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June 5, 2017

To our shareholders:

Hiroshi Mihara
President

KOITO MANUFACTURING CO., LTD.

4-8-3, Takanawa, Minato-ku, Tokyo

NOTICE OF THE 117TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 117th Ordinary General Meeting of Shareholders of KOITO MANUFACTURING CO., LTD. (the “Company”), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by either of the following methods. Please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights.

Exercising Voting Rights

[For those attending the meeting]

Please bring the voting form with you and present it at the reception desk on the day of the meeting. You are kindly requested to bring this notice to the meeting in the interest of conserving resources.

[For those exercising voting rights by mail]

Please use the enclosed voting form to indicate your approval or disapproval and return it so it reaches us by 5:00 p.m., Wednesday, June 28, 2017 (Japan Standard Time), the day before the Ordinary General Meeting of Shareholders.

[For those exercising voting rights by the Internet]

Please access the voting website (<http://www.evote.jp/>) to submit votes. Votes can be submitted until 5:00 p.m., Wednesday, June 28, 2017 (Japan Standard Time).

Meeting Details

1. Date and time: Thursday, June 29, 2017 at 10:00 a.m. (Japan Standard Time)

*Reception desk opens at 9:00 a.m.

2. Venue: Shinagawa Prince Hotel, Main Tower 24th floor, Crystal 24

4-10-30, Takanawa, Minato-ku, Tokyo

3. Agenda of the General Meeting of Shareholders:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 117th Term (from April 1, 2016 to March 31, 2017), as well as the results of audit of the Consolidated Financial Statements by the Independent Auditors and the Audit and Supervisory Board.
2. Financial Statements for the 117th Term (from April 1, 2016 to March 31, 2017)

Items to be resolved:

- Proposal 1:** Dividends of surplus
- Proposal 2:** Election of fourteen (14) Directors
- Proposal 3:** Election of one (1) Audit and Supervisory Board Member
- Proposal 4:** Election of one (1) substitute Audit and Supervisory Board Member
- Proposal 5:** Determination of remuneration for allotting restricted shares to Directors

Reference Documents for the General Meeting of Shareholders

Proposal 1: Dividends of surplus

The basic dividend policy of the Company is to pay a stable and consistent dividend that reflects results of operations during the fiscal year, the business climate and all other applicable factors. Continuing from fiscal 2016, sales, operating income, recurring profit, and profit attributable to owners of parent all hit record highs in fiscal 2017. Accordingly, for the year-end dividend for the 117th fiscal year ended March 31, 2017, the Company proposes shareholders to approve a dividend of 34 yen per share, an increase of 14 yen compared to the end of fiscal 2016. Henceforth, the annual dividend for the 117th fiscal year, including the interim dividend, will be 54 yen per share, an increase of 18 yen compared to the 116th fiscal year.

Matters related to year-end dividend

1. Type of dividend property:
Cash
2. Allocation of dividend property and total amount thereof
34 yen per common share of the Company
Total amount: 5,463,583,930 yen
3. Effective date of distribution of dividends of surplus
June 30, 2017

Proposal 2: Election of fourteen (14) Directors

The term of office of all the incumbent fourteen (14) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. In that regard, the Company proposes the election of fourteen (14) Directors.

The candidates for Directors are as follows:

No. 1	Masahiro Otake (born on March 15, 1947)	Up for re-election
Number of shares of the Company held: 87,200 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1977	Joined the Company
	June 1987	Director
	June 1993	Managing Director
	June 1999	Senior Managing Director
	June 2005	Executive Vice President
	June 2007	President
	June 2015	Chairman (present position)

Reasons for nomination as candidate for Director

Mr. Masahiro Otake has acquired extensive experience and a high level of insight through previously serving as President. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.2

Hiroshi Mihara (born on February 19, 1955)

Up for re-election

Number of shares
of the Company held:

12,900 shares

Career history, position and responsibility, and important positions concurrently held

April 1978	Joined the Company
June 2003	Director
June 2006	Managing Director
June 2011	Senior Managing Director
June 2013	Executive Vice President
June 2015	President (present position)

Reasons for nomination as candidate for Director

Mr. Hiroshi Mihara assumed the office of President in 2015, and he possesses extensive experience and a high level of insight. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.3

Yuji Yokoya (born on January 21, 1950)

Up for re-election

Number of shares
of the Company held:

8,100 shares

Career history, position and responsibility, and important positions concurrently held

April 1975	Joined Toyota Motor Co., Ltd. (currently TOYOTA MOTOR CORPORATION)
January 1996	General Manager of Chassis System Development Division
June 2005	Managing Director, the Company
June 2009	Senior Managing Director
June 2011	Executive Vice President (present position)
	Engineering Headquarters (present position)
	In charge of
	Intellectual Property Department
	Research & Development Department
	Mobility Strategy Department (present position)

Reasons for nomination as candidate for Director

Since joining the Company, Mr. Yuji Yokoya has acquired extensive experience and a high level of insight through serving as Head of Engineering Headquarters and in other positions. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.4

Koichi Sakakibara (born on January 22, 1952)

Up for re-election

Number of shares
of the Company held:

18,900 shares

Career history, position and responsibility, and important positions concurrently held

April 1975	Joined the Company
June 1999	General Manager of Product Development Department
June 2001	Director
June 2007	Managing Director
June 2009	Senior Managing Director
June 2013	Executive Vice President (present position)
	Production Headquarters (present position)
	In charge of
	Personnel Department
	General Affairs Department, Shizuoka
	Purchasing Department
	Aircraft Equipment Division
	Light Source Division (present position)

Reasons for nomination as candidate for Director

Since joining the Company, Mr. Koichi Sakakibara has acquired extensive experience and a high level of insight through serving as Head of Production Headquarters and in other positions. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.5

Kenji Arima (born on September 11, 1954)

Up for re-election

Number of shares
of the Company held:

9,300 shares

Career history, position and responsibility, and important positions concurrently held

April 1977	Joined the Company
January 2005	Director, Koito Europe NV (KENV)
June 2005	Director, the Company
June 2011	Managing Director
June 2012	Director and Managing Corporate Officer
June 2013	Senior Managing Director (present position)
	International Operations Headquarters
	Engineering Headquarters (present position)
	In charge of
	Quality Assurance Department (present position)

Reasons for nomination as candidate for Director

Since joining the Company, Mr. Kenji Arima has acquired extensive experience and a high level of insight through serving as Head of International Operations Headquarters and in other positions. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.6

Masami Uchiyama (born on May 12, 1959)

Up for re-election

Number of shares
of the Company held:

5,600 shares

Career history, position and responsibility, and important positions concurrently held

April 1983	Joined the Company
June 2005	General Manager of Personnel Department
June 2007	Director
June 2010	Director of KOITO INDUSTRIES, LIMITED (currently KI HOLDINGS CO., LTD.) (present position)
June 2011	Managing Director, the Company
June 2012	Director and Managing Corporate Officer (present position)
	Production Headquarters
	Shizuoka Plant
	Haibara Plant (present position)
	In charge of
	Production Control Department
	Safety Environment Department
	Logistics Department
	Electronics Products Production Department (present position)

Reasons for nomination as candidate for Director

Since joining the Company, Mr. Masami Uchiyama has acquired extensive experience and a high level of insight through serving as Deputy Head of Production Headquarters and in other positions. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.7

Michiaki Kato (born on June 23, 1959)

Up for re-election

Number of shares
of the Company held:

11,000 shares

Career history, position and responsibility, and important positions concurrently held

April 1982	Joined the Company
June 2004	General Manager of Euro-American Operations
June 2005	Director
June 2011	Managing Director
June 2012	Managing Corporate Officer
June 2013	Director and Managing Corporate Officer (present position)
	Sales Headquarters
	International Operations Headquarters
	Toyota Branch (present position)

Reasons for nomination as candidate for Director

Since joining the Company, Mr. Michiaki Kato has acquired extensive experience and a high level of insight through serving as Deputy Head of Sales Headquarters and in other positions. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.8

Hideharu Konagaya (born on June 17, 1963)

Up for re-election

Number of shares
of the Company held:

7,000 shares

Career history, position and responsibility, and important positions concurrently held

April 1987	Joined the Company
April 2006	General Manager of Accounting Department
June 2009	Director
December 2011	Auditor, KI HOLDINGS CO., LTD. (present position)
June 2012	Corporate Officer, the Company
June 2013	Managing Corporate Officer
June 2015	Director and Managing Corporate Officer (present position) Finance & Accounting Headquarters (present position)

Reasons for nomination as candidate for Director

Since joining the Company, Mr. Hideharu Konagaya has acquired extensive experience and a high level of insight through serving as Deputy Head of Finance & Accounting Headquarters and in other positions. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.9

Takashi Ohtake (born on September 15, 1939)

Up for re-election

Number of shares
of the Company held:

110,400 shares

Career history, position and responsibility, and important positions concurrently held

April 1962	Joined the Company
June 1979	Director
June 1983	Managing Director
June 1985	Senior Managing Director
July 1992	Executive Vice President
June 2003	President
June 2007	Chairman
June 2015	Director and Senior Adviser (present position)

Reasons for nomination as candidate for Director

Mr. Takashi Ohtake has acquired extensive experience and a high level of insight through previously serving as President and Chairman. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.10	Katsuyuki Kusakawa (born on July 30, 1956)	Up for re-election
Number of shares of the Company held: 9,100 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1980	Joined Toyota Motor Co., Ltd. (currently TOYOTA MOTOR CORPORATION)
	January 2009	Seconded to Toyota Motor Sales, U.S.A., Inc.
	March 2011	Standing Adviser, the Company
	June 2011	Managing Director
	June 2012	Director and Managing Corporate Officer (present position)
		In charge of Corporate Planning Department Compliance Department Information System Department (present position)

Reasons for nomination as candidate for Director

Since joining the Company, Mr. Katsuyuki Kusakawa has acquired extensive experience and a high level of insight by taking charge of Corporate Planning Department, Compliance Department, and Information System Department. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.11

Hideo Yamamoto (born on April 1, 1958)

Up for re-election

Number of shares
of the Company held:

7,200 shares

Career history, position and responsibility, and important positions concurrently held

April 1980	Joined The Mitsubishi Bank, Ltd. (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
June 2008	General Manager of Asian Investment Banking Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
October 2010	Standing Adviser, the Company
June 2011	Managing Director
June 2012	Director and Managing Corporate Officer (present position) Finance & Accounting Headquarters (present position)
	In charge of Internal Audit Department Cost Administration Department (present position)

Reasons for nomination as candidate for Director

Since joining the Company, Mr. Hideo Yamamoto has acquired extensive experience and a high level of insight through serving as Head of Finance & Accounting Headquarters and in other positions. He has also been involved with the Company's management as a Director, and has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his re-election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.12

Jun Toyota (born on August 24, 1959)

First-time candidate

Number of shares
of the Company held:
6,000 shares

Career history, position and responsibility, and important positions concurrently held

April 1983	Joined the Company
January 2005	Director, Koito Europe NV (KENV)
June 2005	Director, the Company
June 2012	Corporate Officer
June 2013	Managing Corporate Officer (present position)
June 2015	President, North American Lighting, Inc. (NAL) International Operations Headquarters (present position) In charge of American Operations (present position)

Reasons for nomination as candidate for Director

Since joining the Company, Mr. Jun Toyota has acquired extensive experience and a high level of insight through serving as Deputy Head of International Operations Headquarters and in other positions. He has contributed significantly to the improvement of the Company's performance and corporate value.

The Company proposes his election as a Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

No.13	Haruya Uehara (born on July 25, 1946)	Up for re-election Outside Independent executive
Number of shares of the Company held: 0 shares	Career history, position and responsibility, and important positions concurrently held April 1969 Joined The Mitsubishi Trust and Banking Corporation (currently Mitsubishi UFJ Trust and Banking Corporation) June 1996 Director June 1998 Managing Director June 2001 Senior Managing Director June 2002 Director, Deputy President April 2004 President October 2005 President of Mitsubishi UFJ Trust and Banking Corporation June 2008 Chairman April 2012 Senior Adviser (present position) June 2013 Director, the Company (present position) (Significant concurrent positions outside the Company) Senior Adviser, Mitsubishi UFJ Trust and Banking Corporation External Director, Audit and Supervisory Committee Member, NIKON CORPORATION Outside Audit & Supervisory Board Member, Mitsubishi Research Institute, Inc.	

Reasons for nomination as candidate for Outside Director

Mr. Haruya Uehara serves as Senior Advisor to Mitsubishi UFJ Trust and Banking Corporation, and the Company proposes his re-election as an Outside Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

Notes:

1. Mr. Uehara is a candidate for Outside Director.
2. Matters to the candidate for Outside Director are as follows.
 - (1) The Company has submitted a notice to the Tokyo Stock Exchange that Mr. Uehara has been designated as an independent executive as provided for by the aforementioned exchange. If his reelection is approved, the Company plans for his appointment as an independent executive to continue.
 - (2) At the conclusion of this meeting, Mr. Uehara's tenure as Outside Director of the Company will have been four years.
 - (3) Liability limitation agreements with Outside Directors
To enable Outside Directors to perform their duties as expected, current Articles of Incorporation provide for agreements that limit the liability of Outside Directors for matters specified by laws and regulations concerning liability in Article 423, paragraph 1 of the Companies Act and in accordance with Article 427, paragraph 1 of this act. These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations. The Outside Director candidate Haruya Uehara has established the agreement with the Company. If Mr. Uehara is reelected, the Company plans to renew the agreement with him.

No.14	Kingo Sakurai (born on May 5, 1943)	First-time candidate Outside Independent executive
Number of shares of the Company held: 10,000 shares	Career history, position and responsibility, and important positions concurrently held March 1972 Registered as certified public accountant June 1983 Independent Auditor, the Company June 2009 Resigned Independent Auditor July 2009 Adviser (part time), the Company (present position) June 2012 Substitute Audit and Supervisory Board Member (present position)	

Reasons for nomination as candidate for Outside Director

Mr. Kingo Sakurai is a certified public accountant, and the Company proposes his election as an Outside Director so that his knowledge and experience may be reflected in the Company's management.

There is no particular business or other relationship between the candidate and the Company.

Notes:

1. Mr. Sakurai is a new candidate for Outside Director. Although he is currently a Substitute Audit and Supervisory Board Member of the Company, he has stated that he will decline said position should the proposal to elect him as a Director be approved.
2. Matters to the candidate for Outside Director are as follows.
 - (1) Mr. Sakurai fulfills the requirements for independence stipulated by the Tokyo Stock Exchange and, if his election is approved, the Company plans to submit a notice to this exchange that Mr. Sakurai is an independent executive.
 - (2) Reason for determining that the candidate can properly perform the duties of an Outside Director.
Mr. Sakurai has never been directly involved with a company's management. However, he has sufficient knowledge as an expert in finance and accounting to oversee management as a certified public accountant. As a result, the Company believes that Mr. Sakurai can perform the duties of an Outside Director properly.
 - (3) Liability limitation agreements with Outside Directors
To enable Outside Directors to perform their duties as expected, current Articles of Incorporation provide for agreements that limit the liability of Outside Directors for matters specified by laws and regulations concerning liability in Article 423, paragraph 1 of the Companies Act and in accordance with Article 427, paragraph 1 of this act. These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations. If Mr. Sakurai is elected, the Company plans to establish the agreement with him.

Proposal 3: Election of one (1) Audit and Supervisory Board Member

Mikio Tsuruta will resign as Audit and Supervisory Board Member at the conclusion of this meeting.

Accordingly, the Company proposes the election of one (1) Audit and Supervisory Board Member.

Furthermore, candidate for Audit and Supervisory Board Member Yohei Kawaguchi has been nominated as a substitute for Audit and Supervisory Board Member Mikio Tsuruta. Accordingly, as provided for in the Company’s Articles of Incorporation, his term of office will be until the expiration date of the retiring Audit and Supervisory Board Member’s term of office.

The Audit and Supervisory Board has given its consent to this proposal.

The candidate for Audit and Supervisory Board Member is as follows:

	Yohei Kawaguchi (born on May 9, 1951)	First-time candidate
Number of shares of the Company held: 11,500 shares	Career history, position and important positions concurrently held	
	April 1974	Joined the Company
	April 2002	General Manager of Purchasing Department
	June 2003	Director
	June 2006	Managing Director
	June 2012	Managing Corporate Officer
	June 2013	Senior Managing Director (present position)

Reasons for nomination as candidate for Audit and Supervisory Board Member

Since joining the Company, Mr. Yohei Kawaguchi has acquired extensive business experience through serving as Head of Sales Headquarters and in other positions. He has also been involved with the Company’s management as a Director.

The Company proposes his election as an Audit and Supervisory Board Member for the purpose of using his knowledge and experience to strengthen the Company’s auditing activities.

There is no particular business or other relationship between the candidate and the Company.

Proposal 4: Election of one (1) substitute Audit and Supervisory Board Member

The Company proposes that one (1) substitute Audit and Supervisory Board Member be elected to prepare for a case where the number of the Audit and Supervisory Board Members falls below the number stipulated by laws and regulations.

The Audit and Supervisory Board has given its consent to this proposal.

The candidate for substitute Audit and Supervisory Board Member is as follows.

	Hideo Shinohara (born on February 15, 1965)	First-time candidate Substitute outside Independent executive
Number of shares of the Company held: 0 shares	Career history, position and important positions concurrently held February 1993 Registered as certified public accountant January 1994 Established Hideo Shinohara CPA Office (present position)	
	Reasons for nomination as candidate for substitute Outside Audit and Supervisory Board Member Mr. Hideo Shinohara is a certified public accountant. The Company proposes his election as a substitute Outside Audit and Supervisory Board Member for the purpose of using his knowledge and experience to strengthen the Company’s auditing activities. There is no particular business or other relationship between the candidate and the Company.	

Notes:

1. Mr. Shinohara is a candidate for substitute Outside Audit and Supervisory Board Member.
2. Matters to the candidate for substitute Outside Audit and Supervisory Board Member are as follows.
 - (1) Mr. Shinohara fulfills the requirements for independence stipulated by the Tokyo Stock Exchange and, if he is elected, the Company plans to submit a notice to this exchange that Mr. Shinohara is an independent executive.
 - (2) Reason for determining that the candidate can properly perform the duties of an Outside Audit and Supervisory Board Member.
Mr. Shinohara has never been directly involved with a company’s management. However, he has sufficient knowledge as an expert in finance and accounting to oversee management as certified public accountant. As a result, the Company believes that Mr. Shinohara can perform the duties of an Outside Audit and Supervisory Board Member properly.
 - (3) Liability limitation agreements with Outside Audit and Supervisory Board Members
To enable Outside Audit and Supervisory Board Members to perform their duties as expected, current Articles of Incorporation provide for agreements that limit the liability of Outside Audit and Supervisory Board Members for matters specified by laws and regulations concerning liability in Article 423, paragraph 1 of the Companies Act and in accordance with Article 427, paragraph 1 of this act.
These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations.
If Mr. Shinohara is to assume office as an Audit and Supervisory Board Member, the Company plans to establish the agreement with him

Proposal 5: Determination of remuneration for allotting restricted shares to Directors

It was approved at the 113th Ordinary General Meeting of Shareholders held on June 27, 2013 that the amount of remuneration, etc. for the Company's Directors shall be no more than 1.2 billion yen a year (of which, the amount of remuneration, etc. for Outside Directors is no more than 50 million yen). It was approved at the 115th Ordinary General Meeting of Shareholders held on June 26, 2015, that, apart from the amount of remuneration, etc., for Directors described above, the amount of remuneration, etc., related to subscription rights as stock compensation-type stock options for Directors (excluding Outside Directors) shall be no more than 200 million yen a year.

Now, in addition to the subscription rights as stock compensation-type stock options described above, the Company proposes to allot common shares of the Company that comply with the provisions for a certain period during which the transfer of the shares is restricted, grounds for gratis acquisition by the Company and others (hereinafter referred to as "Restricted Shares") to Directors (excluding Outside Directors) as follows, in order for Directors (excluding Outside Directors) to further share benefits and risks of stock price fluctuations with shareholders and increase Directors' motivation to contribute to a rise in the stock price and enhancement of the corporate value more than ever.

In this regard, the Company proposes that separately from the above-mentioned amount of remuneration, etc., and the amount of remuneration, etc., related to subscription rights as stock compensation-type stock options for Directors, the total amount of monetary remuneration claims paid as remuneration and others concerning Restricted Shares be set at no more than 150 million yen a year for Directors (excluding Outside Directors), comprehensively taking into account various matters including the degree of contribution of Directors at the Company.

The Company determines allotment of Restricted Shares, comprehensively taking into account various matters including the degree of contribution of Directors at the Company, and thinks that the content of the allotment is appropriate.

The current number of Directors is 14 (including one (1) Outside Director). When the Proposal 2 is approved, the number of Directors will be 14 (including two (2) Outside Directors).

Specific content and upper limit on the number of Restricted Shares for Directors (excluding Outside Directors) of the Company

1. Allotment and payment of Restricted Shares

The Company pays monetary remuneration claims to its Directors (excluding Outside Directors) as remuneration related to Restricted Shares within the above annual amount in accordance with the resolution of its Board of Directors, and each Director receives allotment of Restricted Shares through provision of all the monetary remuneration claims by means of equity contribution in kind. The paid amount of Restricted Shares is determined at the Company's Board of Directors meeting based on the closing price of common shares of the Company on the Tokyo Stock Exchange on the business day before the day of its Board of Directors' resolution (if a deal is not closed on this day, the closing price on the most recent trading day prior to the day), to the extent that the amount is not particularly favorable to the Director who accepts the Restricted Shares.

The above monetary remuneration claims are provided, subject to the consent to the above equity contribution in kind and the conclusion of the Restricted Share Allotment Agreement, which includes details set forth in 3. below, by the Company's Directors.

2. Total number of Restricted Shares

The total number of Restricted Shares to be allotted to Directors (excluding Outside Directors) of 30,000 shares shall be the upper limit on the number of Restricted Shares allotted in each fiscal year. However, after the date of resolution for this proposal, in the case of share split-up of the Company's common shares (including gratis allotment of common shares of the Company) or reverse split-up, or in other equivalent cases that require adjustment of the total number of Restricted Shares, the total number of the Restricted Shares may be adjusted reasonably.

3. Content of the Restricted Share Allotment Agreement

The agreement to allot Restricted Shares that is entered into between the Company and a Director who receives allotment of Restricted Shares upon allotment of Restricted Shares in accordance with the resolution of the Company's Board of Directors shall include the following matters:

(1) Content of restriction on transfer of shares

A Director who received allotment of Restricted Shares cannot conduct transfer, establishment of the right of pledge or a security interest by way of assignment, an inter vivos gift or bequest to a third party and any other acts of disposition with regard to these Restricted Shares in a period stipulated by the Company's Board of Directors within the range of one (1) to five (5) years (hereinafter referred to as the "Restricted Period").

(2) Gratis acquisition of Restricted Shares

If a Director who received allotment of Restricted Shares retires as a Director of the Company before the Restricted Period expires, the Company acquires the Restricted Shares allotted to the Director (hereinafter referred to as the “Allotted Shares”) rightfully without compensation, except in the case that there is any reason that the Company’s Board of Directors deems reasonable.

Of the Allotted Shares, if there are shares for which the restriction on transfer has not been lifted in accordance with the provision for grounds for lift of restriction on transfer set forth in (3) below at the time when the Restricted Period set forth in (1) above expires, the Company acquires these shares rightfully without compensation.

(3) Lift of the restriction on transfer

The Company lifts the restriction on transfer for all the Allotted Shares at the time when the Restricted Period expires on the condition that the Director who received allotment of Restricted Shares continued to hold the position as a Director of the Company during the Restricted Period. However, if the Director retires as a Director of the Company before the Restricted Period expires for any reason that the Company’s Board of Directors deems reasonable, the number of the Allotted Shares for which the restriction on transfer is lifted and the timing of the lift of restriction on transfer shall be adjusted reasonably as necessary.

(4) Treatment in organizational restructuring

In the case where a proposal for an agreement of merger with the Company as the extinguished entity, agreement of share exchange or plan for share transfer through which the Company becomes a wholly-owned subsidiary, or other organizational restructuring, etc. is approved at the General Meeting of Shareholders of the Company (however, in the case where approval of the General Meeting of Shareholders of the Company is not required for the organizational restructuring, etc., the Company’s Board of Directors) during the Restricted Period, restriction on transfer is lifted by the resolution of the Company’s Board of Directors prior to the effective date of the organizational restructuring, etc. for the Allotted Shares in the number reasonably set forth in light of the period from the start date of the Restricted Period to the day of approval for the organizational restructuring, etc.

In this case, at some point immediately after restriction on transfer was lifted in accordance with the above provision, the Company acquires any Allotted Shares for which the restriction on transfer has still not been lifted rightfully without compensation.

(For reference)

After the conclusion of this General Meeting of Shareholders, the Company will allot restricted shares similar to the above Restricted Shares, in addition to subscription rights as stock compensation-type stock options, to its Corporate Officers.

(Accompanying documents) **BUSINESS REPORT** (from April 1, 2016 to March 31, 2017)

1. Matters related to the KOITO Group

1) Developments and results of business activities

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

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

In this climate, for the purpose of sales expansion of automotive lighting equipment in the mid- and long- term perspective, KOITO Group reinforced overseas production capacity, strengthened development capability, and expanded marketing activities. In addition to Hubei Koito put into operation in June, 2016, KOITO established a production subsidiary in Brazil in January, 2017.

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

Results by geographical segment are outlined as follows:

Japan	Sales in Japan increased 7.6% year on year to ¥323.6 billion. This was mainly attributable to an increase in new orders and a shift in automobile lamps to LED, amid increased trend in automobile domestic production volume.	Composition of sales 38.5%
North America	Despite the impact of the exchange rate conversion, sales in North America increased 2.1% year on year to ¥186.9 billion. Factors contributing to the sales increase were the increase in new orders and a shift in automobile lamps to LED, while the automobile production volume held firm.	Composition of sales 22.2%
China	Despite the effect of exchange rate conversion, sales in China increased 0.3% year on year to ¥218.1 billion. This was due to sales increase on a local currency basis, led by expansion in new orders while the automobile production volume increased led by a tax reduction on compact cars.	Composition of sales 25.9%
Asia	Sales in Asia increased 5.1% year on year to ¥81.8 billion despite the negative effect of exchange rate. This was led by an increase in new orders in India and Indonesia, and a shift in motorcycle lamps to LED, amid increased trend in automobile production volume.	Composition of sales 9.7%
Europe	Sales in Europe decreased 9.8% year on year to ¥30.8 billion. This was due to the impact of exchange rate conversion, which more than offset the otherwise increase in sales on a local currency basis led by an increase in new orders and a shift in automobile lamps to LED, amid a robust trend in automobile production in the region.	Composition of sales 3.7%

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

2) Capital expenditures

Capital expenditures totaled 40.2 billion yen. Outlays were centered on investing in the overseas business of the automotive lighting equipment segment, primarily in new machinery, equipment and tools for adapting to new products and model changes.

3) Financing

The Company used internal funds and loans for the funds required substantial investments for overseas business and other activities.

4) Key issues

In order to deal with worldwide trends in the automobile industry, as a global supplier, the KOITO Group is working to restructure and reinforce its management framework, establish development, production and sales systems. In addition, the Group is working to enhance internal control over corporate activities.

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

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

In the US and Canada, plaintiffs have filed lawsuits against KOITO and its US 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.

The Company asks shareholders for their continued understanding and support.

5) Changes in assets and profit (loss)

	Million yen (except per share amounts)			
	114th Term	115th Term	116th Term	117th Term
	April 1, 2013 – March 31, 2014	April 1, 2014 – March 31, 2015	April 1, 2015 – March 31, 2016	April 1, 2016 – March 31, 2017
Net sales	597,502	706,470	813,477	841,456
Profit attributable to owners of parent	21,378	36,060	46,303	56,692
Net income per share (yen)	133.04	224.41	288.15	352.80
Total assets	483,093	575,268	588,683	658,341
Net assets	256,072	316,826	329,671	381,000

Notes:

1. Net sales do not include consumption taxes.
2. Net income per share is based on the average number of shares issued in each fiscal year after deducting treasury stock.

6) Significant subsidiaries

i. Significant subsidiaries

1) Domestic subsidiaries

Company name	Capital (million yen)	Equity ownership percentage	Description of principal businesses
KOITO KYUSHU LIMITED	3,000	100.0%	Manufacturing and marketing of automotive lighting equipment
Koito Transport Co., Ltd.	40	100.0%	Transportation services and logistics
Aoitec Co., Ltd.	100	70.0%	Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery
Shizuokadenso Co., Ltd.	76	100.0% (35.1%)	Manufacturing and marketing of automotive lighting equipment
Nissei Industries Co., Ltd.	51	61.8% (12.4%)	Manufacturing and marketing of miniature bulbs and electrical equipment
Fujieda Auto Lighting Co., Ltd.	100	100.0% (50.0%)	Manufacturing and marketing of automotive lighting equipment
Shizuoka Wire Harness Co., Ltd.	100	100.0% (50.0%)	Manufacturing and marketing of automotive lighting equipment
Haibara Machine and Tools Co., Ltd.	50	100.0% (55.0%)	Manufacturing and marketing of resin metal molds
Shizuoka Kanagata Co., Ltd.	20	40.0%	Manufacturing and marketing of resin metal molds
Koito Insurance Services Co., Ltd.	10	100.0%	Insurance agent
KI HOLDINGS CO., LTD.	9,214	50.0%	Manufacturing and marketing of seats for aircraft
KOITO ELECTRIC INDUSTRIES, LTD.	90	100.0% (100.0%)	Manufacturing and marketing of railroad car control equipment, road traffic signals and traffic control systems, and seats for railroad cars, etc.
Minatsu, Ltd.	40	100.0% (100.0%)	Maintenance and upkeep of traffic signals and safety equipment
Okayama Industry Co., Ltd.	50	51.0% (51.0%)	Manufacturing and marketing of railroad car seats, etc.

2) Overseas subsidiaries

Company name	Capital	Equity ownership percentage	Description of principal businesses
North American Lighting, Inc.	130,000 thousands of U.S. dollars	100.0%	Manufacturing and marketing of automotive lighting equipment
North American Lighting Mexico, S.A. de C.V.	750 millions of Mexican peso	90.0% (30.0%)	Manufacturing and marketing of automotive lighting equipment
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	77,200 thousands of Brazilian Real	100.0%	Manufacturing and marketing of automotive lighting equipment
Koito Europe Limited	65,000 thousands of Sterling pound	100.0%	Manufacturing and marketing of automotive lighting equipment
Koito Czech s.r.o.	1,000 millions of Czech koruna	100.0%	Manufacturing and marketing of automotive lighting equipment
Shanghai Koito Automotive Lamp Co., Ltd.	7,400 million yen	45.0%	Manufacturing and marketing of automotive lighting equipment
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	4,000 million yen	100.0%	Manufacturing and marketing of automotive lighting equipment
Hubei Koito Automotive Lamp Co., Ltd.	5,000 million yen	100.0%	Manufacturing and marketing of automotive lighting equipment
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.	9,000 thousands of U.S. dollars	66.9% (15.9%)	Manufacturing and marketing of automotive lighting equipment
THAI KOITO COMPANY LIMITED	365,200 thousands of Thai baht	61.8%	Manufacturing and marketing of automotive lighting equipment
PT. INDONESIA KOITO	30,000 thousands of U.S. dollars	90.0%	Manufacturing and marketing of automotive lighting equipment
Ta Yih Industrial Co., Ltd.	762,300 thousands of New Taiwan dollar	32.5%	Manufacturing and marketing of automotive lighting equipment
INDIA JAPAN LIGHTING PRIVATE LIMITED	1,840 millions of Indian rupee	70.1%	Manufacturing and marketing of automotive lighting equipment
KPS N.A., INC.	400 thousands of U.S. dollars	100.0% (100.0%)	Manufacturing and marketing of railroad car electric components
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	200 million yen	50.0% (50.0%)	Manufacturing and marketing of railroad car electric components

Notes:

1. The Company established NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda. in January 2017.
2. Percentages in parentheses are equity ownership percentage by subsidiaries.

ii. Technology alliances

The Company has technology alliances primarily with the following companies.

1) Agreements to provide technological support

Company name	Country
Hella Automotive Mexico S.A.de C.V.	Mexico
Industrias Arteb S.A.	Brazil
Farba Otomotiv Aydinlatma ve Plastik Fabrikalari A.S.	Turkey
Hella Australia Pty Ltd.	Australia
Lumotech (Pty.) Ltd.	South Africa
EP Polymers (M) Sdn.Bhd.	Malaysia
AuVitronics Limited	Pakistan
AMS CO., LTD.	South Korea
AVTOSVET Limited Liability Company	Russia

2) Agreements to receive technological support

Company name	Country
PTI Technologies Inc.	USA

7) Description of principal businesses (as of March 31, 2017)

Segments	Main products
Automotive lighting equipment segment	LED headlamps, discharge headlamps, headlights and auxiliary lamps, signaling lamps, high-mount stop lamps, halogen lamps, other miniature bulbs, other lighting equipment
Electrical equipment segment excluding automotive lighting equipment segment	Railroad car electric components, road traffic signals, highway information systems
Other products and services	Aircraft components, electronics components, seats for aircraft and railroad cars, climate control equipment, transportation services and logistics, insurance service

8) Main offices and plants (as of March 31, 2017)

i. The Company

Office name	Location	Office name	Location
Head office	Minato-ku, Tokyo	Tokyo Sales Office	Minato-ku, Tokyo
Sapporo Branch	Higashi-ku, Sapporo City	Atsugi Sales Office	Atsugi City, Kanagawa Pref.
Kitakanto Branch	Utsunomiya City, Tochigi Pref.	Shizuoka Sales Office	Shimizu-ku, Shizuoka City
Tokyo Branch	Minato-ku, Tokyo	Nagoya Sales Office	Toyota City, Aichi Pref.
Toyota Branch	Toyota City, Aichi Pref.	Osaka Sales Office	Yodogawa-ku, Osaka City
Osaka Branch	Yodogawa-ku, Osaka City	Fukuoka Sales Office	Hakata-ku, Fukuoka City
Hiroshima Branch	Aki-gun, Hiroshima Pref.	Shizuoka Plant	Shimizu-ku, Shizuoka City
Sapporo Sales Office	Higashi-ku, Sapporo City	Haibara Plant	Makinohara City, Shizuoka Pref.
Sendai Sales Office	Miyagino-ku, Sendai City	Sagara Plant	Makinohara City, Shizuoka Pref.
Kitakanto Sales Office	Utsunomiya City, Tochigi Pref.	Fujikawa Tooling Plant	Fuji City, Shizuoka Pref.
Ota Sales Office	Ota City, Gunma Pref.	Koito Parts Center	Shimizu-ku, Shizuoka City

ii. Subsidiaries

1) Domestic subsidiaries

Company name	Location	Company name	Location
KOITO KYUSHU LIMITED	Saga City, Saga Pref.	Haibara Machine and Tools Co., Ltd.	Makinohara City, Shizuoka Pref.
Koito Transport Co., Ltd.	Shimizu-ku, Shizuoka City	Shizuoka Kanagata Co., Ltd.	Fujieda City, Shizuoka Pref.
Aoitec Co., Ltd.	Kita-ku, Hamamatsu City	Koito Insurance Services Co., Ltd.	Minato-ku, Tokyo
Shizuokadensho Co., Ltd.	Shimizu-ku, Shizuoka City	KI HOLDINGS CO., LTD.	Totsuka-ku, Yokohama City
Nissei Industries Co., Ltd.	Shimizu-ku, Shizuoka City	KOITO ELECTRIC INDUSTRIES, LTD.	Sunto-gun, Shizuoka Pref.
Fujieda Auto Lighting Co., Ltd.	Fujieda City, Shizuoka Pref.	Minatsu, Ltd.	Totsuka-ku, Yokohama City
Shizuoka Wire Harness Co., Ltd.	Shimizu-ku, Shizuoka City	Okayama Industry Co., Ltd.	Ora-gun, Gunma Pref.

2) Overseas subsidiaries

Company name		Location
North American Lighting, Inc.	Head Office (Paris)/ Paris Plant	Illinois
	Flora Plant	Illinois
	Salem Plant	Illinois
	Alabama Plant	Alabama
	Indiana Tooling Plant	Indiana
	Technical Center	Michigan
North American Lighting Mexico, S.A. de C.V.	Mexico	San Luis Potosí
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	Brazil	San Paulo
Koito Europe Limited	United Kingdom	Droitwich City, Worcestershire
Koito Czech s.r.o.	Czech Republic	Zatec City
Shanghai Koito Automotive Lamp Co., Ltd.	China	Shanghai City
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	China	Guangzhou City
Hubei Koito Automotive Lamp Co., Ltd.	China	Xiaogan City
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.	China	Fuzhou City
THAI KOITO COMPANY LIMITED	Bangplee Plant Prachinburi Plant	Thailand Samut Prakarn Prachinburi
PT. INDONESIA KOITO	Indonesia	West Java
Ta Yih Industrial Co., Ltd.	Taiwan	Tainan City
INDIA JAPAN LIGHTING PRIVATE LIMITED	Chennai Plant Bawal Plant	India Tamil Nadu Haryana
KPS N.A., INC.	USA	New York
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	China	Changzhou City

9) Employees (as of March 31, 2017)

Number of employees	Change from previous fiscal year
23,568	+ 807

10) Principal lenders (as of March 31, 2017)

Lender	Outstanding amount of loan (million yen)
Sumitomo Mitsui Banking Corporation	17,475
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,396
Mizuho Bank, Ltd.	1,418

2. Shares (as of March 31, 2017)

1) Total number of shares authorized to be issued	320,000,000 shares
2) Total number of shares issued	160,789,436 shares
3) Number of shareholders	5,635

4) Principal shareholders

Shareholders	Number of shares held (thousand shares)	Ratio of shares held (%)
TOYOTA MOTOR CORPORATION	32,158	20.0
The Master Trust Bank of Japan, Ltd. (Trust account)	5,841	3.6
Sumitomo Mitsui Banking Corporation	5,442	3.4
Nippon Life Insurance Company	5,382	3.3
Japan Trustee Services Bank, Ltd. (Trust account)	5,381	3.3
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,154	3.2
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	4,626	2.9
JP MORGAN CHASE BANK 385632	4,233	2.6
The Dai-ichi Life Insurance Company, Limited	4,000	2.5
DENSO CORPORATION	3,000	1.9

Note: Ratio of shares held is calculated by deducting treasury stock (95,791 shares).

<Reference>

Distribution by owners

Financial institution	33.2%
Foreign corporation, etc.	31.1%
Other domestic corporation	30.8%
Individual, etc.	4.2%
Financial instruments business operator (brokerage house)	0.7%

3. Subscription rights to shares, etc. of the Company

Subscription rights to shares issued to/held by executives of the Company as compensation for the execution of their duties as of the fiscal year end

Name	First Issue of Subscription Rights to Shares (Stock compensation-type stock options)
Date of issuance resolution	June 26, 2015
Holders	Directors (except Outside Directors) 13
Number of subscription rights to shares	390
Type and number of shares subject to subscription rights to shares	Common shares 39,000 shares
Amount to be paid upon exercise of subscription rights to shares	One (1) yen per share
Exercise period of subscription rights to shares	July 30, 2015 - July 29, 2045
Primary condition for exercise of subscription rights to shares	Once an individual is no longer the Company's Director or Corporate Officer, any subscription rights to shares held can be exercised only during the 10-day period starting on the next day following the day the Company's position ended.

4. Company's executives

1) Directors and Audit and Supervisory Board Members (as of March 31, 2017)

Position	Name	In charge of/Important positions concurrently held
Chairman	Masahiro Otake	
President	Hiroshi Mihara	
Executive Vice President	Yuji Yokoya	Engineering Headquarters Intellectual Property Department Research & Development Department New Business Planning Department Project Management Department
Executive Vice President	Koichi Sakakibara	Production Headquarters Personnel Department General Affairs Department, Shizuoka Purchasing Department Aircraft Equipment Division Light Source Division
Senior Managing Director	Kenji Arima	International Operations Headquarters Engineering Headquarters Quality Assurance Department Product Development Department Design Department, Shizuoka
Senior Managing Director	Yohei Kawaguchi	Sales Headquarters General Affairs Department Parts and Accessory Planning Department Tokyo Branch
Director and Senior Adviser	Takashi Ohtake	
Director and Managing Corporate Officer	Masami Uchiyama	Production Headquarters Shizuoka Plant Production Control Department Safety Environment Department Logistics Department Electronics Products Production Department Director, KI HOLDINGS CO., LTD.
Director and Managing Corporate Officer	Katsuyuki Kusakawa	Corporate Planning Department Compliance Department Information System Department
Director and Managing Corporate Officer	Hideo Yamamoto	Finance & Accounting Headquarters Internal Audit Department Cost Administration Department
Director and Managing Corporate Officer	Michiaki Kato	Sales Headquarters International Operations Headquarters Toyota Branch
Director and Managing Corporate Officer	Hideharu Konagaya	Finance & Accounting Headquarters Auditor, KI HOLDINGS CO., LTD.
Director and Managing Corporate Officer	Mineo Kobayashi	International Operations Headquarters

Position	Name	In charge of/Important positions concurrently held
Director (Outside) (Independent executive)	Haruya Uehara	Senior Adviser, Mitsubishi UFJ Trust and Banking Corporation External Director, Audit and Supervisory Committee Member, NIKON CORPORATION Outside Audit & Supervisory Board Member, Mitsubishi Research Institute, Inc.
Standing Audit and Supervisory Board Member	Mitsuo Kikuchi	
Standing Audit and Supervisory Board Member	Mikio Tsuruta	
Audit and Supervisory Board Member (Outside)	Koichi Kusano	Attorney, Senior Partner of Nishimura & Asahi Professor, the graduate school of Keio University
Audit and Supervisory Board Member (Outside) (Independent executive)	Yukinobu Suzuki	Certified tax accountant Audit and Supervisory Board Member, Koito Insurance Services Co., Ltd.

Notes:

1. Nobuyoshi Kawashima retired as Audit and Supervisory Board Member at the time of the conclusion of the 116th Ordinary General Meeting of Shareholders held on June 29, 2016.
2. Director Haruya Uehara is Outside Director.
3. Audit and Supervisory Board Members Koichi Kusano and Yukinobu Suzuki are Outside Audit and Supervisory Board Members.
4. Audit and Supervisory Board Member Yukinobu Suzuki is a certified tax accountant who has considerable expertise in the fields of finance and accounting.
5. A notice has been submitted to the Tokyo Stock Exchange that Director Haruya Uehara and Audit and Supervisory Board Member Yukinobu Suzuki are designated as independent executive in accordance with the regulations of this exchange.
6. On the basis of the stipulations of Article 427, paragraph 1 of the Companies Act, the Company and its Outside Director and its Outside Audit and Supervisory Board Members have concluded an agreement limiting restitution liability for Article 423, paragraph 1 of the same act. These agreements limit the monetary liability of these individuals to the minimum liability amount specified by laws and regulations.
7. The Company uses the Corporate Officer system.
Corporate Officers as of March 31, 2017 are as follows. (excluding Corporate Officers who are also Directors)

Position	Name	In charge of/Important positions concurrently held
Managing Corporate Officer	Osami Takikawa	Production Headquarters Production Engineering Department Fujikawa Tooling Plant Aircraft Equipment Division Sagara Plant
Managing Corporate Officer	Jun Toyota	International Operations Headquarters American Operations
Managing Corporate Officer	Atsushi Inoue	Corporate Planning Department General Affairs Department
Managing Corporate Officer	Kiyoshi Sato	President, INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL) (Expatriate in the India)
Managing Corporate Officer	Takayuki Katsuda	Engineering Headquarters Design Section, Engineering Department in Toyota Branch Systematized Product Planning Department
Corporate Officer	Kazuhito Iwaki	Engineering Headquarters Mechanical System Design Department
Corporate Officer	Koichi Toyoda	Sales Headquarters Osaka Branch
Corporate Officer	Shinji Watanabe	President, Koito Czech s.r.o. (KCZ) (Expatriate in Europe)
Corporate Officer	Masatoshi Yoneyama	Engineering Headquarters Product Development Department
Corporate Officer	Toshiyuki Katsumata	Engineering Headquarters Design Department, Shizuoka
Corporate Officer	Mamoru Murakoshi	Production Headquarters Production Kaizen Division Production Engineering Department
Corporate Officer	Masahiro Otake	Production Headquarters Haibara Plant
Corporate Officer	Yuji Higashi	Engineering Headquarters Research & Development Department

2) Total remuneration, etc. to Directors and Audit and Supervisory Board Members

	Number of persons paid	Amount paid (million yen)
For Directors	14	1,031
For Audit and Supervisory Board Members	5	88
Total	19	1,119

Notes:

1. The above table includes one Audit and Supervisory Board Member who retired at the conclusion of the 116th Ordinary General Meeting of Shareholders held on June 29, 2016.
2. Aggregate remuneration for the Outside Directors and Outside Audit and Supervisory Board Members, a total of four individuals, was 50 million yen.
3. The Company abolished its Directors' and Audit and Supervisory Board Members' executive retirement bonuses payment system at the conclusion of the 112th Ordinary General Meeting of Shareholders held on June 28, 2012. The Company also decided to grant executive retirement bonuses, at the time of the retirement of each person involved, to cover the period in post up to the abolition of the system to Directors and Audit and Supervisory Board Members continuing in post subsequent to the conclusion of the aforementioned General Meeting of Shareholders.
On the basis of this decision, an executive retirement bonus of 11 million yen was paid to one retired Audit and Supervisory Board Member.
These amounts included 8 million yen for one Audit and Supervisory Board Member, which were transferred from provision for directors' retirement benefits included in the total remuneration, etc. to executives in the business report for past years.
4. Besides the above, one Outside Audit and Supervisory Board Member receives executives' remuneration of 0 million yen from Koito Insurance Services Co., Ltd., a subsidiary of the Company.

3) Outside executives

i. Significant positions at other companies, etc. and the Company's relationship with these companies, etc.

Director Haruya Uehara is Senior Adviser of Mitsubishi UFJ Trust and Banking Corporation, External Director (Audit and Supervisory Committee Member) of NIKON CORPORATION and Outside Audit & Supervisory Board Member of Mitsubishi Research Institute, Inc.

Audit and Supervisory Board Member Koichi Kusano is Senior Partner of Nishimura & Asahi and is a professor of the graduate school of Keio University. The Company has a business relationship with Nishimura & Asahi concerning legal services.

Audit and Supervisory Board Member Yukinobu Suzuki is an Audit and Supervisory Board Member of Koito Insurance Services Co., Ltd., which is a subsidiary of the Company. The Company has a business relationship related to insurance agency services with Koito Insurance Services Co., Ltd.

ii. Major activities during the fiscal year ended March 2017

	Name	Attendance at the Board of Directors Meetings	Attendance at the Audit and Supervisory Board Meetings	Major activities
Outside Director	Haruya Uehara	10 of the 11 meetings (90.9%)	–	Haruya Uehara provided opinions and other information based on his knowledge and experience concerning corporate management. In this role, he verified the adequacy and appropriateness of decisions by the Board of Directors and provided other advice and ideas.
Outside Audit and Supervisory Board Member	Koichi Kusano	10 of the 11 meetings (90.9%)	All 8 meetings (100.0%)	Koichi Kusano provided opinions primarily by using his legal expertise and performed other activities for verifying the adequacy and appropriateness of decisions by the Board of Directors, etc. and offering other advice and ideas.
Outside Audit and Supervisory Board Member	Yukinobu Suzuki	All 9 meetings (100.0%)	All 6 meetings (100.0%)	Nobuyoshi Kawashima provided opinions primarily by using his financial and tax practice expertise and performed other activities for verifying the adequacy and appropriateness of decisions by the Board of Directors, etc. and offering other advice and ideas.

Note: As Audit and Supervisory Board Member Yukinobu Suzuki was elected at the 116th Ordinary General Meeting of Shareholders on June 29, 2016, the number of the Board of Directors meetings and Audit and Supervisory Board meetings held during the fiscal year which he could attend is different from that of the other Outside Audit and Supervisory Board Members.

5. Independent Auditors

1) Name of Independent Auditors

ARK MEIJI AUDIT & Co.

2) Remuneration, etc. to the Independent Auditors

	Amount paid
1. Amount of remuneration, etc. paid by the Company	50 million yen
2. Total amount of money and other property benefits paid by the Company and its subsidiaries	76 million yen

Notes:

1. In the auditing contract with the Independent Auditors, there is no separation of the amount of remuneration, etc. for audits in accordance with the Companies Act and the amount for audits in accordance with the Financial Instruments and Exchange Act. Furthermore, since it is impractical to separate these two items, the amount in item 1 is the sum for these two audits.
2. Audit and Supervisory Board, acting in accordance with the 'Business Guidance relating to Cooperation with Independent Auditors' issued by the Public Interest Incorporated Association Japan Audit & Supervisory Board Members Association, having received the necessary materials and completed its hearing of the report from the relevant internal departments related and from Independent Auditors, as a result of having discussed the content of the audit plan of Independent Auditors, the execution of the operational responsibilities in previous business years and the basis of the calculation of the remuneration projections, has decided that the above-mentioned remuneration figures were reasonable, and consented in accordance with Article 399, paragraph 1 of the Companies Act.

3) Policy regarding decisions about dismissal or non-reappointment of the contract of the Independent Auditors

Audit and Supervisory Board decides the content of the agenda item submitted to the General Meeting of Shareholders relating to the dismissal or non-reappointment in cases in which it is adjudged that such action is necessary in circumstances in which there is an obstruction to the execution of the Independent Auditors' functions and duties.

In any of the following events, the Audit and Supervisory Board, with unanimous approval, can decide to dismiss the Independent Auditors.

- When the Audit and Supervisory Board determines that the provisions of Article 340, paragraph 1 of the Companies Act apply
- When the Audit and Supervisory Board determines that there is a major impediment to the Company's auditing services, such as when the Independent Auditors have received an order from a regulatory agency to cease auditing services

In addition, in any of the following events, the Audit and Supervisory Board can decide not to reappoint the Independent Auditors.

- When the Independent Auditors are unable to continue performing audits as prescribed in the Certified Public Accountants Act and other laws and regulations
- When the Audit and Supervisory Board decides that non-reappointment is justifiable for some other reason associated with the Company's management and operations

4) Audits of the Company's subsidiaries' financial statements by certified public accountants or auditing firms other than the Company's Independent Auditors

Overseas subsidiaries of the Company are audited by certified public accountants or auditing firms other than the Company's Independent Auditors.

6. System for ensuring appropriate business execution

This section explains the summary of decisions in regard to systems for ensuring that Directors execute their duties in compliance with laws and regulations and the Company's Articles of Incorporation and that other operations of the Company are conducted properly.

1) System ensuring that Directors and employees execute their 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, the Company's Directors, Corporate Officers and employees will receive education familiarizing them with the organizations, systems and regulations.

2) System for the preservation and administration of information on Directors executing their duties

Regulations will be developed and enhanced to appropriately preserve and administer the minutes of the General Meeting of Shareholders, Board of Directors, Managing Committee, and other information on Directors executing their duties.

3) 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, the Company's Directors, Corporate Officers and employees will receive education and training on risk management.

4) System for ensuring the efficient execution of duties by Directors

Board of Directors and Managing Committee will be held regularly. Meanwhile, Board of Directors Regulations, Managing Committee Regulations and other regulations pertaining to the execution of 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 duties by Directors. At the same time, business will be executed according to specific plans the divisions develop each year based on the President's policy.

5) System for ensuring appropriate business execution by the corporate group comprising the Company and its subsidiaries

The Company and its Group companies will subscribe together to the KOITO Group Corporate Behavior Charter and develop a system for ensuring and administering the properness of operations.

- i) Based on the Affiliates Management Regulations, etc., the Company will specify matters to be reported, enhance the Group's reporting system, and ensure that Group companies file periodical reports to the Company.
- ii) Based on the Affiliates Management Regulations, etc., the Company will keep watching on risks to the Group as a whole in a comprehensive and centralized manner. Whenever it finds insufficiency in a Group company's action, etc., the Company will give it guidance or take other corrective measures.
- iii) The Company will ensure that Group companies prepare and keep their regulations, organizations, and systems to ensure periodical holding of Board of Directors meetings and directors' execution of their duties.

For significant Group companies, executives of the Company may concurrently hold offices of executives of such Group companies.

- iv) Based on the KOITO Group Corporate Behavior Charter, etc., the Company will ensure that Group companies achieve compliance with laws and regulations, and the Company's administrative units and Internal Audit Department conduct Group companies' operational and accounting audits. Further, based on the Affiliates Management Regulations, etc., the Company will specify matters subject to the Company's approval, and ensure that Group companies first obtain the Company's approval before carrying out such matters.

6) Matters pertaining to the status of certain employees, their independence from Directors, and ensuring the viability of instruction in the event Audit and Supervisory Board Members request for such employees to assist in the execution of their duties

An Audit and Supervisory Board Members' 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 Members and the Audit and Supervisory Board.

Moreover, assignment of personnel to the Audit and Supervisory Board Members' Office shall be decided upon approval by the Audit and Supervisory Board to ensure independence from Directors.

7) System for directors and employees of the Company and its subsidiaries to report to Audit and Supervisory Board Members of the Company, and for preventing unfair treatment of the directors and employees for reporting to the Audit and Supervisory Board Members of the Company

Directors, corporate officers and employees of the Company and its Group companies shall report to the Audit and Supervisory Board Members of the Company when they learn of matters of material impact on the Company, serious violations of laws and regulations and the Company's Articles of Incorporation, and other issues of compliance.

Moreover, each Audit and Supervisory Board Member 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 the directors, corporate officers and employees for reporting to the Audit and Supervisory Board Members.

8) Policy on expenses arising from the Audit and Supervisory Board Members of the Company 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 Members executing their duties.

The Audit and Supervisory Board Members shall monitor and audit the execution of business by means that include attending meetings of the Board of Directors, Managing Committee, Compliance Committees and other relevant meetings and committees, and examining important documents.

The Audit and Supervisory Board Members shall exchange opinions periodically, or as necessary, with Directors, Corporate Officers, Independent Auditors, and the Internal Audit Department, among others.

7. Summary of operation of system for ensuring appropriate business execution

1) Compliance system

The Company uses several measures to prevent improper activities and strengthen systems for compliance with laws and regulations. One is regular meetings of the Compliance Committee. Other examples of these measures are training programs designed for individuals at different hierarchy levels and the distribution of the KOITO Group Corporate Behavior Charter and other relevant regulations by using the internal website, e-mail and other methods. In addition, questionnaires concerning compliance rules and regulations are used to make everyone aware of the importance of compliance and to confirm that these rules and regulations are being followed.

The Board of Directors and other supervisory units receive reports about compliance with the KOITO Group Corporate Behavior Charter.

The Compliance Committee is responsible for fiscal year activity plans, responses to risks, reports for results of internal audits and other matters, and checking the status of the overall compliance system.

A report has been made to the Board of Directors, etc. relating to the operational situation with the aim of improving its viability by establishing both internal and external contacts (law firm) as a corporate ethics consulting desk.

2) System concerning the execution of duties by Directors

At the Company, based on the Company's regulations, management decisions and supervision are conducted by the Board of Directors, the execution of duties is conducted by Directors and Corporate Officers, and the execution of duties is audited by Audit and Supervisory Board Members. 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 the execution of duties and makes decisions on important matters.

The Managing Committee, comprising Full-Time Directors and Corporate Officers, is a body to aid the Board of Directors. The committee meets in principle 3 times per month and reports on progress in the execution of duties and follows up on it.

3) Risk management system

The Company has Risk Management Regulations in order to be prepared for a quick and accurate response in the event of a risk that has a serious impact on business operations. Risk factors involving laws and regulations, the start of overseas operations, product quality, information security, natural disasters and other items are examined by every business unit and there are measures to maintain and improve risk management system.

4) System for management of Group companies

The Company holds briefing sessions such as “Group Company Business Report Conference” aimed at providing guidance and training for Group companies with the aim of ensuring that the operations of its Group companies run more smoothly and that their management functions are properly regulated. For important matters, there are preliminary discussions by respective Group companies and the Company’s relevant departments based on Affiliates Management Regulations. Next, the subject is submitted to the Company’s Managing Committee and Board of Directors for approval. The Company’s Internal Audit Department performs periodic audits concerning the status of development of internal control systems at Group companies. These audits are used to identify problems early so that actions can be taken to prevent losses. These audits also result in suggestions and guidance for improvements.

5) System concerning Audit and Supervisory Board Members

In addition to attending Board of Directors meetings, Audit and Supervisory Board Members also make best use of the specialized knowledge and experience that they have accumulated in their individual working environments, and as such they audit the Directors’ execution of their duties as well as the validity and appropriateness of the Company’s decision-making. Moreover, in addition to the site visits that the Audit and Supervisory Board Members personally undertake and interviews with the Administration Department, and along with their participation in audits undertaken by Independent Auditors and the Internal Audit Department, they cooperate with Directors and related parties, etc. by means of the appropriate exchange of information, and so strive to enhance the viability of audits.

8. Basic policy concerning corporate control

1) Explanation of basic policy

The Company believes that individuals who control decisions about financial and business policies must be capable of fully understanding the Company's finances and business operations as well as the sources of the Company's corporate value and achieving consistent and sustainable growth in corporate value and eventually the common interests of shareholders.

The Company's shares are traded on financial markets. The Company respects the freedom of investors to buy and sell its stock on these markets. Therefore, the Company does not necessarily reject all attempts by one or more parties to purchase a large volume of the Company stock as long as these purchases are aimed at protecting and contributing to the growth of the Group's corporate value and the common interests of shareholders. Furthermore, the Company believes that shareholders should make the final decision about whether or not to accept a proposal for a large purchase of the Company stock.

However, there may be proposal for purchasing a large volume of stock that poses the danger of damaging the Group's corporate value and the common interests of shareholders. For example, a proposal may create the risk of being unable to maintain sound relationships with the Group's stakeholders. Other proposals may not sufficiently reflect the value of the Group or may not supply enough information to allow shareholders to make a final decision.

In the event of these types of proposals, the Company believes that the Board of Directors, to fulfill its responsibilities to shareholders, must secure enough time and information for shareholders, hold discussions with the party planning to purchase a large volume of stock and take other actions as needed.

2) Initiative to enhance corporate value

The Company uses the following initiatives in order to increase and maximize corporate value.

- i. To address the automobile industry's expansion of globally optimal production systems, the 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.
- ii. The 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.

- iii. The Group aims to pursue the highest quality and safety standards, while advancing the protection of the environment and strengthening compliance.
- iv. The Group plans to further reinforce its profit structure and operations by securing and effectively allocating resources.

The Group believes that implementing these measures on a continuous basis will contribute to the effective utilization of the Group's resources, maintaining and further improving good relationships with all stakeholders, and achieving growth of the Group's corporate value as well as the common interests of shareholders. These initiatives were formulated for the purpose of achieving consistent and sustainable growth in the Group's corporate value. As a result, the Board of Directors believes that these initiatives are consistent with the basic policy in item 1) of this section and that these initiatives are not detrimental to the common interests of shareholders and do not have the goal of protecting the positions of the Company's executives.

Monetary figures and numbers of shares in this business report are rounded down to the units shown. All ratios are rounded off to the units shown.

FINANCIAL STATEMENTS, ETC.
Consolidated balance sheets

			(million yen)		
Accounts	As of March 31, 2017	As of March 31, 2016 (Reference)	Accounts	As of March 31, 2017	As of March 31, 2016 (Reference)
(Assets)			(Liabilities)		
Current assets	460,880	394,562	Current liabilities	222,989	204,793
Cash and deposits	206,956	161,762	Trade notes and accounts payable	127,126	125,181
Trade notes and accounts receivable	136,251	126,393	Electronically recorded monetary obligations - operating	16,366	3,176
Electronically recorded monetary claims - operating	11,589	9,361	Short-term loans	21,885	28,073
Securities	-	182	Accrued expenses	18,269	20,138
Inventories	66,332	64,180	Income taxes payable	15,122	9,398
Deferred income tax assets	4,558	4,081	Provision for bonuses	5,767	4,820
Other	36,035	29,477	Reserve for product warranties	3,070	2,824
Allowance for doubtful accounts	(843)	(876)	Provision for loss on litigation	3,393	-
Non-current assets	197,460	194,121	Other	11,987	11,180
Property, plant and equipment	141,538	139,300	Non-current liabilities	54,351	54,219
Buildings and structures, net	42,829	40,346	Long-term loans	13,172	13,176
Machinery, equipment and vehicles, net	55,911	56,804	Deferred tax liabilities	6,516	6,410
Tools, furniture and fixtures, net	18,768	17,959	Provision for directors' retirement benefits	363	414
Land	14,718	13,749	Reserve for product warranties	5,201	4,726
Construction in progress	9,310	10,439	Allowance for environmental expense	193	198
Intangible assets	1,985	1,997	Liability for retirement benefits	26,838	27,621
Investments and other assets	53,937	52,822	Other	2,066	1,672
Investment securities	46,889	45,988	Total liabilities	277,340	259,012
Claims provable in bankruptcy, claims provable in rehabilitation and other	60	60	(Net assets)		
Deferred tax assets	5,522	5,221	Shareholders' equity	310,045	259,782
Other	1,768	1,741	Common stock	14,270	14,270
Allowance for doubtful accounts	(302)	(188)	Additional paid-in capital	17,107	17,108
Total assets	658,341	588,683	Retained earnings	278,755	228,490
			Treasury stock	(87)	(86)
			Total accumulated other comprehensive income	25,942	26,403
			Valuation adjustment on investment securities	21,562	19,123
			Translation adjustments	4,572	7,712
			Retirement benefits liability adjustments	(192)	(432)
			Subscription rights to shares	291	291
			Non-controlling interests	44,719	43,193
			Total net assets	381,000	329,671
			Total liabilities and net assets	658,341	588,683

Note: Yen in millions, rounded down

Consolidated statements of income

(million yen)

Accounts	April 1, 2016 – March 31, 2017	April 1, 2015 – March 31, 2016 (Reference)
Net sales	841,456	813,477
Cost of sales	694,089	676,553
Gross profit	147,366	136,924
Selling, general and administrative expenses	54,843	54,705
Operating income	92,523	82,218
Other income	4,519	5,715
Interest income	[872]	[1,478]
Dividend income	[1,416]	[1,366]
Royalty income	562	769
Share of profit of entities accounted for using equity method	[10]	[12]
Other	[1,658]	[2,088]
Other expenses	1,706	3,637
Interest expenses	[870]	[726]
Provision of allowance for doubtful accounts	[-]	[60]
Foreign exchange losses	[365]	[2,008]
Expense for safety measure of flight service	[-]	[264]
Other	[471]	[578]
Recurring profit	95,336	84,296
Extraordinary income	998	3,640
Gain on sales of non-current assets	[43]	[1,561]
Reversal of allowance for expenses for damages	[-]	[1,068]
Gain on sales of investment securities	[955]	[1,008]
Other	[-]	[1]
Extraordinary loss	4,720	13,228
Loss on sale and disposal of non-current assets	[480]	[590]
Loss on valuation of investment securities	[32]	[-]
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	[3,393]	[933]
Loss on disasters	[813]	[-]
Provision of allowance for compensation for damage	[-]	[9,968]
Compensation for damage	[-]	[924]
Amortization of goodwill	[-]	[810]
Other	[-]	[1]
Income before income tax	91,614	74,708
Income taxes	27,506	20,186
Income taxes - deferred	(1,304)	2,235
Total income taxes	26,201	22,422
Profit	65,412	52,285
(Break down)		
Profit attributable to owners of parent	56,692	46,303
Profit attributable to non-controlling interests	8,719	5,981

Note: Yen in millions, rounded down

Consolidated statement of changes in equity (April 1, 2016 – March 31, 2017)

(million yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	
Beginning balance	14,270	17,108	228,490	(86)	259,782
Changes of items during period					
Dividends of surplus	–	–	(6,427)	–	(6,427)
Profit attributable to owners of parent	–	–	56,692	–	56,692
Purchase of treasury stock	–	–	–	(0)	(0)
Purchase of treasury stock of consolidated subsidiaries	–	(0)	–	–	(0)
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during period	–	(0)	50,264	(0)	50,263
Ending balance	14,270	17,107	278,755	(87)	310,045

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation adjustment on investment securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Beginning balance	19,123	7,712	(432)	26,403	291	43,193	329,671
Changes of items during period							
Dividends of surplus	–	–	–	–	–	–	(6,427)
Profit attributable to owners of parent	–	–	–	–	–	–	56,692
Purchase of treasury stock	–	–	–	–	–	–	(0)
Purchase of treasury stock of consolidated subsidiaries	–	–	–	–	–	–	(0)
Net changes of items other than shareholders' equity	2,439	(3,139)	240	(460)	–	1,526	1,065
Total changes of items during period	2,439	(3,139)	240	(460)	–	1,526	51,329
Ending balance	21,562	4,572	(192)	25,942	291	44,719	381,000

Note: Yen in millions, rounded down

Notes to consolidated financial statements

1. Basis of preparation for consolidated financial statements

(1) Scope of consolidation

i. Consolidated subsidiaries

Number of consolidated subsidiaries: 29

Names of primary consolidated subsidiaries:

KI HOLDINGS CO., LTD. and other 13 domestic subsidiaries

North American Lighting, Inc. and other 14 overseas subsidiaries

The Company included NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda., which had been established during the fiscal year under review, in the scope of consolidation.

ii. Non-consolidated subsidiaries

Names of primary non-consolidated subsidiaries: New Fuji. Co., Ltd.

Reason for exclusion from the scope of consolidation:

Non-consolidated subsidiaries are excluded from the scope of consolidation because the exclusion has a minimal impact on total assets, net sales, profit (loss), retained earnings, and others, and they have no importance as a whole.

(2) Application of the equity method

i. Equity-method affiliates

Number of affiliates to which the equity method was applied: 1 company

Company name: Takeda suntec co., ltd.

ii. Non-consolidated subsidiaries to which the equity method was not applied

Names of primary non-consolidated subsidiaries: New Fuji. Co., Ltd.

Reason for not applying the equity method:

Non-consolidated subsidiaries are excluded from application of the equity method because the exclusion has a minimal impact on profit (loss), retained earnings, and others, and they have no importance as a whole.

(3) Matters related to the business year of consolidated subsidiaries

The fiscal year of KOITO KYUSHU LIMITED, Koito Transport Co., Ltd., Okayama Industry Co. Ltd., and INDIA JAPAN LIGHTING PRIVATE LIMITED end on March 31.

For other consolidated subsidiaries (24 companies including Aoitec Co., Ltd.), the Company made consolidated financial statements based on provisional statements of accounts as of March 31.

(4) Accounting policy

i. Valuation basis and methods for significant assets

- a. Securities being held for trading: Market value method (Sales cost of securities is principally determined by the moving-average method)
- b. Bonds being held to maturity: Cost amortization method (straight-line method)

c. Other securities:

With market value

Market value method based on market price as of the closing date (Unrealized gains and losses are reported in net asset section. Sales cost of securities is principally determined by the moving-average method.)

Without market value

Cost method based on the moving-average method

d. Derivatives: Market value method

e. Money trusts for investments: Market value method

f. Inventories:

The Company and its consolidated subsidiaries in Japan state inventories principally at cost as determined by the weighted average method (book values of inventories are lowered in accordance with declines in profitability). Foreign consolidated subsidiaries state inventories at the lower of cost or market as determined by the moving-average method.

ii. Depreciation and amortization method for principal assets

a. Property, plant and equipment (excluding leased assets):

The Company and its consolidated subsidiaries in Japan compute depreciation with the declining-balance method and foreign consolidated subsidiaries use the straight-line method.

However, some of its consolidated subsidiaries in Japan use the straight-line method for buildings (excluding attached facilities) that were acquired on or after April 1, 1998, and facilities attached to buildings and structures that were acquired on or after April 1, 2016.

b. Intangible assets (excluding leased assets):

The Company and its consolidated subsidiaries in Japan compute depreciation with the straight-line method and foreign consolidated subsidiaries use the straight-line method in accordance with the accounting standards of the countries where they are located.

c. Leased assets:

Leased assets are depreciated with the straight-line method with the lease term regarded as the useful life and a residual value of zero.

iii. Significant allowances

a. Allowance for doubtful accounts:

The allowance for doubtful accounts for the Company and its consolidated subsidiaries in Japan is calculated by using the actual loss ratio for ordinary receivables and by determining the likelihood of collection for specific doubtful receivables and then adding to the allowance an estimate of the amount that cannot be recovered. Foreign consolidated subsidiaries primarily record estimated amounts that cannot be recovered for specific receivables.

b. Provision for bonuses:

The provision for bonuses for the Company and some of its consolidated subsidiaries in Japan is the estimated amount of bonuses to be paid to employees based on their services provided during the fiscal year.

c. Reserve for product warranties:

Reserve for product warranty is the estimated amount of expenses associated with product warranties in accordance with the designated standards.

d. Provision for loss on litigation

To prepare for the payment of loss on litigation, the amount deemed as necessary is recognized by estimating a loss that may be borne in the future.

e. Provision for directors' retirement benefits:

Some consolidated subsidiaries in Japan recorded the amount of required payments at the end of the fiscal year in accordance with the benefit rules, to cover the payment of executive retirement bonuses paid at the time of retirement.

f. Allowance for environmental expense:

The allowance for environmental expense is the estimated amount of expenses for environmental activities at the Company and its consolidated subsidiaries in Japan.

iv. Standard for conversions into yen of major assets and liabilities denominated in foreign currencies

Foreign currency-denominated assets and liabilities are converted into yen using the exchange rate at the end of the fiscal year and any differences are recorded as gains or losses.

At foreign consolidated subsidiaries, assets and liabilities are converted into yen using the exchange rate at the end of the fiscal year and income and expenses are converted into yen using the average fiscal year exchange rate. Differences are included in translation adjustments and non-controlling interests, which are part of net assets.

v. Principal methods of hedge accounting

a. Methods of hedge accounting:

The Company recognized profits or losses or appraisal differences associated with hedged items at the time of hedge and allocated them to the fiscal year under review.

b. Hedging instruments and hedging items:

Items to be hedged are exchange rate fluctuation risks in transactions denominated in foreign currencies and interest rate fluctuation risks in loans payable at fixed or floating interest rates. The Company adopts foreign exchange contracts to hedge exchange rate fluctuation risks and interest rate swap agreements to hedge interest rate fluctuation risks.

c. Hedging policy:

The Company in principle refrains from using hedges for the purpose of speculative transactions. Hedging transactions used by the Company are foreign exchange contracts and interest rate swap agreements to hedge exposures to previously settled transactions.

d. Hedge effectiveness evaluation methods:

In individual hedging transactions, the Company judges the hedging efficiency by directly weighing changes in market prices or cash flows of the hedged items and hedging instruments, based on internal regulations about management policy at and after the start of hedges.

vi. Amortization method and amortization period for goodwill:

Goodwill is amortized over five years on a straight-line basis.

However, if the goodwill amount is minimal, it is treated as profit or loss in the year of occurrence.

vii. Other basis of preparation for consolidated financial statements

a. Accounting method associated with retirement benefits:

To prepare for payments of retirement benefits to employees, provision has been made based on an estimate of the projected retirement benefit liability at the end of the fiscal year under review minus the fair value of the pension fund assets.

The method for attributing projected benefits to each fiscal year is based on the benefit formula. Actuarial gains and losses are amortized by the straight-line method over a certain period (mainly five years), which is within the average remaining service period of employees at the time of recognition, starting from the fiscal year following the respective fiscal year of recognition. In calculating retirement benefits, part of consolidated subsidiaries use the simplified method of assuming their benefit obligations to be equal to the benefits payable that would be required if all employees retired at fiscal year-end.

b. Treatment of consumption tax:

Financial statements are prepared exclusive of consumption tax.

2. Note on change in accounting policy

(Application of the practical solution on accounting for changes in depreciation method related to the 2016 Tax Law changes)

In accordance with the amendment in the Corporation Tax Act, a part of domestic consolidated subsidiaries have adopted the “Practical Solution on Accounting for Changes in Depreciation Method Related to the 2016 Tax Law Changes” (Practical Issue Task Force (PITF) No. 32, issued on June 17, 2016) from the fiscal year ended March 31, 2017, and have changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

This change in accounting policy has a minimal impact on the consolidated financial statements.

3. Note on change in presentation

(Consolidated balance sheets)

In the previous fiscal year, “Electronically recorded monetary obligations - operating” was included in “Trade notes and accounts payable” under “Current liabilities,” however, they are now separately presented due to their increased materiality. The amount of “Electronically recorded monetary obligations - operating” in the previous fiscal year is 3,176 million yen.

(Consolidated statements of income)

In the previous fiscal year, “Royalty income” was included in “Other income” under “Operating income,” however, it is now separately presented due to its increased materiality. The amount of “Royalty income” in the previous fiscal year is 769 million yen.

4. Notes to consolidated balance sheets

(1) Assets pledged as collateral

Buildings and structures	1,259 million yen
Machinery and equipment	1,366 million yen
Land	1,743 million yen
<hr/>	
Total	4,370 million yen

The above assets are used for collateral for short-term loans worth 1,583 million yen and long-term loans worth 9,910 million yen.

(2) Accumulated depreciation of property, plant and equipment (including cumulative impairment losses): 308,239 million yen

(3) Contingent liabilities

Litigations

In Canada, plaintiffs have filed lawsuits against the Company and its consolidated subsidiary, North American Lighting, Inc., seeking payment for damages they claim to have incurred from alleged coordination concerning transactions for automotive lighting equipment. In the U.S., similar lawsuits have been filed against the Company. A provision for loss on litigation has been recorded for some of said litigations.

5. Note to consolidated statement of changes in equity

(1) Total number of shares issued

Type of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	(thousand shares)
				Number of shares at the end of the current fiscal year
Common shares	160,789	–	–	160,789

(2) Type and number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	(thousand shares)
				Number of shares at the end of the current fiscal year
Common shares	95	0	–	95

Note: The increase in the number of treasury stock is due to the Company's purchase of fractional shares less than one unit.

(3) Dividends of surplus

i. Cash dividends

a. Matters concerning dividends based on resolutions at the 116th General Meeting of Shareholders (June 29, 2016)

Type of shares	Common shares
Aggregate dividends	3,213 million yen
Dividend per share	20 yen
Record date	March 31, 2016
Effective date	June 30, 2016

- b. Matters concerning dividends based on resolutions at the Board of Directors Meeting (October 25, 2016)

Type of shares	Common shares
Aggregate dividends	3,213 million yen
Dividend per share	20 yen
Record date	September 30, 2016
Effective date	December 5, 2016

- ii. Of the dividends whose record date falls within the current fiscal year, the following is a dividend whose effective date will fall within the next fiscal year

The Company plans to present a proposal on that dividend as follows for resolution at the 117th General Meeting of Shareholders to be held on June 29, 2017.

Type of shares	Common shares
Aggregate dividends	5,463 million yen
Funds for the dividend	Retained earnings
Dividend per share	34 yen
Record date	March 31, 2017
Effective date	June 30, 2017

- (4) Type and number of shares subject to subscription rights to shares in the fiscal year under review (excluding subscription rights to shares for which the first day of the exercise period has not yet arrived)

Common shares	63,000 shares
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6. Note to financial instruments

(1) Financial instruments

The Group places emphasis on safe investments of funds, prioritizing the preservation of principal. The Group has a policy of raising necessary funds by internal funds and bank loans. Trade receivables—trade notes and accounts receivable and electronically recorded monetary claims—operating—are exposed to credit risks in relation to customers. The Group lowers those risks by performing term administration and balance management for each business partner. Investment securities, mainly shares related to companies in business alliances and debt securities purchased with surplus funds, face risks of market price fluctuations. The Group regularly monitors market prices of those securities.

Trade payables—trade notes and accounts payable, electronically recorded monetary obligations - operating, accrued expenses, and income taxes payable—have payment terms within one year.

Among loans payable, short-term loans primarily represent fund raising related to operating transactions, and long-term loans mainly concern fund raising related to capital expenditure. Trade payables and loans payable are exposed to liquidity risks. The Group manages those risks by making fund raising schedules. The Group utilizes derivative transactions for the purpose of reducing risks of foreign exchange and interest rate fluctuations and refrains from speculative transactions.

(2) Market value of financial instruments

The following table shows amounts recognized on the consolidated balance sheets, market values, and the differences between them on March 31, 2017.

	Balance sheet amount (*1)	Fair value (*1)	Difference
(million yen)			
1. Cash and deposits	206,956	206,956	-
2. Trade notes and accounts receivable	136,251	136,251	-
3. Electronically recorded monetary claims-operating	11,589	11,589	-
4. Securities and investment securities	43,632	43,632	-
5. Claims provable in bankruptcy, claims provable in rehabilitation and other	60		
Allowance for doubtful accounts (*2)	(60)		
	-	-	-
6. Trade notes and accounts payable	[127,126]	[127,126]	-
7. Electronically recorded monetary obligations - operating	[16,366]	[16,366]	-
8. Short-term loans (*3)	[20,294]	[20,294]	-
9. Accrued expenses	[18,269]	[18,269]	-
10. Income taxes payable	[15,122]	[15,122]	-
11. Long-term loans (*3)	[14,763]	[14,655]	(107)

(*1) The items in the section of liabilities are shown in square brackets.

(*2) Allowance for doubtful accounts on claims provable in bankruptcy, claims provable in rehabilitation and other have been deducted.

(*3) Current portion of long-term loans, an item included in short-term loans in the consolidated balance sheets, is included in long-term loans here.

Notes:

Fair value measurement of financial instruments and matters related to securities

1. Cash and deposits

2. Trade notes and accounts receivable

3. Electronically recorded monetary claims-operating

As these are settled in short terms, their market values are roughly equal to their book values, and therefore the relevant book values are used as the fair values.

4. Securities and investment securities

The fair values of stock instruments are measured at quoted market prices of the stock exchange, and those of debt securities are measured at quoted market prices of the stock exchange or those provided by counterparty financial institutions. As unlisted shares (3,256 million yen reported on the consolidated balance sheets) had no market prices, it was very difficult to measure their fair values, so the Company did not include those shares in this category.

5. Claims provable in bankruptcy, claims provable in rehabilitation and other

The fair value of claims provable in bankruptcy, claims provable in rehabilitation and other is deemed to be similar to the amount deducting the present estimated doubtful accounts from the amount on the consolidated balance sheets on the closing day of the fiscal year under review and the said value is shown as the fair value.

6. Trade notes and accounts payable

7. Electronically recorded monetary obligations - operating

8. Short-term loans

9. Accrued expenses

10. Income taxes payable

As these are settled in short terms, their market values are roughly equal to their book values, and therefore the relevant book values are used as the fair values.

11. Long-term loans

The fair value of long-term loans is calculated by discounting the sum of principal and interest by the interest rate that would apply if a similar new borrowing were executed.

7. Note to per share information

(1) Net assets per share 2,090.87 yen

(2) Net income per share 352.80 yen

8. Other notes (additional information)

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year ended March 31, 2017, the Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

Balance sheets

Accounts	As of March 31, 2017	As of March 31, 2016 (Reference)	(million yen)		
			Accounts	As of March 31, 2017	As of March 31, 2016 (Reference)
(Assets)			(Liabilities)		
Current assets	220,846	184,110	Current liabilities	91,330	79,437
Cash and deposits	139,021	111,685	Accounts payable	52,308	57,437
Trade notes	513	360	Electronically recorded monetary obligations - operating	11,599	–
Electronically recorded monetary claims - operating	10,545	8,237	Accounts payable - other	1,035	2,668
Accounts receivable	47,222	43,858	Accrued expenses	4,622	6,984
Finished products	5,692	4,635	Income taxes payable	8,974	4,667
Work in process	1,203	1,232	Provision for bonuses	3,889	3,714
Raw materials and supplies	7,084	6,077	Reserve for product warranties	3,070	2,824
Accounts receivable - other	5,956	4,898	Provision for loss on litigation	3,393	–
Deferred income tax assets	3,523	3,033	Other	2,437	1,141
Other	243	234	Non-current liabilities	32,288	32,553
Allowance for doubtful accounts	(159)	(142)	Provision for retirement benefits	19,052	19,781
Non-current assets	129,163	127,178	Provision for overseas investment loss	7,000	7,000
Property, plant and equipment	24,655	26,022	Reserve for product warranties	5,201	4,726
Buildings, net	9,480	10,163	Allowance for environmental expense	8	6
Structures, net	534	531	Other	1,026	1,038
Machinery and equipment, net	4,257	4,647	Total liabilities	123,618	111,990
Vehicles, net	135	160	(Net assets)		
Tools, furniture and fixtures, net	3,496	3,767	Shareholders' equity	205,613	180,938
Land	6,751	6,751	Common stock	14,270	14,270
Intangible assets	886	798	Additional paid-in capital	17,108	17,108
Telephone subscription right	37	37	Legal capital surplus	17,107	17,107
Other	848	761	Other additional paid-in capital	0	0
Investments and other assets	103,621	100,357	Retained earnings	174,321	149,646
Investment securities	25,756	25,329	Legal retained earnings	3,567	3,567
Shares of subsidiaries and associates	53,473	53,699	Other retained earnings		
Bonds of subsidiaries and associates	1,650	1,650	Reserve for reduction of asset costs	892	903
Investments in capital of subsidiaries and associates	19,488	16,877	General reserve	100,000	100,000
Long-term loans	2	5	Retained earnings brought forward	69,861	45,175
Long-term loans of subsidiaries and associates	1,700	–	Treasury stock	(87)	(86)
Claims provable in bankruptcy, claims provable in rehabilitation and other	60	60	Valuation and translation adjustments	20,485	18,068
Deferred tax assets	1,026	2,087	Valuation adjustment on investment securities	20,485	18,068
Guarantee deposits	454	466	Subscription rights to shares	291	291
Other	182	353	Total net assets	226,390	199,298
Allowance for doubtful accounts	(173)	(172)	Total liabilities and net assets	350,009	311,289
Total assets	350,009	311,289			

Note: Yen in millions, rounded down

Statements of income

(million yen)

Accounts	April 1, 2016 – March 31, 2017	April 1, 2015 – March 31, 2016 (Reference)
Net sales	297,786	270,857
Cost of sales	247,939	229,921
Gross profit	49,846	40,936
Selling, general and administrative expenses	20,586	19,389
Operating income	29,260	21,546
Other income	16,518	15,779
Interest income	[403]	[1,043]
Dividend income	[9,648]	[8,625]
Royalty income	[5,664]	[5,316]
Rent income	[569]	[569]
Miscellaneous income	[231]	[225]
Other expenses	48	346
Provision of allowance for doubtful accounts	[-]	[60]
Foreign exchange losses	[-]	[215]
Miscellaneous loss	[48]	[70]
Recurring profit	45,729	36,979
Extraordinary income	986	1,373
Gain on sales of non-current assets	[31]	[197]
Gain on sales of investment securities	[955]	[866]
Gain on liquidation of subsidiaries	[-]	[309]
Extraordinary loss	4,408	4,567
Loss on sale and disposal of property and equipment	[251]	[353]
Loss on valuation of investment securities	[32]	[-]
Loss on valuation of shares of subsidiaries and associates	[730]	[3,280]
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	[3,393]	[933]
Income before income taxes	42,307	33,786
Income taxes	11,586	8,704
Income taxes - deferred	(381)	3,279
Total	11,204	11,983
Profit	31,102	21,802

Note: Yen in millions, rounded down

Statement of changes in equity (April 1, 2016 – March 31, 2017)

(million yen)

	Shareholders' equity								Total retained earnings
	Additional paid-in capital				Retained earnings				
	Common stock	Legal capital surplus	Other additional paid-in capital	Total additional paid-in capital	Legal retained earnings	Other retained earnings			
					Reserve for reduction of asset costs	General reserve	Retained earnings brought forward		
Beginning balance	14,270	17,107	0	17,108	3,567	903	100,000	45,175	149,646
Changes of items during period									
Provision of reserve for reduction of asset costs	-	-	-	-	-	3	-	(3)	-
Reversal of reserve for reduction of asset costs	-	-	-	-	-	(15)	-	15	-
Dividends of surplus	-	-	-	-	-	-	-	(6,427)	(6,427)
Profit	-	-	-	-	-	-	-	31,102	31,102
Purchase of treasury stock	-	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-
Total changes of items during period	-	-	-	-	-	(11)	-	24,686	24,674
Ending balance	14,270	17,107	0	17,108	3,567	892	100,000	69,861	174,321

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation adjustment on investment securities	Total valuation and translation adjustments		
Beginning balance	(86)	180,938	18,068	18,068	291	199,298
Changes of items during period						
Provision of reserve for reduction of asset costs	-	-	-	-	-	-
Reversal of reserve for reduction of asset costs	-	-	-	-	-	-
Dividends of surplus	-	(6,427)	-	-	-	(6,427)
Profit	-	31,102	-	-	-	31,102
Purchase of treasury stock	(0)	(0)	-	-	-	(0)
Net changes of items other than shareholders' equity	-	-	2,417	2,417	-	2,417
Total changes of items during period	(0)	24,674	2,417	2,417	-	27,091
Ending balance	(87)	205,613	20,485	20,485	291	226,390

Note: Yen in millions, rounded down

Notes to financial statements

1. Significant accounting policies

(1) Valuation basis and methods for securities

i. Shares of subsidiaries and affiliates: Cost method based on the moving-average method

ii. Other securities:

With market value

Market value method based on market price as of the closing date (Unrealized gains and losses are reported in net asset section. Sales cost of securities is determined by the moving-average method).

Without market value

Cost method based on the moving-average method

(2) Valuation basis and methods for derivatives and others

i. Derivatives: Market value method

ii. Money trusts for investments: Market value method

(3) Valuation basis and methods for inventories

The Company states inventories principally at cost as determined by the weighted average method (book values of inventories are lowered in accordance with declines in profitability).

(4) Depreciation and amortization method for non-current assets

i. Property, plant and equipment: Declining-balance method

The useful lives of property, plant and equipment are as follows.

Buildings and structures: 7-50 years

Machinery and equipment and vehicles: 3-7 years

Tools, furniture and fixtures: 2-20 years

ii. Intangible assets

Software:

For amortization of software, the straight-line method based on the estimated internal use period (five years) is used.

Other intangible assets: Straight-line method

(5) Standard for conversions into yen of assets and liabilities denominated in foreign currencies

Foreign currency-denominated assets and liabilities are converted into yen using the exchange rate at the end of the fiscal year and any differences are recorded as gains or losses.

(6) Allowances

i. Allowance for doubtful accounts

The allowance for doubtful accounts for the Company is calculated by using the actual loss ratio for ordinary receivables and by determining the likelihood of collection for specific doubtful receivables and then adding to the allowance an estimate of the amount that cannot be recovered.

ii. Provision for bonuses

The provision for bonuses for the Company is the estimated amount of bonuses to be paid to employees based on their services provided during the fiscal year.

iii. Reserve for product warranties

Reserve for product warranty is the estimated amount of expenses associated with product warranties in accordance with the designated standards.

iv. Provision for loss on litigation

To prepare for the payment of loss on litigation, the amount deemed as necessary is recognized by estimating a loss that may be borne in the future.

v. Provision for retirement benefits

To prepare for payments of retirement benefits to employees, provision has been made based on an estimate of the projected retirement benefit liability at the end of the fiscal year under review minus the fair value of the pension fund assets.

The method for attributing projected benefits to each fiscal year is based on the benefit formula. Actuarial gains and losses are amortized by the straight-line method over a certain period (mainly five years), which is within the average remaining service period of employees at the time of recognition, starting from the fiscal year following the respective fiscal year of recognition.

vi. Provision for overseas investment loss

To prepare for losses associated with overseas investments, the Company reported an estimated loss amount based on its criteria, considering country risks of investment target countries and financial positions of overseas affiliates.

vii. Allowance for environmental expense

The allowance for environmental expense is the estimated amount of expenses for environmental activities at the Company.

(7) Method of hedge accounting

The Company recognized profits or losses or appraisal differences associated with hedged items at the time of hedge and allocated them to the fiscal year under review.

(8) Other basis of preparation for financial statements

i. Accounting standard for retirement benefits

The accounting method for unrecognized items regarding retirement benefits is different from that in the consolidated financial statements.

ii. Treatment of consumption tax

Financial statements are prepared exclusive of consumption tax.

2. Notes to changes in presentation method

(Statements of income)

In the previous fiscal year, "Interest on securities" was included in "Other income," however, it is now included in "Interest income" under "Other income."

3. Note to balance sheets

(1) Accumulated depreciation of property, plant and equipment (including cumulative impairment losses): 101,903 million yen

(2) Contingent liabilities

i. Guarantee liabilities

The Company guarantees following loans obtained by affiliates.

North American Lighting, Inc.	22,438 million yen
Koito Europe Limited	2,101 million yen
INDIA JAPAN LIGHTING PRIVATE LIMITED	1,211 million yen
<hr/> Total	<hr/> 25,750 million yen

ii. Litigations

In Canada, plaintiffs have filed lawsuits against the Company seeking payment for damages they claim to have incurred from alleged coordination concerning transactions for automotive lighting equipment. In the U.S., similar lawsuits have been filed against the Company. A provision for loss on litigation has been recorded for some of said litigations.

(3) Following is the total amount of credits and debits to affiliates, respectively.

i. Short-term credits	30,036 million yen
ii. Short-term debits	20,135 million yen

4. Note to statements of income

Transactions with affiliates

i. Net sales	168,458 million yen
ii. Purchase of goods	160,632 million yen
iii. Transactions excluding business transaction	14,701 million yen

5. Note to statement of changes in equity

Type and number of treasury stock

Type of shares				(thousand shares)
	Number of shares at the beginning of the current fiscal year	Increase	Decrease	Number of shares at the end of the current fiscal year
Common shares	95	0	—	95

Note: The increase in the number of treasury stock is due to the Company's purchase of fractional shares less than one unit.

6. Note to tax effect accounting

Major causes of deferred tax assets are exceeding the limit of inclusion in depreciation expenses and provision for retirement benefits, while the primary reason for recording deferred tax liabilities is valuation adjustment on investment securities.

7. Notes to transactions with related parties

(1) Parent companies and major corporate shareholders

Relationship	Company name	Location	Capital or investments (million yen)	Description of businesses or job	Voting rights held	Relationship with related parties		Description of transactions	Transaction amount (million yen)	Account	Ending balance (million yen)
						Interlocking of officers	Business relationships				
Other affiliate	TOYOTA MOTOR CORPORATION	Toyota city, Aichi prefecture	635,401	Manufacturing and marketing of motor vehicles and automobile parts, marketing of industrial vehicles, manufacturing and marketing of houses, and others	Directly held 20%	-	Marketing of automotive lighting equipment	Marketing of automotive lighting equipment	151,718	Electronically recorded monetary claims-operating	5,469
										Accounts receivable	16,211
								Receipt of materials	3,551	Accounts payable	767

(2) Subsidiaries

Relationship	Company name	Location	Capital or investments	Description of businesses or job	Voting rights held	Relationship with related parties		Description of transactions	Transaction amount (million yen)	Account	Ending balance (million yen)
						Interlocking of officers	Business relationships				
Consolidated subsidiary	KOITO KYUSHU LIMITED	Saga City, Saga Prefecture	3,000 million yen	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly held 100%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	57,206	Accounts payable	8,920
								Supply of materials	28,420	Accounts receivable - other	1,299
Consolidated subsidiary	Aoitec Co., Ltd.	Hamamatsu City, Shizuoka Prefecture	100 million yen	Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery	(Ownership) Directly held 70%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	30,191	Accounts payable	3,021
Consolidated subsidiary	Shizuokadenso Co., Ltd.	Shizuoka City, Shizuoka Prefecture	76 million yen	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly held 65%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	31,855	Accounts payable	2,041
Consolidated subsidiary	North American Lighting, Inc.	Illinois, USA	130,000 thousands of U.S. dollars	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly held 100%	There are concurrent services of officers	Manufacturing and marketing of the company's products mainly in the U.S. There is a technological support agreement	Debt guarantee	22,438	-	-
Consolidated subsidiary	Koito Europe Limited	Droitwich City, Worcestershire U.K.	65,000 thousands of Sterling pound	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly held 100%	There are concurrent services of officers	Manufacturing and marketing of the company's products mainly in the U.K. There is a technological support agreement	Debt guarantee	2,101	-	-
Consolidated subsidiary	INDIA JAPAN LIGHTING PRIVATE LIMITED	Tamil Nadu, India	1,840 millions of Indian rupee	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly held 70%	There are concurrent services of officers	Manufacturing and marketing of the company's products mainly in India There is a technological support agreement	Debt guarantee	1,211	-	-

Notes:

- Of the amounts in the tables (1) and (2), the "Transaction amount" does not include consumption tax and the "Ending balance" includes consumption tax.
- The terms and conditions of the above transactions and their decision policy
As in general transactions, the Company takes market prices and total costs into consideration in determining the transactions.
- The Company guarantees loans from financial institutions.

7. Note to per share information

(1) Net assets per share	1,407.02 yen
(2) Net income per share	193.55 yen

8. Other notes (additional information)

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year ended March 31, 2017, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

Independent Auditor's Report

May 11, 2017

The Board of Directors
KOITO MANUFACTURING CO., LTD.

ARK MEIJI AUDIT & Co.

Yasushi Onuki (Seal)
Designated Partner
Engagement Partner
Certified Public Accountant

Tsuguhiro Tsukakoshi (Seal)
Designated Partner
Engagement Partner
Certified Public Accountant

Yoshie Suwa (Seal)
Designated Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheets, the consolidated statements of income, the consolidated statement of changes in equity and the notes to consolidated financial statements of KOITO MANUFACTURING CO., LTD. ("the Company") as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 444, Paragraph 4 of the Companies Act.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as Independent Auditor. 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 and applied depend on our judgement, 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, we consider 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, while the objective of the financial statement audit is 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 inquest 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 financial position and the results of operations of the Company and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Independent Auditor's Report

May 11, 2017

The Board of Directors
KOITO MANUFACTURING CO., LTD.

ARK MEIJI AUDIT & Co.

Yasushi Onuki (Seal)
Designated Partner
Engagement Partner
Certified Public Accountant

Tsuguhiro Tsukakoshi (Seal)
Designated Partner
Engagement Partner
Certified Public Accountant

Yoshie Suwa (Seal)
Designated Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheets, the statements of income, the statement of changes in equity and the notes to financial statements, and the supporting schedules of KOITO MANUFACTURING CO., LTD. (“the Company”) as at March 31, 2017 and for the 117th business year from April 1, 2016 to March 31, 2017 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

Management’s responsibility for the financial statements and others

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

Auditor’s responsibility

Our responsibility is to express an opinion on the financial statements and the supporting schedules based on our audit as Independent Auditor. 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 financial statements and the supporting schedules are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supporting schedules. The procedures selected and applied depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supporting schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements and the supporting schedules in order to design audit procedures that are appropriate in the circumstances,

while the objective of the financial statement audit is 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 financial statements and the supporting schedules.

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 financial statements and the supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and supporting schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

AUDIT REPORT

Regarding the execution of Directors' duties during the 117th business year from April 1, 2016 to March 31, 2017, we, the Audit and Supervisory Board of KOITO MANUFACTURING CO., LTD. ("the Company"), hereby submits its audit report, which has been prepared through discussions based on the audit reports prepared by the respective Audit and Supervisory Board Members.

1. Method and details of audit

(1) We, the Audit and Supervisory Board, established the auditing policies and allocation of duties, received reports regarding the status of audits and the results thereof from each Audit and Supervisory Board Member, as well as reports regarding the status of the execution of duties from Directors, etc. and Independent Auditors, and requested explanations as necessary.

(2) In compliance with the auditing rules of the Audit and Supervisory Board and pursuant to the auditing plans and the assigned tasks and others, each Audit and Supervisory Board Member communicated with Directors, officials at the Internal Audit Department and other relevant personnel, endeavored to collect necessary information and improve the auditing environment, and conducted the audit in accordance with the following methods.

i) Each Audit and Supervisory Board Member also attended meetings of the Board of Directors and other meetings as deemed important, received reports from Directors and employees on their performance of duties, requested additional explanations as necessary, perused the documents whereby the important decisions were made, and examined the business and financial conditions at the head office and the principal offices.

Meanwhile, each Audit and Supervisory Board Member communicated and exchanged information with Directors, Audit and Supervisory Board Members, and others of subsidiaries and, when necessary, received reports concerning business activities of the subsidiaries.

ii) Each Audit and Supervisory Board Member monitored and reviewed the substance of the Board of Directors' resolutions to establish a system to ensure the conformity of the execution of duties by the Directors with laws and regulations and with the Articles of Incorporation, and other arrangements prescribed in Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Companies Act as necessary for ensuring the integrity of corporate groups comprised of stock companies and their subsidiaries, as well as the establishment and operation of a system (internal control system) being developed in accordance with such resolutions.

iii) Each Audit and Supervisory Board Member examined the substance of the basic policies on those who control the decision of the Company's financial and operational policies and specific measures taken to implement the said policies.

iv) In addition to monitoring and examining whether the Independent Auditor maintained an independent position and performed auditing appropriately, we received reports from the Independent Auditor on the performance of its duties and requested explanations when necessary. In addition, we received notice from the Independent Auditor that "The systems for ensuring the proper performance of duties" (set forth in each item of Article 131 of the Regulations of Corporate Financial Calculation) are organized in accordance with the "Standards for Quality Control of Audit" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations whenever necessity arose.

Based on the above methods, we examined the business report, consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statement of changes in equity, notes to consolidated financial statements), financial statements (balance sheets, statements of income, statement of changes in equity, notes to financial statements), supporting schedules for the fiscal year under review.

2. Results of audit

(1) Results of audit of business report, etc.

i) In our opinion, the business report and supporting schedules fairly represent the condition of the Company in accordance with the laws, regulations and Articles of Incorporation of the Company.

ii) We have determined that there were no serious occurrences of dishonest or false activity or violations of any laws, regulations or the Company's Articles of Incorporation by any Directors or Executive Officers in carrying out their duties.

iii) We find the Board of Directors' resolutions concerning the internal control system are appropriate and there are no matters to be pointed out with respect to the establishment and operation of the said internal control system.

iv) There are no matters to be pointed out with respect to the basic policies on those who control the decision of the Company's financial and operational policies and specific measures taken to implement the said policies.

(2) Results of audit of consolidated financial statements

In our opinion, the audit method and audit results received from the Independent Auditor ARK MEIJI AUDIT & Co. are appropriate.

(3) Results of audit of financial statements and supporting schedules

In our opinion, the audit method and audit results received from the Independent Auditor ARK MEIJI AUDIT & Co. are appropriate.

May 16, 2017

Audit and Supervisory Board of KOITO MANUFACTURING CO., LTD.

Standing Audit and Supervisory Board Member
Mitsuo Kikuchi (Seal)

Standing Audit and Supervisory Board Member
Mikio Tsuruta (Seal)

Outside Audit and Supervisory Board Member
Koichi Kusano (Seal)

Outside Audit and Supervisory Board Member
Yukinobu Suzuki (Seal)