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**PRESS RELEASE**

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**Change in Ownership of Consolidated Subsidiary (Transfer of Shares),  
Appropriation of Extraordinary Income, and Revision on Business Forecasts**

KOITO MANUFACTURING CO., LTD. (“KOITO”) has resolved at its Board of Directors meeting held on September 28, 2017, to sell all portions of the shares of Shanghai Koito Automotive Lamp Co., Ltd. (“Shanghai Koito”), a consolidated subsidiary owned by KOITO, to HUAYU Automotive Systems Company Limited (“HUAYU”), (such sale, the “Transaction”) and to take actions related to the Transaction.

Along with the Transaction, as of September 28, 2017, Shanghai Koito’s status for KOITO’s consolidated accounting will change from a consolidated subsidiary to a company accounted for by the equity-method, and as of October 2017, Shanghai Koito’s profit and loss will be accounted for by the equity-method. The Transaction will generate an extraordinary income for the fourth quarter of the fiscal year ending March 31, 2018. Accordingly, KOITO also announces a revision to the business forecast for the fiscal year ending March 31, 2018 that was made public on July 27, 2017.

**1. Reasons for the change in ownership of the subsidiary (transfer of shares):**

- 1. KOITO established Shanghai Koito in February 1989 as a joint venture with a Shanghai company that manufactured tractor vehicles, and Toyota Tsusho Corporation (“Toyota Tsusho”). The purpose of the joint venture was to manufacture and sell automotive lighting equipment bound for the Chinese market. KOITO has been providing its technologies as licensor to Shanghai Koito for its business expansion. The portion held by the Chinese partner was transferred within the SAIC Motor Corporation Limited group on several occasions until it was acquired in July 2008 by HUAYU, the current owner of the Chinese portion. In recent years, HUAYU has demanded the extension of Shanghai Koito’s businesses to reach the global community (including North America and Europe).
- 2. HUAYU, KOITO and Toyota Tsusho held discussions in respect to such demand. However, KOITO decided not to agree to Shanghai Koito’s expansion to the overseas markets for the following reasons:
  - 1) From KOITO’s viewpoint, Shanghai Koito should remain positioned as a local base for supply to the Chinese markets as originally intended;
  - 2) KOITO has already established a production and supply structure centered on the four major regions of the world: Japan, U.S., Europe and Asia, and Shanghai Koito’s move overseas would cause redundancy in the appropriation of resources and investment among the KOITO Group companies; and
  - 3) There is a concern that Shanghai Koito’s expansion to the overseas markets may lead to futile competition among the KOITO Group companies.Moreover, any further disagreement among the Shareholders regarding the policy of Shanghai Koito’s development would adversely affect even the domestic growth of Shanghai Koito. For these reasons, the three partners of Shanghai Koito amicably agreed to have all the portions of Shanghai Koito in which KOITO and Toyota Tsusho hold shares transferred to HUAYU, and execute a contract to ensure KOITO provides to Shanghai Koito continuous support for its current products.
- 3. KOITO is now investigating the best development method and production structure for the Chinese market centered on its three current companies, GUANZHOU KOITO AUTOMOTIVE LAMP CO., LTD., Hubei Koito Automotive Lamp Co., Ltd. and FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. Along with the utilization of KOITO’s global four key-region production and supply scheme to meet with car manufacturers’ global requirements, KOITO intends to successfully obtain a greater market share in China.
- 4. Along with the Transaction, KOITO has concluded a technical agreement with Shanghai Koito anew to provide continuous support for the current products, but its scope is more limited than ever. As a result, KOITO no longer maintains substantial control over the company. From October 2017 to the execution date of the Transaction, Shanghai Koito’s profit and loss for KOITO’s consolidated accounting will be accounted for by the equity-method.

## 2. Outline of Shanghai Koito

(1)	Company Name	Shanghai Koito Automotive Lamp Co., Ltd.		
(2)	Address	767 Yecheng RD. Jia Ding South Door, Shanghai, 201821, China		
(3)	Name and Title of Representative	Mr. Zhang Hai Tao, Chairman of the Board		
(4)	Business Purpose	Manufacture and sale of automotive lighting equipment		
(5)	Paid-in Capital	¥7,400 million		
(6)	Establishment	February 28, 1989		
(7)	Shareholders and their holding ratio	HUAYU Automotive Systems Company Limited : 50.0% KOITO MANUFACTURING CO., LTD. : 45.0% Toyota Tsusho Corporation : 5.0%		
(8)	Relations between KOITO and Shanghai Koito	Capital	Shanghai Koito is a consolidated subsidiary.	
		Personnel	Two Board members and two employees of KOITO are appointed as Board members of Shanghai Koito.	
		Business	KOITO provides Shanghai Koito with component parts to be used for their production of lamps.	
(9)	Shanghai Koito's consolidated business results and consolidated financial position for the past three years			
	Fiscal Year	Ending Dec. 31, 2014	Ending Dec. 31, 2015	Ending Dec. 31, 2016
	Net assets	1,293 million Yuan (20,041 million yen)	1,381 million Yuan (21,405 million yen)	1,443 million Yuan (22,366 million yen)
	Total assets	3,583 million Yuan (55,536 million yen)	4,059 million Yuan (62,914 million yen)	4,625 million Yuan (71,687 million yen)
	Net sales	8,515 million Yuan (131,982 million yen)	8,263 million Yuan (128,076 million yen)	9,592 million Yuan (148,676 million yen)
	Operating income	419 million Yuan (6,494 million yen)	446 million Yuan (6,913 million yen)	431 million Yuan (6,680 million yen)
	Net income	367 million Yuan (5,688 million yen)	395 million Yuan (6,122 million yen)	388 million Yuan (6,014 million yen)

(Remarks): The conversions are for reference only at rate of 1 Yuan = 15.5 yen.

## 3. Outline of the Purchaser

(1)	Company Name	HUAYU Automotive Systems Company Limited		
(2)	Address	489 Weihai Road, Shanghai, 200041, China		
(3)	Name and Title of Representative	Mr. Chen Hong, Chairman of the Board		
(4)	Business Purpose	<ul style="list-style-type: none"> <li>- Design, research and development, and sale of motor vehicles, motor cycles, other transportation vehicles, as well as parts and units for construction equipment</li> <li>- Design, research and development, and sale of agricultural equipment, including tractors</li> <li>- Technical transfer, technical consulting services, industrial investment, trading (except for certain fields), freight and technology forwarding</li> </ul>		
(5)	Paid-in Capital	3,152 million Yuan (48,856 million yen: 1 Yuan = 15.5 yen)		
(6)	Establishment	October 28, 1992		
(7)	Net assets	45,843 million Yuan (710,566 million yen: 1 Yuan = 15.5 yen)		
(8)	Total assets	107,611 million Yuan (1,667,970 million yen: 1 Yuan = 15.5 yen)		
(9)	Shareholders and their holding ratio	SAIC Motor Corporation Limited 58.32% (as of August 25, 2017)		
(10)	Relation between KOITO and the Purchaser	Capital	The Buyer has 50.0% interest in Shanghai Koito, which is KOITO's consolidated subsidiary.	
		Personnel	N/A	
		Business	N/A	
		Status as to related parties	N/A	

#### 4. Number of the shares for the Transaction, the price and changes in shareholding

(1)	Shareholding ratio before the sale (ratio of the number of voting rights to the total amount of voting rights)	45.0%
(2)	The shareholding ratio of voting rights to be sold	45.0%
(3)	Acquisition price	1,544,625,000 Yuan (approx. 24.0 billion yen at rate of 15.5 yen per Yuan)
(4)	Shareholding ratio after the sale	0%

#### 5. Transaction Schedule

(1)	Board resolution	September 28, 2017
(2)	Share Purchase Agreement	September 28, 2017
(3)	Transfer of Shares	End of March 2018 (scheduled) or upon completion of procedures required after the execution of the agreement

#### 6. Revision of the forecast of the results for the fiscal year ending March 2018 (April 1, 2017 to March 31, 2018)

##### -1. Details of revision

##### (1) Consolidated Results

(¥ millions)

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Net income per share (¥)
Previously announced forecast (A)	876,000	96,000	99,000	60,000	373.38
Revised forecast (B)	804,000	92,000	94,000	67,000	416.94
Difference (B-A)	△72,000	△4,000	△5,000	7,000	—
Ratio (%)	△8.2	△4.2	△5.1	11.7	—
(Reference) Actual results for Fiscal 2017	841,456	92,523	95,336	56,692	352.80

##### (2) Non-consolidated results

(¥ millions)

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Net income per share (¥)
Previously announced forecast (A)	330,000	35,000	52,000	36,000	224.03
Revised forecast (B)	330,000	35,000	52,000	52,000	323.60
Difference (B-A)	—	—	—	16,000	—
Ratio (%)	—	—	—	44.4	—
(Reference) Actual results for Fiscal 2017	297,786	29,260	45,729	31,102	193.55

##### -2. Reasons for revision of the forecast of financial results

As of October 2017, Shanghai Koito's profit and loss for KOITO's consolidated accounting will be accounted for by the equity-method. As a result, while KOITO's net sales, profit income, and recurring profit in consolidated results will be reduced, the profit attributable to the owners of the parent company is expected to increase due to the extraordinary income from the transfer of the shares in an amount of approximately ¥12 billion that is to be recorded for the fourth quarter of the fiscal year ending March 31, 2018.

In the non-consolidation, due to an extraordinary income of approximately ¥20 billion from the transfer of the shares, and approximately ¥3 billion as compensation for technology as part of such share transaction, respectively to be recorded for the fourth quarter of the fiscal year ending March 31, 2018, KOITO's net income will increase accordingly.

Meanwhile, the forecasts for the year-to-date results (consolidated and non-consolidated) for the second quarter of the fiscal year ending March 31, 2018 (April 1, 2017 to September 30, 2017) remain unrevised.