



Consolidated Earnings Report for Fiscal 2018 [Japanese GAAP]

April 27, 2018

Company Name:	KOITO MANUFACTURING CO., LTD.
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	7276
URL:	http://www.koito.co.jp
Representative Director:	Hiroshi Mihara, President
Inquiries:	Hideharu Konagaya, Senior Managing Director
Tel:	+81-3-3443-7111
Planned Date of the General Meeting of Shareholders:	June 28, 2018
Planned Date of Dividends Payment:	June 29, 2018
Planned Date of Filing of Annual Securities Report:	June 29, 2018
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes

(¥ millions are rounded down)

1. Consolidated Results for Fiscal 2018 (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
Fiscal 2018	848,868	0.9%	103,785	12.2%	107,945	13.2%	83,397	47.1%
Fiscal 2017	841,456	3.4%	92,523	12.5%	95,336	13.1%	56,692	22.4%

Note: Comprehensive income: Fiscal 2018: ¥94,999 million (49.1%), Fiscal 2017: ¥63,696 million (153.5%)

	Net income per share (¥)	Net income per share (diluted) (¥)	Return on equity (%)	Recurring profit to total assets ratio (%)	Operating income to net sales ratio (%)
Fiscal 2018	518.90	518.72	22.4	16.2	12.2
Fiscal 2017	352.80	352.66	18.2	15.3	11.0

Note: Equity in earnings of affiliated companies: Fiscal 2018: ¥714 million, Fiscal 2017: ¥10 million

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
March 31, 2018	672,924	444,808	60.9	2,551.48
March 31, 2017	658,341	381,000	51.0	2,090.87

Note: Equity: March 31, 2018: ¥410,102 million, March 31, 2017: ¥335,988 million

(3) Consolidated Cash Flows (¥ millions)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
Fiscal 2018	94,793	△67,260	△17,633	41,050
Fiscal 2017	98,388	△72,486	△16,624	39,500

2. Dividends

	Dividend per share (¥)					Dividend paid (annual) (¥ millions)	Payout ratio (Consolidated) (%)	Ratio of dividends to net assets (Consolidated) (%)
	First quarter	Second quarter	Third quarter	Year end	Full year			
Fiscal 2017	—	20.00	—	34.00	54.00	8,677	15.3	2.8
Fiscal 2018	—	36.00	—	60.00	96.00	15,430	18.5	4.1
Fiscal 2019 (forecast)	—	—	—	—	—		—	

Notes: 1. Breakdown of fiscal 2018 year-end dividend: Ordinary dividend: ¥40.00; Extraordinary dividend: ¥20.00

2. Forecasts of dividends for fiscal 2019 are currently undecided.

3. Forecast of Consolidated Results for Fiscal 2019 (April 1, 2018 to March 31, 2019)

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

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Net income per share (¥)
First half	377,000 \triangle 15.4%	44,000 \triangle 11.4%	45,000 \triangle 14.0%	28,000 \triangle 4.0%	174.20
Full year	795,000 \triangle 6.3%	98,000 \triangle 5.6%	100,000 \triangle 7.4%	66,000 \triangle 20.9%	410.62

*Notes

(1) Changes to important subsidiaries during fiscal 2018 (changes in specified subsidiaries resulting in revised scope of consolidation): Yes

Newly included: 1 company

(Company name) KOITO MALAYSIA SDN. BHD.

Excluded: 1 company

(Company name) Shanghai Koito Automotive Lamp Co., Ltd.

(Note) For details, please refer to "2. KOITO Group" on page 5 of the supplementary materials.

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

① Changes in accounting policies in conjunction with revisions to accounting standards: None

② Other changes : None

③ Changes in accounting estimates : None

④ Restatements : None

(3) Number of shares issued (common stock)

① Number of shares issued

(including treasury stock):

② Number of treasury stocks:

③ Average number of shares during the year:

(shares)

March 31, 2018	160,789,436	March 31, 2017	160,789,436
March 31, 2018	58,106	March 31, 2017	95,791
Fiscal 2018	160,719,794	Fiscal 2017	160,693,724

《 For Reference Only 》

Non-consolidated Earnings Report for Fiscal 2018

1. Non-consolidated Results for Fiscal 2018 (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2018	339,976	14.2%	37,599	28.5%	55,791	22.0%	62,228	100.1%
Fiscal 2017	297,786	9.9%	29,260	35.8%	45,729	23.7%	31,102	42.7%

	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2018	387.18	387.05
Fiscal 2017	193.55	193.48

(2) Non-consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
March 31, 2018	404,366	279,726	69.1	1,738.81
March 31, 2017	350,009	226,390	64.6	1,407.02

Note: Equity: March 31, 2018: ¥279,481 million, March 31, 2017: ¥226,098 million

2. Forecast of Non-consolidated Results for Fiscal 2019 (April 1, 2018 to March 31, 2019)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	167,000	3.3%	16,000	△17.4%	26,000	△18.8%	18,000	△19.5%	111.99
Full year	356,000	4.7%	36,000	△4.3%	52,000	△6.8%	37,000	△40.5%	230.20

*This consolidated earnings report is not subject to the auditing procedures by certified public accountants or auditing firms.

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

(Note concerning forecast)

The above forecasts are based on information available, and certain assumptions that are judged to be reasonable, at the time of the release of this report. KOITO is not promising that the Company will achieve these forecasts. Actual results could differ from forecasts due to a variety of factors.

(Supplementary materials for financial results)

KOITO is scheduled to have an earnings release conference for securities analysts and institutional investors on May 10, 2018. Supplementary materials will be available on our website after the conference.

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1. Outline of Consolidated Results

(1) Outline of Consolidated Results in Fiscal 2018

During fiscal 2018, 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 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., Europe, China, and Asia, despite concerns over protectionary and monetary policies in the U.S., a fall in global stock market, and geopolitical risks.

In the Japanese auto industry, the production volume increased year on year due to a recovery in sales of mini vehicles and increase in exports. Overseas, despite the production volume decreased in the U.S., the global automobile production volume increased year on year. This was mainly due to the increased demand in Europe and Asia.

In this climate, for the purpose of expanding earnings of automotive lighting equipment in the mid- and long- term perspective, KOITO Group has reinforced its overseas production capacity, strengthened development capability, and expanded marketing activities. In addition to a manufacturing subsidiary which was established in Brazil in the previous fiscal year, KOITO has established a subsidiary in Malaysia in October, 2017.

KOITO Group's consolidated net sales increased 0.9% year on year to ¥848.8 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 12.7% year on year to ¥364.6 billion. This was attributable to an increase in domestic automobile production volume, an increase in new orders, and a shift in automobile lamps to LED.

[North America]

Despite automobile production number counts decreased, sales in North America was ¥186.8 billion, almost as same as the previous year, led by an increase in new orders and a shift in automobile lamps to LED.

[China]

Despite the increase in automobile production and expansion in new orders, sales in China decreased 27.7% year on year to ¥157.7 billion. This decrease was caused by the status change of Shanghai Koito Automotive Lamp Co., Ltd. ("Shanghai Koito"), from consolidated company to a company accounted for by the equity-method, from the end of the second quarter.

As KOITO transferred all of the shares in Shanghai Koito in March, 2018, Shanghai Koito has been excluded from KOITO's scope of consolidation.

[Asia]

Sales in Asia increased 17.9% year on year to ¥96.5 billion. Sales growth was mainly driven by an increase in automobile production volume, an increase in new orders in India, Thailand and Indonesia, and a shift in motorcycle lamps to LED.

[Europe]

Sales in Europe increased 39.5% year on year to ¥43.0 billion. The increase was due to an increase in automobile production volume, an increase in new orders, and a shift in automobile lamps to LED.

[Other regions]

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

In addition to the effect of sales increase in the above, the increase was mainly attributable to rationalization effect in Japan and overseas. On the earnings front, operating income was ¥103.7 billion, up 12.2%, and recurring profit was ¥107.9 billion, up 13.2%. As KOITO also recorded extraordinary gain on sales of investment in capital of subsidiaries, profit attributable to owners of parent was ¥83.3 billion, up 47.1% year on year. As a result, KOITO marked the sixth consecutive fiscal year of record high business performance.

(2) Outline of Financial Position in Fiscal 2018

-1. Assets, liabilities and net assets

Although trade notes and accounts receivable decreased due to the non-consolidation of Shanghai Koito, total assets as of March 31, 2018 increased ¥14.5 billion to ¥672.9 billion. This was mainly due to an increase in cash and time deposits, led by our firm business performance.

Total liabilities as of March 31, 2018 decreased ¥49.2 billion to ¥228.1 billion due to an increase in trade notes and accounts payable, caused by the non-consolidation of Shanghai Koito.

Net assets as of March 31, 2018 increased ¥63.8 billion to ¥444.8 billion. This increase was mainly due to an increase in retained earnings.

-2. Cash flows

Operating activities provided net cash of ¥94.7 billion after payment of taxes, mainly reflecting income before income taxes of ¥123.7 billion and depreciation of ¥32.2 billion.

Although KOITO recorded ¥25.6 billion of gain on sales of investment in capital of subsidiaries, investing activities used net cash of ¥67.2 billion, mainly reflecting acquisition of property and equipment of ¥41.1 billion and payments into time deposits of ¥51.3 billion.

Financing activities provided net cash of ¥17.6 billion, the result mainly of ¥15.7 billion in dividends paid.

Cash and cash equivalents as of March 31, 2018, after counting the decrease impact by non-consolidation of Shanghai Koito, were ¥41.0 billion, ¥1.5 billion higher than on March 31, 2017.

(3) Forecasts for Fiscal 2019

As regards KOITO's business forecasts for fiscal 2019, the fiscal year ending March 31, 2019, despite the expansion of new orders and the market transition to LED automobile lamps in Japan and overseas, net sales are expected to decrease. This is attributable to the status change of Shanghai Koito from consolidated company to a company accounted for by the equity-method in the end of September, 2017, and non-consolidation of Shanghai Koito in the end of March, 2018.

As well as on the net sales, due to the effect of Shanghai Koito's non-consolidation, operating income, recurring profit, profit attributable to owners of parent are all expected to decrease.

(4) Basic Earnings Distribution Policies and Dividend Payments for Fiscal 2018 and Fiscal 2019

KOITO's policy is to continuously pay stable dividends to shareholders based on the comprehensive evaluation of our present business results, business climate, etc. In consideration of the historically highest profit attributable to owners of parent made available by the increase of extraordinary profit and others, KOITO has decided to pay ¥20 extraordinary dividend over ordinary dividend of ¥40; resulting in ¥60 year-end dividend per share, ¥26 higher than that of the previous year.

Accordingly, the full year dividend, including the interim dividend, is scheduled to be ¥96, which is ¥42 higher than the previous year.

The full year dividend for fiscal 2019 is currently undecided because the future business climate remains unclear.

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

The differences between the actual results for fiscal 2018 herein and the previous forecasts (consolidated and non-consolidated) issued in the Consolidated Earnings Report for the Third Quarter of Fiscal 2018 dated January 26, 2018, are as follows:

(¥ millions are rounded down)

Consolidated Results for Fiscal 2018

(¥ millions)

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Net income per share (¥)
Previously announced forecast (A)	840,000	100,000	104,000	74,000	460.40
Actual results for fiscal 2018 (B)	848,868	103,785	107,945	83,397	387.18
Difference (B-A)	8,868	3,785	3,945	9,397	—
Change (%)	1.1	3.8	3.8	12.7	—
(Reference) Actual results for previous year (fiscal 2017)	841,456	92,523	95,336	56,692	352.80

(Reference) Non-Consolidated Results for Fiscal 2018

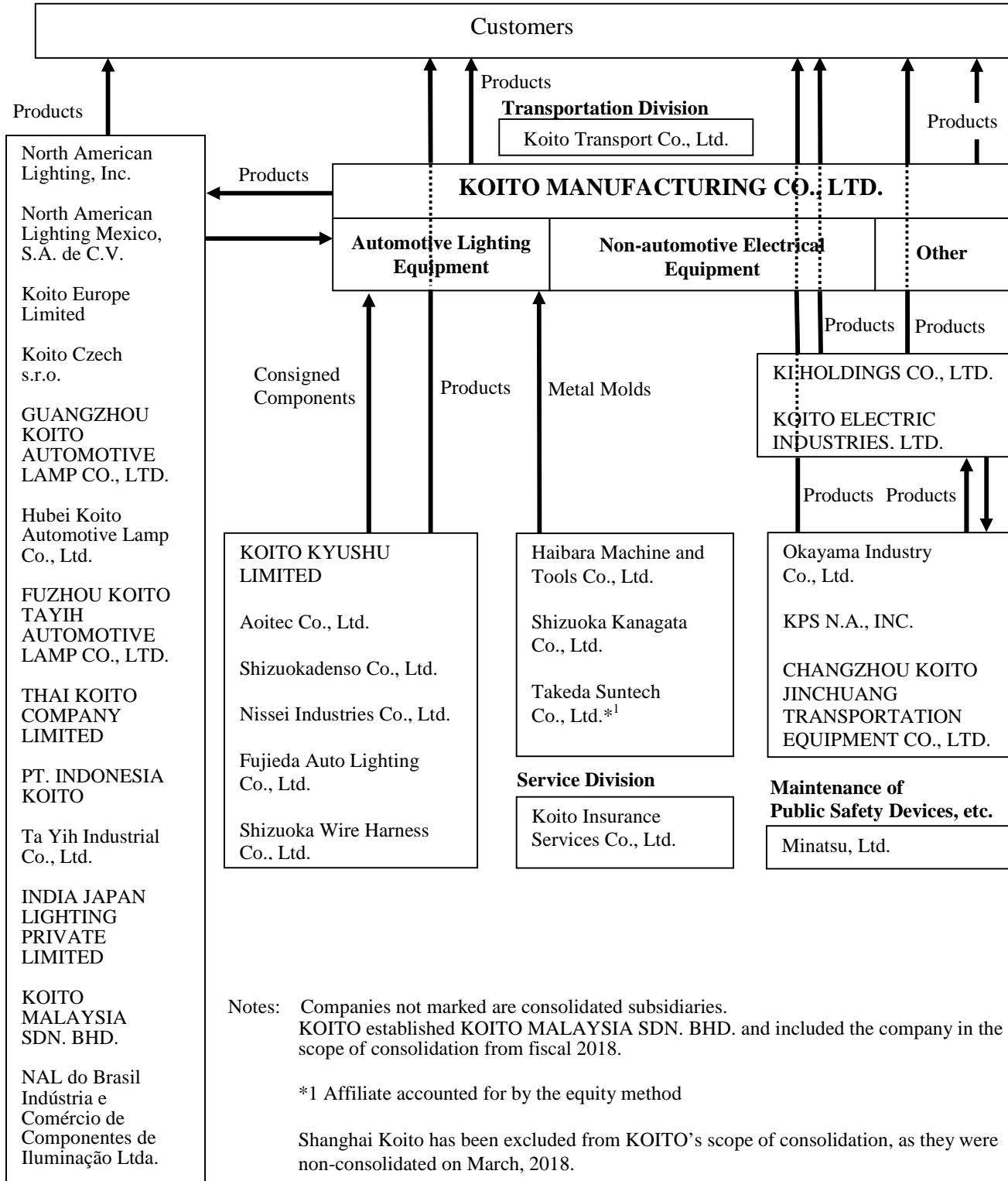
(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously announced forecast (A)	339,000	37,000	55,000	56,000	348.41
Actual results for fiscal 2018 (B)	339,976	37,599	55,791	62,228	518.90
Difference (B-A)	976	599	791	6,228	—
Change (%)	0.3	1.6	1.4	11.1	—
(Reference) Actual results for previous year (fiscal 2017)	297,786	29,260	45,729	31,102	193.55

2. KOITO Group

The KOITO Group manufactures and sells automobile lights, components for airplanes, trains and railways, and a variety of electrical devices and measuring equipment. The KOITO Group is also involved in related financial and distribution operations.

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



3. Management Policies

(1) Basic Management Policies

The KOITO Group's basic management policy is to create customers' needs and contribute to the progress of society, while fostering mutually beneficial relationships with all stakeholders, including shareholders, customers, employees and business partners, under the theme of "lighting". Furthermore, on the basis of corporate social responsibility (CSR), the KOITO Group engages in environmental preservation and social contribution activities under the policy of "Eco-Friendly Manufacturing for People and the Earth".

(2) Management Targets

In addition to sales and profits, KOITO emphasizes capital efficiency, and is strengthening its financial position, from the standpoint of maintaining highly profitable and financially sound management. KOITO will continue working to strengthen and refine its corporate structure to enable it to respond with agility to future changes in the business climate, develop new technologies and products, and streamline operations. In doing so, KOITO will strive to raise its corporate value in the medium- and long-term.

(3) Medium- and Long-Term Management Strategies

Under its corporate message, "Lighting for Your Safety," the KOITO Group, as an automotive lighting and electrical equipment manufacturer, is committed to create new value sought by customers. Moreover, we will continue to contribute to the development of the automotive industry and of the society through providing safe, reliable, and trustworthy products and services.

Strategies for taking KOITO forward are as follows:

- 1. To address the automobile industry's expansion of globally optimal production systems, the KOITO Group will work to enhance its system to respond to the five major regions of the world (Japan, North America, Europe, China and Asia). To this end, the Group will further reinforce the product development, manufacturing and sales functions of its overseas bases, among other measures.
- 2. The KOITO Group will respond to the future changes in the mobility, such as connectivity, autonomous, sharing, and electric vehicle. The Group will also develop cutting-edge technologies that stay ahead of customer and market needs, and commercialize products at the earliest opportunity. Moreover, we will bring attractive products to market in a timely manner.
- 3. The KOITO Group aims to pursue the highest quality and safety standards, while advancing the protection of the environment and strengthening compliance.
- 4. The KOITO Group plans to further reinforce its profit structure and operations by securing and effectively allocating resources.

The KOITO Group will formulate specific policies related to these measures, and strive to increase the satisfaction of our shareholders, customers, employees and business partners, and to preserve the environment, and to enhance internal control.

(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.

4. Basic Approach in Selection of Accounting Standard

KOITO applies generally accepted account principles (GAAP) of Japan as its accounting standard, mainly to ensure its financial statements are comparable with past years. (The financial statements are prepared based on “Rules Concerning the Taxonomy, Format and Preparation Method of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28 of 1976))

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(¥ millions)	
	Fiscal 2017	Fiscal 2018
	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets:		
Cash and time deposits	206,956	260,644
Trade notes and accounts receivable	136,251	116,329
Electronically recorded monetary claims-operating	11,589	13,154
Inventories	66,332	62,293
Deferred income tax assets	4,558	5,466
Other current assets	36,035	23,905
Less: Allowance for doubtful accounts	△843	△503
Total current assets	<u>460,880</u>	<u>481,291</u>
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	42,829	37,735
Machinery and transportation equipment (net)	55,911	51,000
Fixtures, equipment and tools (net)	18,768	13,592
Land	14,718	15,687
Construction in progress	9,310	15,918
Total property, plant and equipment	<u>141,538</u>	<u>133,935</u>
Intangible fixed assets	1,985	2,419
Investments and other assets:		
Investment securities	46,889	49,707
Claims provable in bankruptcy, claims provable in rehabilitation and other	60	60
Deferred income tax assets	5,522	3,802
Other investments	1,768	1,994
Less: Allowance for doubtful accounts	△302	△287
Total investments and other assets	<u>53,937</u>	<u>55,277</u>
Total non-current assets	<u>197,460</u>	<u>191,632</u>
Total assets	<u>658,341</u>	<u>672,924</u>

(¥ millions)

	Fiscal 2017 As of March 31, 2017	Fiscal 2018 As of March 31, 2018
Liabilities		
Current liabilities:		
Trade notes and accounts payable	127,126	92,217
Electronically recorded monetary obligations-operating	16,366	10,757
Short-term loans	21,885	15,845
Accrued expenses	18,269	20,959
Income taxes payable	15,122	18,286
Allowance for employees' bonuses	5,767	5,189
Reserve for product warranties	3,070	3,035
Provision for loss on litigation	3,393	—
Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	—	80
Other current liabilities	11,987	10,721
Total current liabilities	222,989	177,092
Non-current liabilities:		
Long-term debt	13,172	13,083
Deferred income tax liabilities	6,516	5,368
Allowance for directors' and corporate auditors' retirement benefits	363	424
Reserve for product warranties	5,201	5,192
Allowance for environmental strategies	193	184
Net defined liability for retirement benefits	26,838	24,974
Other non-current liabilities	2,066	1,795
Total non-current liabilities	54,351	51,022
Total liabilities	277,340	228,115
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	17,107	16,716
Retained earnings	278,755	350,903
Treasury common stock, at cost	△87	△54
Total shareholders' equity	310,045	381,836
Accumulated other comprehensive income:		
Valuation adjustment on marketable securities	21,562	23,969
Translation adjustments	4,572	3,902
Adjustments in defined benefit plans	△192	394
Total accumulated other comprehensive income	25,942	28,266
Subscription rights to shares	291	245
Non-controlling interests	44,719	34,460
Total net assets	381,000	444,808
Total liabilities and net assets	658,341	672,924

(2) Consolidated Statements of Income and Comprehensive Income

(¥ millions)

	Fiscal 2017 April 1, 2016 to March 31, 2017	Fiscal 2018 April 1, 2017 to March 31, 2018
Net sales	841,456	848,868
Cost of sales	694,089	692,264
Gross profit	147,366	156,604
Selling, general and administrative expenses:		
Selling expenses	16,414	15,251
General and administrative expenses	38,429	37,567
Total selling, general and administrative expenses	54,843	52,819
Operating income	92,523	103,785
Non-operating income:		
Interest income	872	1,038
Dividends	1,416	1,354
Royalty income, other	562	805
Equity in earnings of affiliates	10	714
Other non-operating income	1,658	2,446
Total non-operating income	4,519	6,359
Non-operating expenses:		
Interest expenses	870	821
Foreign exchange losses	365	827
Other non-operating expenses	471	549
Total non-operating expenses	1,706	2,199
Recurring profit	95,336	107,945
Extraordinary gains:		
Gain on sales of property and equipment	43	51
Gain on sales of investment securities	955	0
Gain on sales of investment in capital of subsidiaries and affiliates	—	14,643
Consideration for technology	—	3,298
Total extraordinary gains	998	17,992
Extraordinary losses:		
Loss on sale and disposal of property and equipment	480	413
Loss on valuation of investment securities	32	—
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	3,393	1,655
Impairment loss	—	156
Loss on disasters	813	—
Total extraordinary losses	4,720	2,225
Income before income taxes	91,614	123,712
Income taxes	27,506	33,590
Income tax adjustment	△1,304	△2,110
Total income taxes	26,201	31,480
Net income	65,412	92,232
(Breakdown)		
Profit attributable to owners of parent	56,692	83,397
Profit attributable to non-controlling interests	8,719	8,834

	(¥ millions)	
	Fiscal 2017 April 1, 2016 to March 31, 2017	Fiscal 2018 April 1, 2017 to March 31, 2018
Other comprehensive income or loss		
Valuation adjustment on marketable securities	2,453	2,597
Translation adjustments	△4,221	△712
Adjustments in defined benefit plans	52	882
Total other comprehensive income	△1,715	2,766
Comprehensive income	63,696	94,999
(Breakdown)		
Attributable to shareholders of the parent company	56,232	85,721
Attributable to non-controlling interests	7,463	9,277

(3) Consolidated Statements of Changes in Shareholders' Equity
Fiscal 2017 (April 1, 2016 to March 31, 2017)

(¥ millions)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	14,270	17,108	228,490	△86	259,782
Changes during fiscal year					
Dividends from retained earnings	—	—	△6,427	—	△6,427
Profit attributable to owners of parent	—	—	56,692	—	56,692
Purchases of treasury stock	—	—	—	△0	△0
Changes of equity interest in consolidated subsidiaries	—	△0	—	—	△0
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—
Total changes during fiscal year	—	△0	50,264	△0	50,263
Balance at fiscal year-end	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 marketable securities	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	19,123	7,712	△432	26,403	291	43,193	329,671
Changes during fiscal year							
Dividends from retained earnings	—	—	—	—	—	—	△6,427
Profit attributable to owners of parent	—	—	—	—	—	—	56,692
Purchases of treasury stock	—	—	—	—	—	—	△0
Changes of equity interest in consolidated subsidiaries	—	—	—	—	—	—	△0
Changes in items other than shareholders' equity during fiscal year (net)	2,439	△3,139	240	△460	—	1,526	1,065
Total changes during fiscal year	2,439	△3,139	240	△460	—	1,526	51,329
Balance at fiscal year-end	21,562	4,572	△192	25,942	291	44,719	381,000

Fiscal 2018 (April 1, 2017 to March 31, 2018)

(¥ millions)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	14,270	17,107	278,755	△87	310,045
Changes during fiscal year					
Dividends from retained earnings	—	—	△11,249	—	△11,249
Profit attributable to owners of parent	—	—	83,397	—	83,397
Purchases of treasury stock	—	—	—	△2	△2
Changes of equity interest in consolidated subsidiaries	—	△0	—	—	△0
Disposal of treasury stock	—	174	—	34	209
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	△564	—	—	△564
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—
Total changes during fiscal year	—	△390	72,147	32	71,790
Balance at fiscal year-end	14,270	16,716	350,903	△54	381,836

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation adjustment on marketable securities	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	21,562	4,572	△192	25,942	291	44,719	381,000
Changes during fiscal year							
Dividends from retained earnings	—	—	—	—	—	—	△11,249
Profit attributable to owners of parent	—	—	—	—	—	—	83,397
Purchases of treasury stock	—	—	—	—	—	—	△2
Changes of equity interest in consolidated subsidiaries	—	—	—	—	—	—	△0
Disposal of treasury stock	—	—	—	—	—	—	209
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	△564
Changes in items other than shareholders' equity during fiscal year (net)	2,406	△669	586	2,323	△46	△10,259	△7,981
Total changes during fiscal year	2,406	△669	586	2,323	△46	△10,259	63,808
Balance at fiscal year-end	23,969	3,902	394	28,266	245	34,460	444,808

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2017 April 1, 2016 to March 31, 2017	Fiscal 2018 April 1, 2017 to March 31, 2018
Cash flows from operating activities		
Income before income taxes	91,614	123,712
Depreciation	31,721	32,287
Impairment loss	—	156
Stock-based compensation	—	144
Equity in earnings of affiliated companies	△10	△714
Provision for allowance for doubtful accounts	129	△344
Net defined liability for retirement benefits	△560	△867
Provision for reserve for bonuses	967	△66
Reserve for product warranties	721	△44
Interest and dividends received	△2,288	△2,393
Interest payments	870	821
Gain on sale of marketable and investment securities	△955	△0
Loss on valuation of marketable and investment securities	32	—
Gain or loss on sale of property and equipment	437	362
Gain on sales of investment in capital of subsidiaries and affiliates	—	△14,643
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	3,393	1,655
Loss on disasters	813	—
Decrease in trade notes and accounts receivable	△14,518	△4,619
Increase in inventories	△4,640	△6,601
Increase or decrease in other current assets	△7,102	248
Increase in trade notes and accounts payable	18,892	△4,855
Decrease in accrued expenses and other current liabilities	△1,826	2,035
Others	1,267	53
Subtotal	118,957	126,327
Interest and dividend received	2,288	2,393
Interest paid	△870	△821
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade paid	—	△4,999
Payments for loss on disaster	△350	—
Income taxes paid	△21,637	△28,107
Net cash provided by operating activities	98,388	94,793
Cash flows from investing activities		
Payments into time deposits	△159,628	△229,669
Proceeds from the redemption of time deposits	122,830	178,290
Payments for purchase of marketable and investment securities	△18	△57
Proceeds from sale of marketable and investment securities	3,395	38
Proceeds from sales of investment in capital of subsidiaries and affiliates	—	25,636
Acquisition of property and equipment	△39,375	△41,116
Proceeds from sale and disposal of property and equipment	375	131
Payments for new loans	△9	△8
Proceeds from loan repayments	12	12
Others	△68	△517
Net cash used in investing activities	△72,486	△67,260

(¥ millions)

	Fiscal 2017 April 1, 2016 to March 31, 2017	Fiscal 2018 April 1, 2017 to March 31, 2018
Cash flows from financing activities		
Decrease in short-term loans	△7,423	704
Increase in long-term debt	1,953	2,414
Repayment of long-term debt	△688	△2,644
Payments for repurchase of treasury stock	△0	△2
Proceeds from exercise of stock options	—	0
Purchase of shares of subsidiaries	—	△2,325
Dividends paid by parent company	△6,425	△11,245
Dividends paid to non-controlling shareholders	△4,041	△4,535
Net cash used in financing activities	△16,624	△17,633
Effect of exchange rate changes on cash and cash equivalents	△1,664	1,275
Increase or decrease in cash and cash equivalents	7,614	11,175
Cash and cash equivalents at beginning of year	31,886	39,500
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	△9,624
Cash and cash equivalents at end of year	39,500	41,050

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

None

(Segment Information)

[Segment Information]

1. Overview of Reporting Segments

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

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

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

Accounting treatment for reporting segments are almost as same as notes listed on "Important Basic Matters for Preparation of Consolidated Financial Statements".

Income of reporting segments is based on operating income.

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

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

I Fiscal 2017 (April 1, 2016 to March 31, 2017)

(¥ millions)

	Japan	North America	China	Asia	Europe	Other regions	Total	Adjustment (Note 1)	Amount recorded on consolidated financial statements (Note 3)
Net sales									
Sales to outside customers	323,629	186,980	218,141	81,860	30,844	—	841,456	—	841,456
Inter-segment sales and transfers	173,955	18	4,309	7,667	1,552	—	187,503	(187,503)	—
Total	497,585	186,999	222,451	89,527	32,396	—	1,028,960	(187,503)	841,456
Segment operating income or loss	44,108	20,197	14,866	8,397	3,604	△26	91,148	1,374	92,523
Segment assets	236,148	87,659	132,435	65,762	19,094	2,757	543,857	114,483	658,341
Other items									
Depreciation	14,352	7,031	4,695	4,694	864	0	31,639	82	31,721
Increase in property, plant and equipment and intangible fixed assets	14,075	11,120	7,161	5,844	1,168	914	40,284	—	40,284

Notes: 1. Adjustments are as follows:

- (1) The ¥1,374 million adjustment in segment operating income or loss includes ¥7,017 million in intersegment eliminations and ¥△5,643 million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the Head Office of the parent company.
- (2) The ¥114,483 million adjustment in segment assets includes ¥△126,277 million in intersegment eliminations, ¥139,021 million in surplus operational funds at the parent company (cash and time deposits), ¥100,369 million in long-term investments (investment securities, etc.) and ¥1,370 million in the parent company's Head Office building, etc.
- (3) The ¥82 million adjustment of depreciation expenses are the fixed assets amortization expenses for the parent company's Head Office.

2. The breakdown of countries and regions other than Japan and China is as follows:

- (1) North America: United States and Mexico
- (2) Asia: Thailand, Republic of Indonesia, Taiwan and India
- (3) Europe: United Kingdom and Czech Republic
- (4) Other regions: Brazil

3. Segment operating income or loss is adjusted to operating income in the consolidated financial statements.

II Fiscal 2018 (April 1, 2017 to March 31, 2018)

(¥ millions)

	Japan	North America	China	Asia	Europe	Other regions	Total	Adjustment (Note 1)	Amount recorded on consolidated financial statements (Note 3)
Net sales									
Sales to outside customers	364,689	186,849	157,754	96,516	43,015	42	848,868	—	848,868
Inter-segment sales and transfers	205,431	23	3,745	7,893	1,413	—	218,507	(218,507)	—
Total	570,121	186,873	161,499	104,409	44,428	42	1,067,375	(218,507)	848,868
Segment operating income or loss	55,399	17,835	14,223	10,422	4,980	△592	102,269	1,515	103,785
Segment assets	251,086	92,525	70,882	75,682	25,215	8,949	524,341	148,582	672,924
Other items									
Depreciation	14,874	7,050	4,150	5,089	1,044	3	32,212	74	32,287
Increase in property, plant and equipment and intangible fixed assets	14,088	5,670	5,824	6,184	1,911	80	33,759	—	33,759

Notes: 1. Adjustments are as follows:

- (1) The ¥1,515 million adjustment in segment operating income includes ¥7,651 million in intersegment eliminations and ¥△6,135 million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the Head Office of the parent company.
- (2) The ¥148,582 million adjustment in segment assets includes ¥△142,834 million in intersegment eliminations, ¥180,854 million in surplus operational funds at the parent company (cash and time deposits), ¥109,196 million in long-term investments (investment securities, etc.) and ¥1,366 million in the parent company's Head Office building, etc.
- (3) The ¥74 million adjustment of depreciation expenses are the fixed assets amortization expenses for the parent company's Head Office.

2. The breakdown of countries and regions other than Japan and China is as follows:

- (1) North America: United States and Mexico
- (2) Asia: Thailand, Republic of Indonesia, Taiwan, India and Malaysia
- (3) Europe: United Kingdom and Czech Republic
- (4) Other regions: Brazil

3. Segment operating income or loss is adjusted to operating income in the consolidated financial statements.

(Per Share Information)

Fiscal 2017 April 1, 2016 to March 31, 2017		Fiscal 2018 April 1, 2017 to March 31, 2018	
Net assets per share	¥2,090.87	Net assets per share	¥2,551.48
Net income per share	¥352.80	Net income per share	¥518.90
Profit per share after adjustment for dilution	¥352.66	Profit per share after adjustment for dilution	¥518.72

The following shows the basis for calculation of profit per share, and profit per share after adjustment for dilution.

	Fiscal 2017 April 1, 2016 to March 31, 2017	Fiscal 2018 April 1, 2017 to March 31, 2018
(1)Net income per share	¥352.80	¥518.90
(Basis for calculation)		
Adjustment to profit attributable to owners of parent	¥56,692 million	¥83,397 million
Amount not attributable to common stock	—	—
Profit attributable to shareholders of common stock of parent	¥56,692 million	¥83,397 million
Average number of shares outstanding during the period (thousand shares)	160,693	160,719
(2)Profit per share after adjustment for dilution	¥352.66	¥518.72
(Basis for calculation)		
Adjustment to profit attributable to owners of parent	—	—
Increase in the number of common stock (thousand shares)	62	55
Details of material change from the end of previous fiscal year for latent stocks without a dilution effect, which were not included in the calculation of profit per share after adjustment for dilution	—	—

(Significant Subsequent Events)

None

6. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(¥ millions)

	Fiscal 2017 As of March 31, 2017	Fiscal 2018 As of March 31, 2018
Assets		
Current assets:		
Cash and time deposits	139,021	180,854
Notes receivable	513	619
Electronically recorded monetary claims-operating	10,545	11,648
Accounts receivable-trade	47,222	50,917
Finished products	5,692	7,342
Work in progress	1,203	1,090
Raw materials and supplies	7,084	8,721
Accrued income	5,956	6,075
Deferred income tax assets	3,523	5,039
Other current assets	243	298
Less: Allowance for doubtful receivables	△159	△164
Total current assets	220,846	272,442
Non-current assets:		
Property, plant and equipment:		
Buildings (net)	9,480	7,011
Structures (net)	534	456
Machinery (net)	4,257	3,565
Transportation equipment (net)	135	134
Fixtures, equipment and tools (net)	3,496	3,327
Land	6,751	4,844
Total property, plant and equipment	24,655	19,340
Intangible fixed assets:		
Telephone subscription rights	37	37
Other intangible fixed assets	848	1,234
Total intangible fixed assets	886	1,271
Investments and other assets:		
Investment securities	25,756	27,217
Shares of affiliated companies	53,473	57,502
Bonds of affiliated companies	1,650	1,650
Investments in affiliated companies	19,488	22,825
Long-term loans of affiliated companies	1,700	1,700
Claims provable in bankruptcy, claims provable in rehabilitation and other	60	60
Deferred income tax assets	1,026	—
Other investments	639	519
Less: Allowance for doubtful accounts	△173	△164
Total investments and other assets	103,621	111,311
Total non-current assets	129,163	131,923
Total assets	350,009	404,366

(¥ millions)

	Fiscal 2017 As of March 31, 2017	Fiscal 2018 As of March 31, 2018
Liabilities		
Current liabilities:		
Notes and accounts payable	52,308	58,948
Electronically recorded monetary obligations-operating	11,599	3,499
Accrued amount payable	1,035	1,254
Accrued expenses	4,622	6,128
Income taxes payable	8,974	14,008
Allowance for employees' bonuses	3,889	3,617
Reserve for product warranties	3,070	3,035
Provision for loss on litigation	3,393	—
Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	—	80
Other current liabilities	2,437	2,366
Total current liabilities	91,330	92,938
Non-current liabilities:		
Deferred income tax liabilities	—	377
Allowance for retirement benefits	19,052	18,098
Allowance for losses on overseas investments	7,000	7,000
Reserve for product warranties	5,201	5,192
Allowance for environmental strategies	8	7
Other non-current liabilities	1,026	1,025
Total non-current liabilities	32,288	31,701
Total liabilities	123,618	124,639
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital		
Capital reserve	17,107	17,107
Other additional paid-in capital	0	174
Total additional paid-in capital	17,108	17,282
Retained earnings		
Profit reserve	3,567	3,567
Other retained earnings		
Reserve for reductions of asset costs	892	879
Other reserve	100,000	100,000
Retained earnings brought forward	69,861	120,852
Total retained earnings	174,321	225,299
Treasury common stock, at cost	△87	△54
Total shareholders' equity	205,613	256,798
Revaluations and translation adjustments:		
Valuation adjustment on marketable securities	20,485	22,682
Total revaluations and translation adjustments	20,485	22,682
Subscription rights to shares	291	245
Total net assets	226,390	279,726
Total liabilities and net assets	350,009	404,366

(2) Non-consolidated Statements of Income

(¥ millions)

	Fiscal 2017 April 1, 2016 to March 31, 2017	Fiscal 2018 April 1, 2017 to March 31, 2018
Net sales	297,786	339,976
Cost of sales	247,939	279,376
Gross profit	49,846	60,599
Selling, general and administrative expenses:		
Selling expenses	9,292	9,886
General and administrative expenses	11,294	13,112
Total selling, general and administrative expenses	20,586	22,999
Operating income	29,260	37,599
Non-operating income:		
Interest income	403	198
Dividend income	9,648	11,056
Royalty income, other	5,664	6,821
Rent income	569	519
Miscellaneous income	231	231
Total non-operating income	16,518	18,828
Non-operating expenses:		
Foreign exchange losses	—	364
Miscellaneous expenses	48	272
Total non-operating expenses	48	637
Recurring profit	45,729	55,791
Extraordinary gains:		
Gain on sale of fixed assets	31	803
Gain on sale of investment securities	955	0
Gain on sales of investment in capital of subsidiaries and affiliates	—	22,306
Consideration for technology	—	3,298
Total extraordinary gains	986	26,407
Extraordinary losses:		
Loss on sale and disposal of fixed assets	251	236
Loss on sale of investment securities	32	—
Loss on valuation of shares of subsidiaries and affiliates	730	—
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	3,393	1,655
Impairment loss	—	156
Total extraordinary losses	4,408	2,048
Income before income taxes	42,307	80,149
Income taxes	11,586	19,002
Income tax adjustment	△381	△1,081
Total income taxes	11,204	17,921
Net income	31,102	62,228