onboard camera and image sensor, automatically controls the light distribution of the high beam. This next-generation headlamp system illuminates a wide visual environment in front of the driver while controlling the light distribution patterns of the high beam to ensure that the glare from the beam does not impact on oncoming vehicles or vehicles in front.



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.

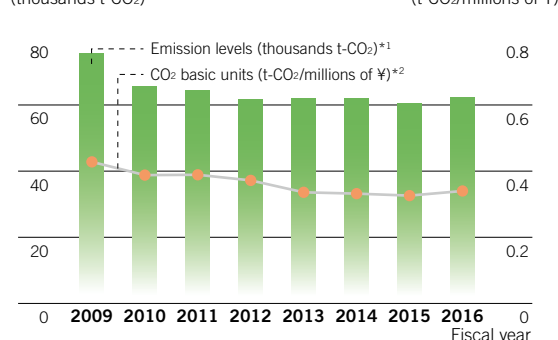
To help prevent global warming, KOITO promotes initiatives to reduce energy losses, including making efforts to save energy and improve production efficiency, and initiatives to reduce CO₂ emissions. KOITO also promotes the conversion from heavy-oil fuels to electricity or gas, both of which entail only 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.

CO₂ Emissions and CO₂ Basic Units

(thousands t-CO₂)

(t-CO₂/millions of ¥)



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

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

Koito Group Environmental Management System

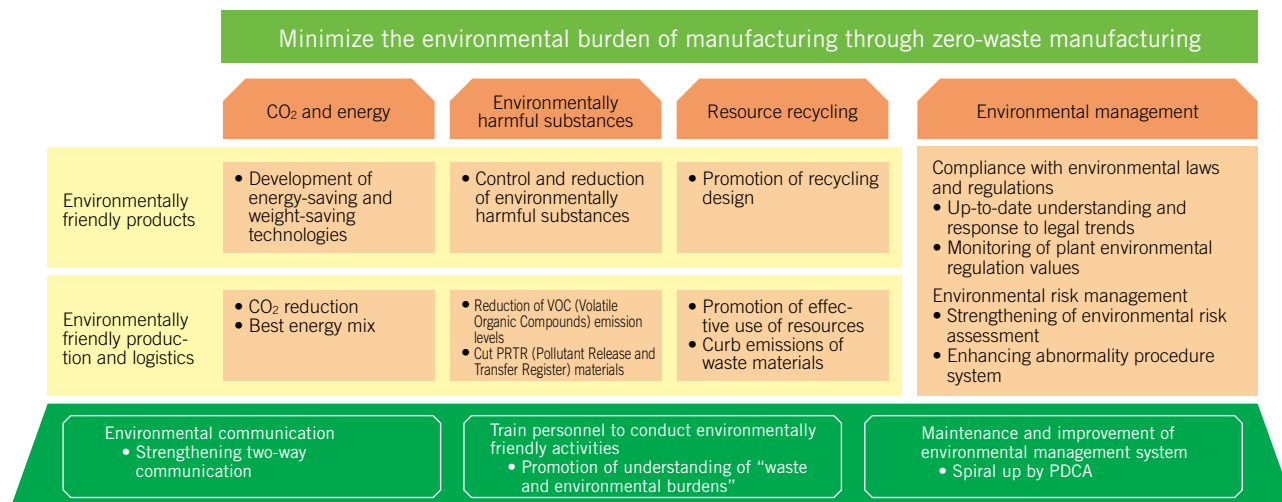
In developing its operations globally, the Koito Group recognizes the need to further enhance its environmental preservation systems. Our ongoing efforts in this regard include building environmental management systems and obtaining environmental certification at our affiliated companies.

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

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

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

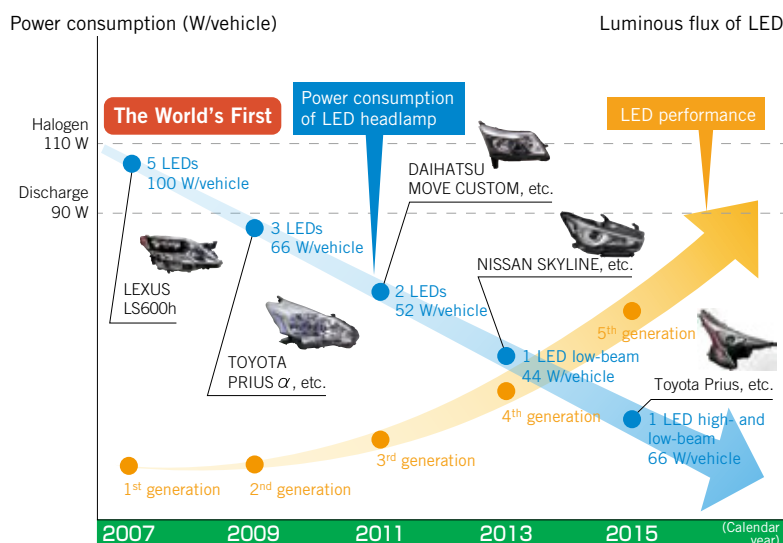
Basic Approach to Environmental Activities



Saving Electric Power with LED Headlamps

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.

KOITO has worked to improve the performance of LED chips, and to lessen the number of LED chips required for headlamp performance. As a result, the power consumption of LED headlamps is becoming less every year, and this contributes to the improved fuel consumption of vehicles together with CO₂ reductions.



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.

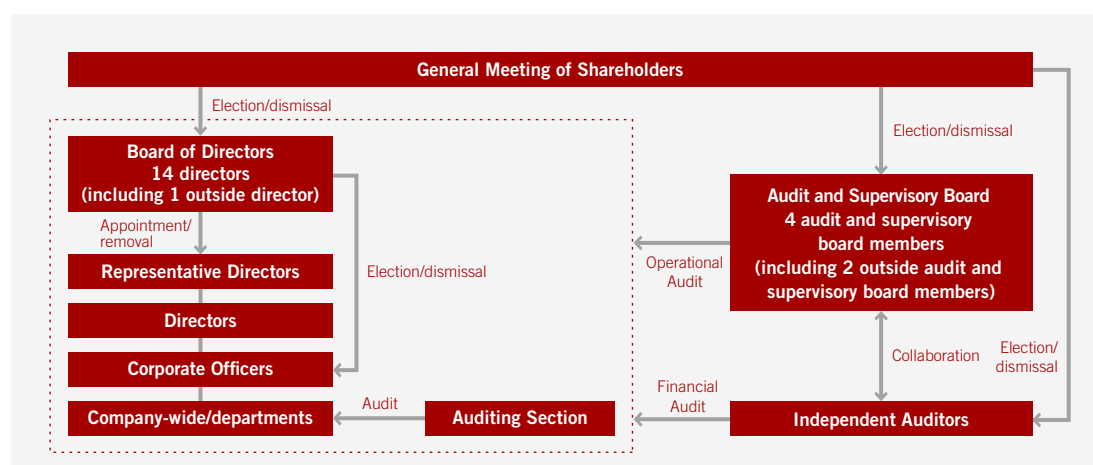
Along with significantly reducing energy consumption in the production stage by simplifying and downsizing the facilities, our plants are built on one floor with a simplified building structure to maximize natural ventilation and the intake of sunlight to save energy.



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). To do this, KOITO places the highest managerial priority on enhancing corporate governance and strengthening 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 1 outside director), 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 such means as their participation in meetings of the Board of Directors, and surveys of the Company's operations and financial condition. Moreover, the standing 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

For internal audits, audits by the corporate auditors and accounting audits, the internal audit function is delegated primarily to the Internal Audit Office of the Auditing Section, and the corporate auditors and independent auditors receive regular reports from the Auditing Section on the audit plan, methods, and results, while exchanging information as necessary.

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, Atsushi Sasayama, Yasushi Onuki and Tsuguhiro Tsukakoshi from KOITO's independent auditor, accounting firm ARK MEIJI AUDIT & Co. Furthermore, six certified public accountants and two 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, 2015 was as follows:

Remuneration for Directors and Corporate Auditors:		Remuneration for the Independent Auditor:	
For directors	¥1,187 million	Fee for certification of audit	¥64 million
For corporate auditors	¥ 52 million	(Remuneration based on work stipulated by Article 2, Paragraph 1 of the Certified Public Accountants Act)	
For outside directors and outside auditors	¥ 52 million		
Total	¥1,292 million		

DIRECTORS, AUDITORS 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 Directors
Kenji Arima
Yohei Kawaguchi

Director and Senior Adviser
Takashi Ohtake

Director and Managing Corporate Officer
Masami Uchiyama
Katsuyuki Kusakawa
Hideo Yamamoto
Michiaki Kato
Hideharu Konagaya
Mineo Kobayashi

Outside Director
Haruya Uehara

■ Audit and Supervisory Board Members

Standing Audit and Supervisory Board Member
Mitsuo Kikuchi
Mikio Tsuruta

Audit and Supervisory Board Member
Koichi Kusano
Yukinobu Suzuki

■ Corporate Officers

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

Managing Corporate Officer
Osami Takikawa
Jun Toyota
Atsushi Inoue
Kiyoshi Sato
Takayuki Katsuda

Corporate Officer
Kazuhito Iwaki
Koichi Toyoda
Shinji Watanabe
Masatoshi Yoneyama
Toshiyuki Katsumata
Mamoru Murakoshi
Masahiro Otake
Yuji Higashi

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)			
	2007	2008	2009	2010
For the year:				
Net sales	¥452,520	¥470,648	¥400,232	¥408,430
Operating income	21,328	28,959	9,131	36,054
Income before income taxes	24,799	30,097	7,980	13,731
Income taxes	9,622	11,678	2,051	9,736
Net income	13,374	15,581	4,042	6,217
Amounts per share (yen and U.S. dollars):				
Net income	¥ 83.23	¥ 96.95	¥ 25.16	¥ 38.69
Cash dividends	22.00	23.00	20.00	18.00
At year-end:				
Working capital	¥ 24,182	¥ 26,813	¥ 13,091	¥ 39,512
Property, plant and equipment less accumulated depreciation	84,644	83,875	83,244	73,252
Total assets	385,300	388,585	351,869	357,530
Total equity	149,553	151,713	142,184	148,664

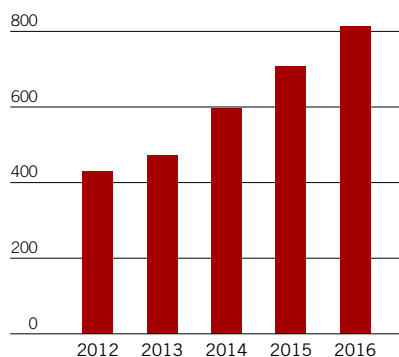
Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥112.68 = US\$1, the rate prevailing on March 31, 2016.

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.

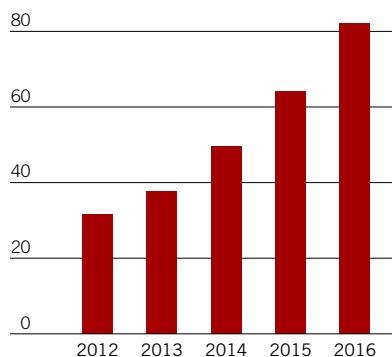
Net Sales

(Billions of yen)



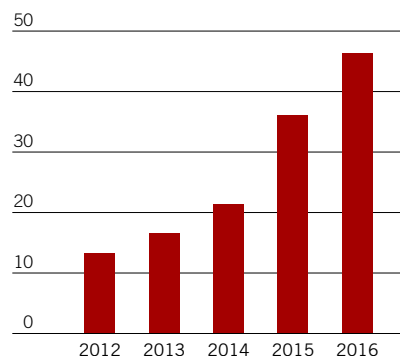
Operating Income

(Billions of yen)



Net Income

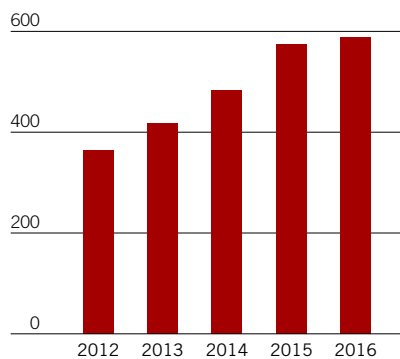
(Billions of yen)



						Thousand of U.S. dollars (except per share amounts)
2011	2012	2013	2014	2015	2016	2016
¥428,977	¥430,929	¥472,843	¥597,502	¥706,470	¥813,477	\$7,219,355
37,434	31,725	37,668	49,506	64,155	82,218	729,659
17,591	27,093	33,004	46,596	63,895	74,708	663,010
11,850	10,599	11,812	17,173	19,017	22,422	198,988
10,012	13,391	16,625	21,378	36,060	46,303	410,925
¥ 62.30	¥ 83.33	¥ 103.46	¥ 133.04	¥ 224.41	¥ 288.15	\$ 2.56
19.00	19.00	22.00	26.00	40.00	36.00	0.32
¥ 58,015	¥ 65,554	¥ 81,705	¥108,550	¥144,795	¥189,769	\$1,684,140
65,010	66,791	72,415	87,168	115,285	115,109	1,021,556
338,760	363,273	418,087	483,093	575,268	588,683	5,224,378
168,414	182,916	218,131	256,072	316,826	329,671	2,925,727

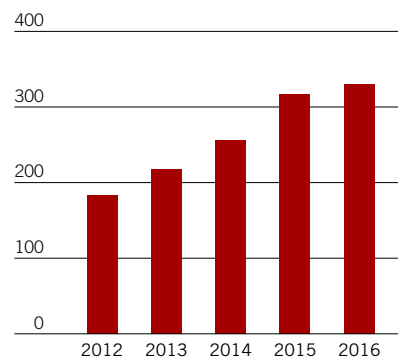
Total Assets

(Billions of yen)



Total Equity

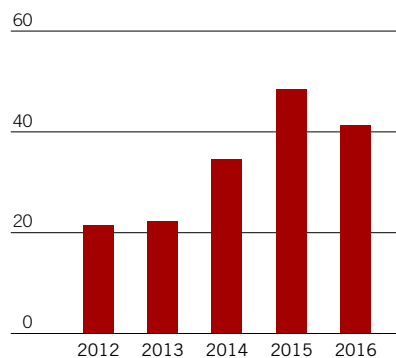
(Billions of yen)



* 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.), 28 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.

In April 2015, all business operations of consolidated subsidiary Koito Europe NV were transferred to consolidated subsidiary Koito Czech s.r.o.

NET SALES

In the Japanese auto industry, production volume decreased year on year due to stalled demand caused by an increase in the excise on mini vehicles, among other factors. Overseas, production volume increased in North America, Western Europe and China, but it declined in other places such as the ASEAN countries, Russia and South America. As a result, global automobile production volume as a whole was almost as same as the previous fiscal year.

In this climate, the Koito Group reported consolidated net sales of ¥813.4 billion, up 15.1% year on year, due to sales growth in the mainstay automotive lighting equipment segment.

EARNINGS

On the earnings front, operating income was ¥82.2 billion, up 28.2% year on year. The increase was mainly attributable to revenues rising in Japan, as well as the other segments of North America, China, Asia, and Europe, and contributions from the full operation at our subsidiary in Mexico. Recurring profit increased 26.0% to ¥84.2 billion. Profit attributable to owners of parent amounted to ¥46.3 billion, up 28.4% year on year, marking the fourth consecutive fiscal year of record business performance, even though consolidated subsidiary KI HOLDINGS CO., LTD. recorded a loss on compensation for damages related to aircraft seats.

RESULTS BY GEOGRAPHICAL SEGMENT

JAPAN

Sales in Japan increased 7.4% year on year to ¥300.7 billion. The increase was mainly attributable to a shift in automobile lamps to LED that more than offset the decrease in the domestic production volume of automobiles.

NORTH AMERICA

Sales in North America increased 33.8% year on year to ¥183.1 billion. Factors contributing to the sales increase included expanded production volume and newly gained orders, accompanied by growth in automobile demand and a shift in automobile lamps to LED, as well as a KOITO subsidiary in Mexico commencing full operation.

CHINA

Sales in China increased 17.4% year on year to ¥217.4 billion. This was mainly due to an increase in the automobile production volume with a tax reduction on compact cars, as well as an increase in new orders and a shift in automobile lamps to LED.

ASIA

Sales in Asia increased 8.4% year on year to ¥77.8 billion. Sales growth was mainly driven by an increase in new orders in Thailand and Indonesia and a shift in motorcycle lamps to LED, which more than offset the decrease in the production volume of automobiles in the ASEAN region.

EUROPE

Sales in Europe increased 5.7% year on year to ¥34.1 billion. Amid a robust trend in automobile production in the region, KOITO's sales in Europe were mainly driven by an increase in new orders and a shift in automotive lighting equipment to LED.

FINANCIAL POSITION

Total assets as of March 31, 2016 increased ¥13.4 billion to ¥588.6 billion. This was mainly due to an increase in current assets such as cash and time deposits.

Total liabilities as of March 31, 2016 increased ¥0.5 billion to ¥259.0 billion mainly due to an increase in trade notes and accounts payable.

Net assets as of March 31, 2016 increased ¥12.8 billion to ¥329.6 billion. This increase was mainly due to an increase in retained earnings.

CASH FLOWS

Operating activities provided net cash of ¥73.8 billion after payment of taxes, mainly reflecting income before income taxes of ¥74.7 billion and depreciation of ¥31.7 billion.

Investing activities used net cash of ¥62.7 billion, mainly reflecting acquisition of property and equipment of ¥42.2 billion and payments into time deposits.

Financing activities used net cash of ¥10.0 billion, the result mainly of ¥11.2 billion in dividends paid.

As a result, cash and cash equivalents as of March 31, 2016 were ¥31.8 billion, ¥1.1 billion lower than on March 31, 2015.

CAPITAL EXPENDITURES

Capital expenditures totaled ¥41.3 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 ¥16.3 billion: ¥9.0 billion in North America, ¥8.8 billion in China, ¥6.0 billion in Asia, and ¥1.0 billion in Europe.

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

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

PRESSING ISSUES

(1) THE KOITO GROUP'S CURRENT OUTLOOK

During fiscal 2016, the period under review, the Japanese economy continued to stagnate due to sluggish personal consumption and exports, despite improvements in corporate earnings and capital expenditure. Meanwhile, in spite of a firm trend in the U.S. economy, the global economy continued to decelerate as a whole, primarily due to deceleration in the economy of China and other emerging countries, decrease in exports from resource-rich countries, fluctuation in stock prices and exchange rates, and geopolitical risks in the Middle East and other areas.

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

(2) KEY ISSUES IN THE NEAR TERM

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

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

On March 22, 2013, KOITO received cease and desist orders and surcharge payment orders from the Japan Fair Trade Commission (JFTC), on suspicion of violating the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade concerning transactions for automotive lighting equipment. As a result of carefully reviewing the contents of these orders, KOITO has found that its understanding of this matter differs from that expressed in the contents of the cease and desist

orders and surcharge payment orders, and that they are unacceptable. On May 23, 2013, KOITO made hearing requests to the JFTC. At the current time, KOITO is still in the process. KOITO will explain its stance in these hearings, and will seek fair judgments.

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

KOITO will ensure the further enhancement of corporate governance, compliance systems and the thorough implementation of recurrence prevention measures, as 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.

(3) 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.

(4) SPECIFIC MEASURES

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 five 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.

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, 2016.

(1) ECONOMIC CONDITIONS

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

(2) LEGAL REGULATIONS

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

(3) EXCHANGE RATE MOVEMENTS

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

(4) POTENTIAL RISKS OF EXPANDING OVERSEAS

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

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

(5) PRODUCT DEFECTS

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

(6) CHANGES IN RAW MATERIAL PRICES

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

(7) NATURAL DISASTERS, ETC.

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

(8) OTHER RISKS

As a global supplier, the Koito Group engages in business in many countries worldwide, and is subject to the application of the various laws about competition 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
	2015	2016	2016
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 33,082	¥ 31,886	\$ 282,978
Trade notes and accounts receivable	128,408	135,754	1,204,774
Less: Allowance for doubtful accounts	(1,974)	(876)	(7,774)
	126,434	134,878	1,197,000
Inventories	60,790	64,180	569,577
Deferred tax assets (Note 6)	4,816	4,081	36,217
Prepaid expenses and other current assets	129,675	159,535	1,415,823
Total current assets	354,800	394,562	3,501,615
Investments and other assets:			
Investment securities	74,907	45,988	408,129
Long-term Loans	17	11	97
Deferred tax assets (Note 6)	95	5,221	46,334
Other assets	4,740	3,787	33,608
Less: Allowance for doubtful accounts	(152)	(188)	(1,668)
Total investments and other assets	79,608	54,819	486,501
Property, plant and equipment, at cost:			
Buildings and structures	105,924	104,806	930,120
Machinery, equipment and tools	291,550	300,097	2,663,267
Less: Accumulated depreciation	(282,187)	(289,792)	(2,571,813)
	115,285	115,109	1,021,556
Land	14,291	13,749	122,018
Construction in progress	11,281	10,439	92,642
Property, plant and equipment, net	140,859	139,300	1,236,244
Total assets	¥ 575,268	¥ 588,683	\$ 5,224,378

At March 31,	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
LIABILITIES AND EQUITY			
Current liabilities:			
Trade notes and accounts payable	¥122,929	¥128,357	\$1,139,128
Short-term loans (Note 4)	37,702	28,073	249,139
Income taxes payable	9,161	9,398	83,404
Accrued expenses and other current liabilities	40,211	38,962	345,775
Total current liabilities	210,005	204,793	1,817,474
Long-term liabilities:			
Long-term debt (Note 4)	3,798	13,176	116,932
Liability for retirement benefits (Note 5)	24,862	27,621	245,127
Other long-term liabilities	19,773	13,420	119,098
Total long-term liabilities	48,436	54,219	481,176
Equity:			
Shareholders' equity:			
Common stock	14,270	14,270	126,641
320,000,000 shares authorized and 160,789,436 shares issued at March 31, 2015 and 2016			
Additional paid-in capital	17,108	17,108	151,828
Retained earnings	188,935	228,490	2,027,777
Treasury common stock, at cost:			
95,419 shares in 2015 and 95,649 shares in 2016	(85)	(86)	(763)
Total shareholders' equity	220,229	259,782	2,305,484
Accumulated other comprehensive income:			
Valuation difference on available-for-sales securities	27,922	19,123	169,710
Foreign currency translation adjustments	18,435	7,712	68,441
Retirement benefits liability adjustments	2,561	(432)	(3,833)
Total accumulated other comprehensive income	48,919	26,403	234,318
Subscription rights to shares	–	291	2,582
Non-controlling interests	47,677	43,193	383,324
Total equity	316,826	329,671	2,925,727
Total liabilities and equity	¥575,268	¥588,683	\$5,224,378

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Net sales	¥706,470	¥813,477	\$7,219,355
Cost of sales	596,460	676,553	6,004,197
Gross profit	110,010	136,924	1,215,157
Selling, general and administrative expenses	45,855	54,705	485,489
Operating income	64,155	82,218	729,659
Other income (expenses):			
Interest income	1,716	1,478	13,116
Interest expenses	(858)	(726)	(6,443)
Loss on sale and disposal of property and equipment	(554)	(590)	(5,236)
Other, net	(565)	(7,677)	(68,130)
Income before income taxes	63,895	74,708	663,010
Income taxes	19,017	22,422	198,988
Net income	44,877	52,285	464,013
Attributable to:			
Owners of parent	36,060	46,303	410,925
Non-controlling interests	8,816	5,981	53,079
Other comprehensive income			
Valuation difference on available-for-sales securities	9,980	(8,942)	(79,357)
Foreign currency transaction adjustments	14,565	(15,226)	(135,126)
Retirement benefits liability adjustments	(869)	(2,989)	(26,526)
Total other comprehensive income	23,676	(27,157)	(241,009)
Comprehensive income	68,553	25,127	222,994
Attributable to:			
Owners of parent	54,438	23,787	211,102
Non-controlling interests	14,115	1,340	11,892
	Yen		U.S. dollars
	2015	2016	2016
Per share:			
Net income	¥ 224.41	¥ 288.15	\$ 2.56
Cash dividends	40.00	36.00	0.32
Average total number of shares during the year (thousands of shares)	160,694	160,693	160,693

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
	2015	2016	2016
KOITO MANUFACTURING CO., LTD. shareholders' equity			
Common stock:			
Beginning balance	¥ 14,270	¥ 14,270	\$ 126,641
Ending balance	14,270	14,270	126,641
Additional paid-in capital:			
Beginning balance	17,108	17,108	151,828
Ending balance	17,108	17,108	151,828
Retained earnings:			
Beginning balance	158,109	188,935	1,676,739
Cumulative effects of changes in accounting policies	(735)	—	—
Restated beginning balance at April 1, 2015	157,374	188,935	1,676,739
Profit attributable to owners of parent	36,060	46,303	410,924
Deductions:			
Cash dividends	(4,499)	(6,749)	(59,895)
Ending balance	188,935	228,490	2,027,777
Treasury stock	(85)	(86)	(763)
Total shareholders' equity	220,229	259,782	2,305,484
Total accumulated other comprehensive income			
Valuation difference on available-for-sales securities	27,922	19,123	169,710
Foreign currency transaction adjustments	18,435	7,712	68,441
Retirement benefits liability adjustments	2,561	(432)	(3,833)
	48,919	26,403	234,318
Subscription rights to shares	—	291	2,582
Non-controlling interests	47,677	43,193	383,324
Total equity	316,826	329,671	2,925,727

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
	2015	2016	2016
Cash flows from operating activities:			
Profit attributable to owners of parent	¥36,060	¥46,303	\$410,924
Adjustments to reconcile profit attributable to owners of parent to net cash provided by operating activities			
Depreciation	25,919	31,719	281,496
Net income attributable to non-controlling interests	8,816	5,981	53,079
Decrease in provision for allowance for doubtful accounts	(11,370)	(929)	(8,244)
Decrease in liability for retirement benefits	(2,568)	(1,523)	(13,516)
(Gain) or Loss on sale and disposal of property plant and equipment, net	540	(970)	(8,608)
Changes in operating assets and liabilities			
Trade notes and accounts receivable	(5,365)	(14,301)	(126,916)
Inventories	(4,411)	(7,801)	(69,231)
Prepaid expenses and others	10,145	3,992	35,427
Trade notes and accounts payable	9,139	12,619	111,989
Accrued expenses and other current liabilities	7,642	(1,012)	(8,981)
Others, net	(1,258)	(250)	(2,218)
Net cash provided by operating activities	73,289	73,828	655,200
Cash flows from investing activities:			
Decrease in time deposits and other due over three months, net	(24,377)	(37,561)	(333,342)
Purchase of marketable and investment securities	(17)	(127)	(1,127)
Proceeds from sale of marketable and investment securities	11,615	16,428	145,793
Acquisition of property, plant and equipment	(42,831)	(42,224)	(374,724)
Proceeds from sale of property, plant and equipment	225	2,571	22,816
Increase in long-term loans	12	4	35
Decrease in other investments and other assets	(153)	(1,868)	(16,577)
Net cash used in investing activities	(55,526)	(62,777)	(557,126)
Cash flows from financing activities:			
Decrease in short-term loans	(4,928)	(9,638)	(85,534)
Increase in long-term debt	(1,427)	10,809	95,926
Increase in treasury stock	(1)	(1)	(8)
Cash dividends	(8,020)	(11,232)	(99,680)
Net cash used in financing activities	(14,376)	(10,062)	(89,297)
Effect of exchange rate change on cash and cash equivalents	1,945	(2,185)	(19,391)
Change in cash and cash equivalents	5,332	(1,196)	(10,614)
Cash and cash equivalents at beginning of the year	27,750	33,082	293,592
Cash and cash equivalents at end of the year	33,082	31,886	282,978

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 Financial 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, 2015 and 2016 include the accounts for the Company and the 28 subsidiaries listed below:**

Names of consolidated subsidiaries for Fiscal 2016	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
KPS N.A., INC.	100
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	50

(*) Represents ownership at March 31, 2016 and includes shares owned through consolidated subsidiaries.

(**) Hubei Koito Automotive Lamp Co., Ltd. was established in September 2014 as a wholly owned subsidiary of the Company.
Koito Europe NV was liquidated and excluded from scope of consolidation for the year ended March 31, 2016.

(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 on 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 are stated principally at cost. The cost of finished products and work in process are determined primarily by the weighted average method. Raw materials and supplies are determined by the moving-average method. Inventories in the consolidated foreign subsidiaries are stated at the lower of cost or market as determined by the moving-average method.

(5) Securities

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

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

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

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

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

Consolidated subsidiary KI HOLDINGS CO., LTD. has two types of defined benefit retirement plan: a fund-type corporate pension plan and a lump-sum retirement benefit plan. Other domestic consolidated subsidiaries 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 Companies 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

Consumption taxes are imposed at the flat rate of 8% on all domestic consumption of goods and services with certain exceptions. The consumption taxes withheld on sales and consumption taxes paid by the Companies on the purchases of goods and services are not included in the amounts of respective income or costs and expenses in the accompanying consolidated statements of income, but is recorded as an asset or a liability, as the case may be, and the net balance is included in other current liabilities.

(14) Derivative transactions

The Company utilizes foreign exchange forward contracts and interest rate swap agreements 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

The Company adopted the “Accounting Standard for Business Combinations” (Accounting Standard Board of Japan (“ASBJ”) Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), and other accounting standards. As a result, the Company now records any differences resulting from changes in its ownership interests in subsidiaries subject to ongoing control under additional paid-in capital, and records acquisition-related costs as expenses in the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the current fiscal year, the Company now reflects the updated acquisition cost allocation based on finalization of the provisional accounting treatment in the consolidated financial statements for the fiscal year in which the business combination occurs. In addition, the company has made changes in the presentation of net income. To reflect these changes in presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year. The Company adopted the Accounting Standard for Business Combinations and other accounting standards in line with transitional measures stipulated in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of Accounting Standard for Business Divestitures, and this application is effective from the beginning of the current fiscal year and into the future.

In the consolidated statements of cash flows for the current fiscal year, the Company lists cash flows related to the purchase or sale of stock in subsidiaries not resulting in a change in the scope of consolidation in the category of cash flows from financing activities, and cash flows related to acquisition-related costs for stock in subsidiaries resulting in a change in the scope of consolidation or expenses arising in relation to the purchase or sale of stock in subsidiaries not resulting in a change in the scope of consolidation in the category of cash flows from operating activities.

Additionally, the Company is not reclassifying comparable information in the consolidated statements of cash flows for the current fiscal year, in line with transitional measures stipulated in Paragraph 26-4 of the Practical guidelines on Accounting Standards for Preparing Consolidated Statements of Cash Flows.

These changes have an immaterial impact on the financial statements for the current fiscal year.

3. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥112.68=US\$1, the approximate rate of exchange at March 31, 2016, 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, 2015 and 2016, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Loans, principally from banks			
To the Company	¥ —	¥ —	\$ —
To consolidated subsidiaries	37,702	28,073	249,139
Total	¥37,702	¥28,073	\$249,139

At March 31, 2015 and 2016, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Loans, principally from banks			
To the Company	¥ —	¥ —	\$ —
To consolidated subsidiaries	3,798	13,176	116,932
Total	¥3,798	¥13,176	\$116,932

5. Employees' retirement benefits

The reconciliation of beginning and ending balance of retirement benefit obligations at March 31, 2015 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Retirement benefit obligations at April 1, 2014 and 2015	¥55,306	¥50,251	\$445,962
Cumulative effects of change in accounting policies	1,047	—	—
Restated balance at April 1, 2014 and 2015	56,353	50,251	445,962
Service cost	2,284	2,654	23,553
Interest cost	513	290	2,573
Actuarial differences	1,619	2,506	22,239
Retirement benefits paid	(3,442)	(3,020)	(26,801)
Decrease due to transfer to defined contribution plan	(7,078)	—	—
Retirement benefit obligations at March 31, 2015 and 2016	¥50,251	¥52,681	\$467,527

The reconciliation of beginning and ending balance of the plan assets at March 31, 2015 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Plan assets at April 1, 2014 and 2015	¥29,164	¥25,388	\$225,310
Expected return on plan assets	475	711	6,309
Actuarial differences	2,366	(1,043)	(9,256)
Contributions by the Company	1,641	1,523	13,516
Retirement benefits paid	(1,803)	(1,519)	(13,480)
Decrease due to transfer to defined contribution plan	(6,455)	—	—
Plan assets at March 31, 2015 and 2016	¥25,388	¥25,060	\$222,399

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, 2015 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Funded retirement benefit obligations	¥ 31,086	¥ 31,817	\$ 282,365
Plan assets	(25,388)	(25,060)	(222,399)
	5,697	6,757	59,966
Unfunded retirement benefit obligation	19,164	20,864	185,161
Net of liability for retirement benefits and assets recorded in consolidated balance sheet	24,862	27,621	245,127
Liability for retirement benefit	24,862	27,621	245,127
Net liability for retirement benefits and assets recorded in consolidated balance sheet	¥ 24,862	¥ 27,621	\$ 245,127

The components of retirement benefit costs for the years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Service cost	¥2,284	¥ 2,654	\$ 23,553
Interest cost	513	290	2,573
Expected return on plan assets	(475)	(711)	(6,309)
Amortization of actuarial differences	(991)	(780)	(6,922)
Gain due to transfer to defined contribution plan	(936)	—	—
Other	(13)	(17)	(150)
Total	¥ 382	¥ 1,435	\$ 12,735

Retirement benefits liability adjustments included in other comprehensive income (before income tax) for the years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Actuarial differences	¥ (835)	¥(4,330)	\$(38,427)

Retirement benefits liability adjustments included in accumulated other comprehensive income (before income tax) at March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrecognized actuarial differences	¥3,895	¥ (434)	\$ (3,851)

Plan assets at March 31, 2015 and 2016:

The components of plan assets as a percentage of total plan assets at March 31, 2015 and 2016 were as follows:

	2015	2016
Bonds	36%	38%
Stocks	39%	36%
General accounts of life insurance company	15%	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, 2015 and 2016 were ¥1,774 million and ¥2,310 million (\$20,500 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 35% and 33% for the years ended March 31, 2015 and 2016, respectively.

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

(1) The significant components of deferred tax assets and liabilities at March 31, 2015 and 2016 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deferred tax assets:			
Excess accrued bonus	¥ 1,629	¥ 1,533	\$ 13,782
Excess liability for retirement benefits	8,086	8,126	72,115
Disallowed retirement allowance to directors	479	453	4,020
Loss on revaluation of investment securities, other	4,177	4,732	41,995
Reserve for liability claims	1,921	1,210	10,738
Reserve for product warranties	2,444	2,324	20,624
Excess allowance for doubtful account	176	189	1,677
Tax loss carry-forward	8,930	10,067	89,341
Others	2,279	2,643	23,455
	30,125	31,301	277,786
Valuation allowance	(13,963)	(15,744)	(139,723)
Total deferred tax assets	16,161	15,556	138,054
Deferred tax liabilities:			
Depreciation	(3,577)	(3,239)	(28,745)
Reserve for reduction of asset costs	(391)	(404)	(3,585)
Valuation adjustment on investment securities	(13,883)	(9,020)	(80,049)
Total deferred tax liabilities	(17,852)	(12,664)	(112,389)
Net deferred tax assets (liabilities)	¥ (1,690)	¥ 2,892	\$ 25,665

(2) Net deferred tax assets and liabilities at March 31, 2015 and 2016 were included in the following accounts of the consolidated balance sheets:

At March 31	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deferred tax assets—current assets	¥ 4,816	¥ 4,081	\$ 36,217
Deferred tax assets—non-current assets	95	5,221	46,334
Deferred tax liabilities—long-term liabilities	(6,601)	(6,041)	(56,886)
Net deferred tax assets (liabilities)	¥(1,690)	¥ 2,892	\$ 25,665

(3) A reconciliation between the effective tax rate and the statutory tax rate for the years ended March 31, 2015 and 2016 were as follows:

	2015
Statutory tax rate	35.0 %
Change in valuation allowance	(6.9)%
Reduction of deferred tax assets due to income tax rate change	2.1 %
Other	(0.4)%
Effective tax rate	29.8 %

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

7. Segment information

REPORTING SEGMENT INFORMATION

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

	Millions of yen							Consolidated
	Japan	North America	China	Asia	Europe	Total	Adjustments	
For the year ended March 31, 2016								
Sales:								
Sales to outside customers	¥300,737	¥189,158	¥217,497	¥77,890	¥34,194	¥813,477	¥ –	¥813,477
Intersegment sales and transfers	152,582	20	5,566	6,987	2,351	167,507	(167,507)	–
Total	453,320	183,178	223,063	84,877	36,545	980,985	(167,507)	813,477
Segment income	33,146	17,505	17,591	7,846	4,540	80,631	1,586	82,218
Segment assets	218,387	80,083	125,935	56,835	15,161	496,402	92,281	588,683
Others								
Depreciation and amortization	14,120	7,319	4,827	4,435	933	31,638	80	31,719
Amortization of goodwill	1,026	–	–	–	–	1,026	–	1,026
Increase in fixed assets and intangible assets	16,382	9,060	8,721	6,074	1,082	41,322	–	41,322

	Thousands of U.S. dollars							Consolidated
	Japan	North America	China	Asia	Europe	Total	Adjustments	
For the year ended March 31, 2016								
Sales:								
Sales to outside customers	\$2,668,947	\$1,625,470	\$1,930,218	\$691,249	\$303,461	\$7,219,355	\$ –	\$7,219,355
Intersegment sales and transfers	1,354,117	177	49,396	62,007	20,864	1,486,572	(1,486,572)	–
Total	4,023,074	1,625,647	1,979,614	753,257	324,325	8,705,937	(1,486,572)	7,219,355
Segment income	294,160	155,351	156,114	69,630	40,291	715,575	14,075	729,659
Segment assets	1,938,116	710,711	1,117,634	504,392	134,549	4,405,413	818,965	5,224,378
Others								
Depreciation and amortization	125,310	64,953	42,838	39,359	8,280	280,777	709	281,496
Amortization of goodwill	9,105	–	–	–	–	9,105	–	9,105
Increase in fixed assets and intangible assets	145,385	80,404	77,396	53,904	9,602	366,719	–	366,719

8. Subsequent events

At the general shareholders' meeting of the Company held on June 29, 2016, the following appropriation of retained earnings was approved.

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥20 per share (\$177.49 per 1,000 shares)	¥3,213	\$28,514

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, 2016 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.

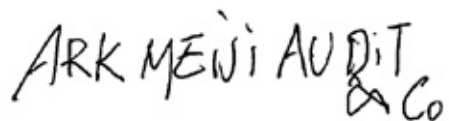
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(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, 2016, and their financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

(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.

Tokyo, Japan
June 29, 2016

CORPORATE INFORMATION

As of March 31, 2016

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: 22,761 (Consolidated)
4,171 (Non-consolidated)

Common stock:

Authorized: 320,000,000 shares

Issued: 160,789,436 shares

Number of shareholders: 4,860

Principal shareholders:

TOYOTA MOTOR CORPORATION
The Master Trust Bank of Japan, Ltd. (Trust account)
Japan Trustee Services Bank, Ltd. (Trust account)
Sumitomo Mitsui Banking Corporation
Nippon Life Insurance Company
JP MORGAN CHASE BANK 385632
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Dai-ichi Life Insurance Company, Limited
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT
DENSO CORPORATION

Transfer agent:

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

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

For further information, please contact:

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>

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

Tokyo Branch (Tokyo)

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

Kitakanto Branch (Tochigi Pref.)

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

Toyota Branch (Aichi Pref.)

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

Osaka Branch (Osaka Pref.)

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

Hiroshima Branch (Hiroshima Pref.)

Phone: 81-82-282-1281
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

GLOBAL NETWORK

OVERSEAS SUBSIDIARIES AND AFFILIATES

North American Lighting, Inc.

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

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

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

Koito Europe Limited

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

Koito Czech s.r.o.

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

Shanghai Koito Automotive Lamp Co., Ltd.

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.

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.

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.

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

THAI KOITO COMPANY LIMITED

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

PT. INDONESIA KOITO

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

Ta Yih Industrial Co., Ltd.

No.11 Shin-Sin 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

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

KPS N.A., INC.

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

OVERSEAS TECHNICAL ASSOCIATES

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

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

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

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

Industrias Arteb S.A. (Brazil)

Koito Europe Limited (U.K.)

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

HELLA KGaA HUECK & CO. (Germany)

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

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

AVTOSVET Limited Liability Company (Russia)

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

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

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

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

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

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

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

AMS Co., Ltd. (Korea)

THAI KOITO COMPANY LIMITED (Thailand)

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

PT. INDONESIA KOITO (Indonesia)

Ta Yih Industrial Co., Ltd. (Taiwan)

INDIA JAPAN LIGHTING PRIVATE LIMITED (India)

Hella Australia Pty Ltd. (Australia)

Hella-Phil., Inc. (Philippines)

Lumotech (Pty.) Ltd. (South Africa)

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

AuVitronics Limited (Pakistan)

DOMESTIC SUBSIDIARIES AND AFFILIATES

KOITO KYUSHU LIMITED (Saga Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

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

Business lines: Transportation services
and logistics

Aoitec Co., Ltd. (Shizuoka Pref.)

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

Shizuokadenso 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.)

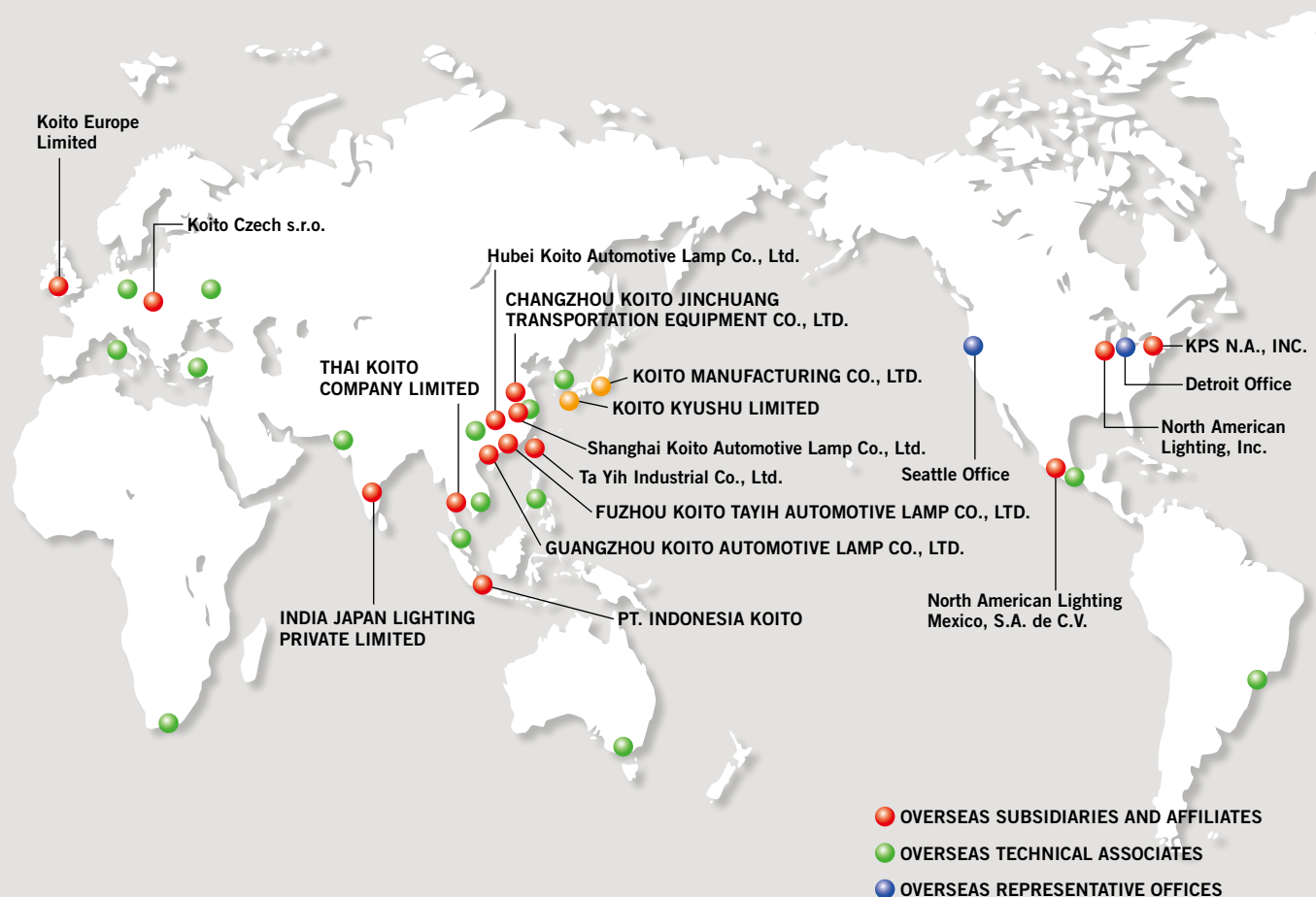
Business lines: Manufacturing and marketing of
railroad car control equipment, road traffic
signals and traffic control systems, and seats for
railroad cars, etc.

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





KOITO MANUFACTURING CO., LTD.

