



Koito

WORLDWIDE AUTOMOTIVE LIGHTING

2018 ANNUAL REPORT

Year ended March 31, 2018

KOITO MANUFACTURING CO., LTD.

PROFILE

KOITO MANUFACTURING CO., LTD. (KOITO) has been marking a history of leadership in automotive lighting since its establishment in 1915.

Today, our lighting is widely used in a variety of fields, including transportation such as automobiles, aviation, railways, shipping, and traffic systems. In all these areas, the KOITO Group's lighting contributes to safety.

KOITO will continue manufacturing products based on the corporate message, "Lighting for Your Safety."

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DISCLAIMER WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries' future plans, strategies and performance. These forward-looking statements are not historical facts; rather they represent assumptions and beliefs based on economic, financial and competitive data currently available. Furthermore, they are subject to a number of risks and uncertainties including, but not limited to, economic conditions, worldwide competition in the automotive industry, market trends, foreign currency exchange rates, tax rules, regulations and other factors. KOITO therefore wishes to caution readers that actual results may differ materially from our expectations.

In order to ensure fair disclosure, KOITO publishes annual reports in Japanese in addition to English annual reports. A certified public accountant reviews the financial sections of KOITO's Japanese annual reports to ensure consistency in presentation between the Japanese and English versions. We hope the information presented in this annual report serves to deepen your understanding of KOITO.

TO OUR SHAREHOLDERS AND OTHER INVESTORS

During fiscal 2018, the period under review ended March 31, 2018, the automobile production volume in Japan 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.

The consolidated performance of the KOITO Group for fiscal 2018 improved year on year due to favorable operation in the mainstay automotive lighting equipment segment. As a result, net sales, operating income, recurring profit and profit attributable to owners of parent marked the sixth consecutive fiscal year of record high business performance.

Looking ahead, global automobile production is expected to increase, mainly driven by growing demand in China and other emerging countries, even as production volume in Japan is assumed to decrease slightly.

In this climate, in order to increase sales of automotive lighting equipment in the mid- and long-term perspective, the KOITO Group is pursuing reinforcement of its production capacity in the five major regions of the world (Japan, North America, Europe, China, and Asia); KOITO's manufacturing subsidiary, NAL Brasil, commenced operations in May 2018, and KOITO MALAYSIA is scheduled to commence operations in 2019. Moreover, KOITO

is strengthening its research and development capability to respond to the future changes in mobility, such as connectivity, autonomous driving, sharing, and electric vehicle.

With a view to increasing its market share, the KOITO Group will continue to strive to win orders, expand its production capacity, enhance productivity, reinforce its mutually complementary supply network, and establish business systems that can quickly respond to changes in the market, and promote compliance and corporate governance to establish an even more reliable corporation.

Under our 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.

As a leading automotive lighting equipment manufacturer, we will continue to develop the newest and the best technologies, improve performance and quality of our products, promote training for employees to raise their performance and skills, as well as staying true to our basic stance to adopt the perspective of customers to supply products and services that would meet their expectations. We would greatly appreciate your continued understanding and support.

August 2018



M. Otake

Masahiro Otake
Chairman and CEO

Hiroshi Mihara

Hiroshi Mihara
President and COO

FINANCIAL OVERVIEW AND MEDIUM-TERM OUTLOOK

Fiscal 2018 Results

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, 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. 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.

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 had paid ¥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, has resulted in ¥96, which is ¥42 higher than the previous year.

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



Masahiro Otake
Chairman and CEO

CONSOLIDATED FINANCIAL HIGHLIGHTSKOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries
Years ended March 31,

	Millions of yen (except per share amounts)			Thousands of U.S. dollars (except per share amounts)
	2016	2017	2018	2018
Annual:				
Net sales	¥813,477	¥841,456	¥848,868	\$7,990,097
Operating income	82,218	92,523	103,785	976,891
Profit attributable to owners of parent	46,303	56,692	83,397	784,986
Per share (yen and U.S. dollars):				
Net income	¥ 288.15	¥ 352.80	¥ 518.90	\$ 4.88
Year-end:				
Total assets	¥588,683	¥658,341	¥672,924	\$6,333,998
Total equity	329,671	381,000	444,808	4,186,822

Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥106.24 = US\$1, the rate prevailing on March 31, 2018.

2. The above total equity includes non-controlling interests.

Outlook for Fiscal 2019

Compared to the previous fiscal year, global automobile production is expected to increase due to expansion in overseas demand primarily in China and other emerging countries, although production in Japan is assumed to decrease slightly.

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

Automotive Lamp Co., Ltd. ("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 and an increase in R&D expenses, operating income, recurring profit, profit attributable to owners of parent are all expected to decrease.

Hiroshi Mihara
President and COO



Medium-Term Outlook

In the automobile industry, international competition and production in optimum locations continues to accelerate as globalization progresses. In Japan, automobile production volume is projected to keep decreasing mainly due to the trend of car-makers to transfer production overseas. In the medium- to long-term perspective, the global automobile production volume tends to increase due to further demand in emerging markets such as China, Thailand, Indonesia and India.

We believe these medium- and long-term trends in the automobile industry will present considerable business opportunities for the KOITO Group. The Group currently conducts its businesses in its 32 companies located in 12 countries, and is working to strengthen production capability and enhance the corporate structure of each member company so as to achieve more competitiveness and profitability in line with globally optimized production requirements. KOITO is strengthening production systems and sales activities in regions where major global automakers are expanding production, hoping to win further orders. In Japan, KOITO is accelerating the optimization of business structures and efficient utilization of resources through plant realignment and rationalization of production lines.

As for research and development, we are aggressively developing high-value products, such as LED headlamps and Adaptive Driving Beam (ADB). At the same time, we are also developing headlamps for low-priced vehicles in emerging countries, and other products that would meet respective market needs. In the automotive industry, further competition is expected to intensify due to changes in mobility, such as connectivity, autonomous driving, sharing, and electric vehicle. In this situation, we are collecting information on Advanced Driver Assistance Systems (ADAS) and autonomous driving technologies, as well as developing next-generation lamps.

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

Based on corporate social responsibility (CSR), the KOITO Group is committed to developing and supplying products that take the LED headlamp and other environmental considerations into account, and to cultivating human resources that can inherit our manufacturing philosophy. In addition, with the aim of achieving sustainable growth, we will promote “Eco-Friendly Manufacturing for People and the Earth” in all our business activities and further strengthen our environmental conservation and social contribution activities. In order to continue to be a company trusted by all our stakeholders, we will continue to enhance our corporate governance and strengthen compliance systems. At the same time, we will bring together the wisdom and power of KOITO and its Group companies to provide products and services that will meet our customers’ expectation.



OPERATIONS BY REGION AND FUTURE DEVELOPMENTS

OUTLOOK FOR MEDIUM-TERM GLOBAL STRATEGIES



The KOITO Group is expanding its production capacity in Japan, North America, South America, Europe, China, and Asia, and promoting its optimized production to meet the growing automobile production.

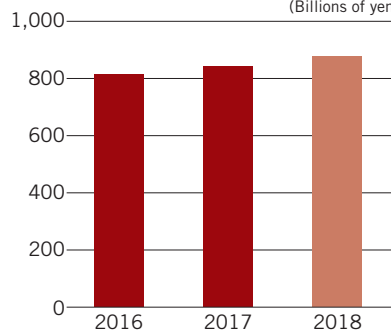
As a result, KOITO's consolidated net sales for the fiscal year ended March 31, 2018 were ¥848.8 billion, a record high for the sixth consecutive fiscal year.

We will continue to work to improve profitability over the medium to long term by providing high-value products such as LED headlamps and ADB.

CONSOLIDATED NET SALES

Years ended March 31,

(Billions of yen)



JAPAN

In fiscal 2018, Japan's automobile production increased year on year to the 9.5 million unit level mainly due to a recovery in sales of mini vehicles and increase in exports.

KOITO MANUFACTURING CO., LTD.

In fiscal 2018, net sales of KOITO MANUFACTURING increased 14.2% year on year to ¥339.9 billion, as a result of an increase in domestic automobile production volume, an increase in new orders, and a shift in automobile lamps to LED. On the earnings front, KOITO MANUFACTURING reported operating income of ¥37.5 billion, a 28.5% increase from the previous year, while recurring profit increased 22.0% to ¥55.7 billion. Net income increased by 100.1% to ¥62.2 billion, mainly due to extraordinary gains. These increases reflected measures to increase sales and decrease unit costs.

KOITO made total capital expenditures of ¥8.1 billion primarily

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

Japanese automobile production is projected to decrease mainly due to a shift away from exports to manufacturing overseas.

KOITO will work to expand sales of new products and to increase market share for high-value products such as LED headlamps and the ADB, while working to achieve profitability by enhancing productivity.



KOITO MANUFACTURING Shizuoka Plant



KOITO MANUFACTURING Haibara Plant



KOITO MANUFACTURING Sagara Plant

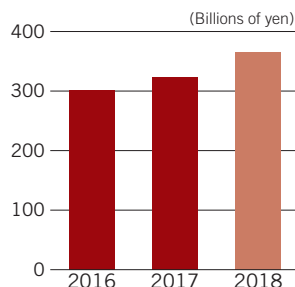


KOITO MANUFACTURING Fujikawa Tooling Plant

In fiscal 2018, 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.

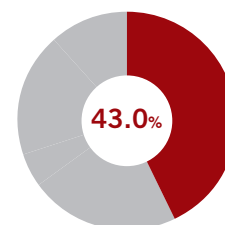
NET SALES [JAPAN]

Years ended March 31,



SHARE OF SALES [JAPAN]

Year ended March 31, 2018



KOITO KYUSHU LIMITED

KOITO KYUSHU LIMITED is responsible for supporting automobile production in the Kyushu region by various automakers, in conjunction with building a mutually complementary supply network and structure through collaboration with KOITO MANUFACTURING.

Net sales of KOITO KYUSHU in fiscal 2018 increased 19.2% year on year to ¥68.1 billion, mainly due to a shift in automobile lamps to LED.



KOITO KYUSHU Head Office and Plant

KI HOLDINGS CO., LTD.

KI HOLDINGS' consolidated net sales for fiscal 2018 (the period from April 1, 2017 to March 31, 2018) decreased 2.0% year on year to ¥46.1 billion.

Results by segment were as follows:

[Transportation Equipment Segment]

Segment sales decreased 2.0% year on year to ¥21.8 billion, as a result of decreased sales in the railroad car equipment business and a subsidiary in China.

[Electrical Equipment Segment]

Segment sales decreased 2.1% year on year to ¥22.6 billion, as a result of decreased sales in lighting and information systems business, despite increased sales in the traffic systems businesses.

[Home Appliances and Environment Segment]

Segment sales decreased 0.5% year on year to ¥1.6 billion due to decreased sales in the home appliances business, despite an increase in the environmental systems business.

* Figures for KI HOLDINGS, whose fiscal year ends in September, were restated by the Company to facilitate comparison.



KI HOLDINGS Head Office and Plant



KOITO ELECTRIC INDUSTRIES Head Office and Fuji Nagaizumi Plant

NORTH AMERICA

In fiscal 2018, automobile production in North America decreased from the previous year to the 17.5 million unit level due to the completion of replacement demand following the 2008 financial crisis.

In North America, KOITO operates automotive lighting equipment business in the U.S. and Mexico.

United States

In the U.S., KOITO operates business at North American Lighting, Inc. (NAL). NAL conducts production operations at four plants; Paris, Flora and Salem in Illinois, and a plant in Alabama. NAL also produces dies for plastic moldings at a tooling plant in Indiana. As the largest independent lighting equipment manufacturer in North America, NAL supplies automotive lighting equipment to U.S.-based

automotive manufacturers and to local plants of Japanese automotive manufacturers. In research and development, NAL conducts product development at its Technical Center in the city of Farmington Hills in Michigan.

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



NAL Head Office (Paris)



NAL Paris Plant



NAL Flora Plant



NAL Salem Plant



NAL Alabama Plant



NAL Indiana Tooling Plant

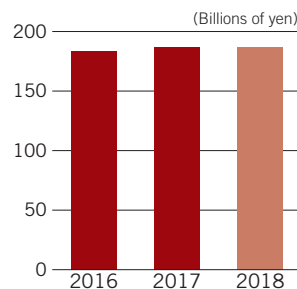


NAL Technical Center

In fiscal 2018, 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.

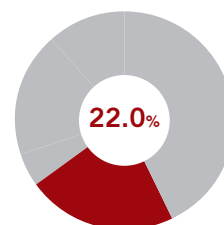
NET SALES [North America]

Years ended March 31,



SHARE OF SALES [North America]

Year ended March 31, 2018



Mexico

In order to respond to the expanding automotive production in Mexico, in December 2012, the KOITO Group established North American Lighting Mexico, S.A. de C.V. (NAL Mexico) and commenced operations in September 2014.



NAL Mexico

SOUTH AMERICA

Brazil

In order to respond to the growing automotive market in South America, in January 2017, the KOITO Group established NAL do Brasil (NAL Brasil), a manufacturing subsidiary in Sao Paulo State, Brazil. The subsidiary commenced operations in May 2018.



NAL Brasil

EUROPE

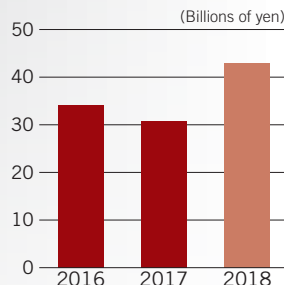
Automobile production in Europe increased from the previous fiscal year to over 17.2 million units in fiscal 2018, due to continued economic recovery.

In Europe, KOITO operates businesses in the U.K. and Czech Republic.

In fiscal 2018, net 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.

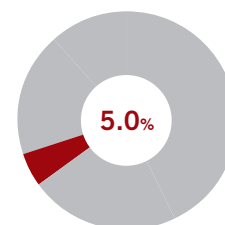
NET SALES [Europe]

Years ended March 31,



SHARE OF SALES [Europe]

Year ended March 31, 2018



United Kingdom

In the U.K., KOITO has been producing automobile lighting equipment at Koito Europe Limited (KEL) since 1996, as KOITO's first production base in Europe.



KEL

Czech Republic

In 2001, KOITO established Koito Czech s.r.o. (KCZ) to respond to the expanding automobile production in Europe. In 2015, KCZ undertook the businesses of Koito Europe NV (KENV), which had been in charge of sales and development in Europe, and is now working to expand orders through the collaboration of sales,

development, and production.

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



KCZ



KCZ Technical Section

CHINA

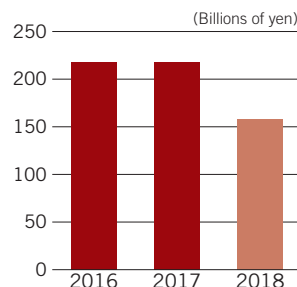
Automobile production in China exceeded 28.9 million units overall in fiscal 2018 due to a tax reduction on compact cars.

In fiscal 2018, 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 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.

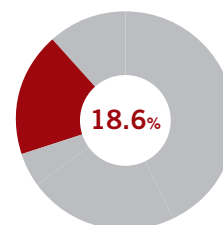
NET SALES [China]

Years ended March 31,



SHARE OF SALES [China]

Year ended March 31, 2018



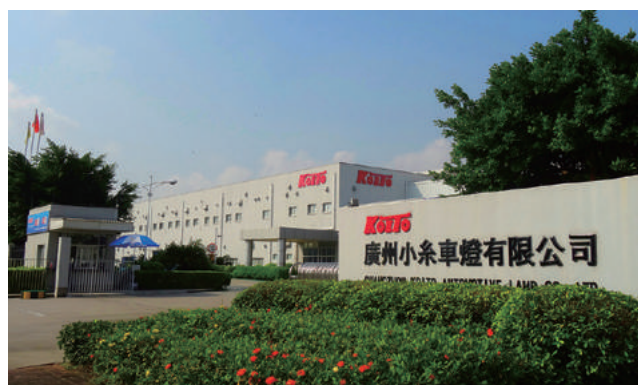
KOITO has been developing its automotive lighting equipment business in China through three companies: GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (GUANGHZOU KOITO), Hubei Koito Automotive Lamp Co., Ltd. (Hubei Koito), and FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (FUZHOU KOITO TAYIH). To respond to the local needs, research and development

activities are conducted under the lead of Technical Section in GUANGZHOU KOITO.

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



GUANGZHOU KOITO



GUANGZHOU KOITO Technical Section



Hubei Koito



FUZHOU KOITO TAYIH

ASIA

In fiscal 2018, compared to the previous year, Asian automobile production volume increased in India, Thailand, and Indonesia.

In Asia, KOITO's business is conducted in Thailand, Indonesia, Taiwan, and India. Furthermore, in October 2017, KOITO established a subsidiary in Malaysia, which is scheduled to commence operations in December 2019.

Thailand

In Thailand, which is the center of the Asian automotive industry, KOITO supplies automotive lighting equipment to all local Japanese automotive manufacturers. The products are manufactured in two plants in THAI KOITO COMPANY LIMITED (THAI

KOITO): Bangplee Plant and Prachinburi Plant.

Furthermore, KOITO opened a Technical Center within THAI KOITO in April 2012 to strengthen its development framework in Asia.



THAI KOITO Bangplee Plant



THAI KOITO Prachinburi Plant



THAI KOITO Technical Center

Indonesia

In Indonesia, where motorization is accelerating with the fourth largest population in the world, KOITO produces lamps for automobiles and motorcycles in PT. INDONESIA KOITO.



INDONESIA KOITO

Taiwan

In Taiwan, operations are conducted by Ta Yih Industrial Co., Ltd. (Ta Yih Industrial), in which KOITO took an equity interest in 1988.

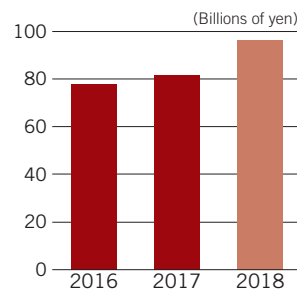


Ta Yih Industrial

In fiscal 2018, 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.

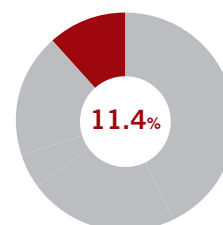
NET SALES [Asia]

Years ended March 31,



SHARE OF SALES [Asia]

Year ended March 31, 2018



India

In India, where the automotive industry is expected to grow, KOITO is conducting business in INDIA JAPAN LIGHTING

PRIVATE LIMITED (IJL). IJL manufactures automotive lighting equipment in two plants: Chennai Plant and Bawal Plant.



IJL Chennai Plant



IJL Bawal Plant

Malaysia

In Malaysia, which is the third largest automotive production country in ASEAN region, the KOITO Group established KOITO MALAYSIA SDN. BHD. (KOITO MALAYSIA) in October 2017. The subsidiary is scheduled to commence operations in December 2019.



KOITO MALAYSIA (Conceptual image)

RESEARCH AND DEVELOPMENT

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

Under the theme of “Eco-Friendly Manufacturing for People and the Earth,” in each R&D process, KOITO pursues development and manufacturing activities that put people and the environment first.

The KOITO Group's R&D activities are conducted by KOITO's global R&D network of five bases, led by KOITO MANUFACTURING Technical Center in Japan. The other bases are NAL Technical

Center in North America, KCZ's Technical Section in Europe, GUANGZHOU KOITO's Technical Section in China, and THAI KOITO Technical Center in Asia. As of March 31, 2018, the number of personnel engaged in the KOITO Group's R&D activities stood at 2,796.

In fiscal 2018, R&D expenditure totaled ¥36.1 billion (4.3% of consolidated net sales); ¥19.0 billion in Japan and ¥17.1 billion in North America, China, Asia and Europe.



KCZ Technical Section



KOITO MANUFACTURING
Technical Center



NAL Technical Center



THAI KOITO Technical Center



GUANGZHOU KOITO Technical Section

Our Efforts toward Future Changes in the Automotive Industry

KOITO has established an R&D Lab in Silicon Valley, U.S.A. where R&D bases gather from all over the world. The establishment has allowed us to further gather information on cutting-edge technologies by collaboration between the Technical Center in KOITO MANUFACTURING, NAL Technical Center, and the R&D Lab in Silicon Valley.

We are also working on developing next-generation multi-functional lighting such as lamps with built-in sensors, to further develop our technologies in Advanced Driver Assistance Systems (ADAS), and autonomous driving.



R&D Lab in Silicon Valley

Development of LED Headlamps

KOITO is diligently developing products to increase the use of LED headlamps.

To this end, KOITO developed the LED Compact-Bi-function, a headlamp using one LED light source to switch high-beam and low-beam, and in 2014, KOITO succeeded in commercializing it for the first in the world.

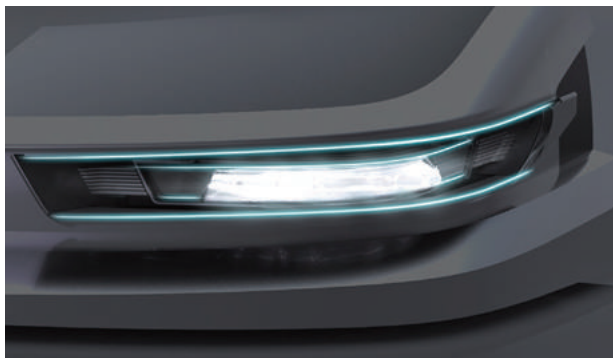
Furthermore, KOITO is leveraging the compact and lightweight characteristics of LED units to bring daring and innovative lamp designs to life, such as commercializing the ultra-compact triple-eyed bi-function LED headlamp.



Lamp with Built-in Sensors

A wide variety of sensors are essential for automotive safety and autonomous driving. Integrating LiDAR (Light Detection and Ranging) sensors into headlamps and rear combination lamps located on four edges of the vehicle, these lamps help sensors to

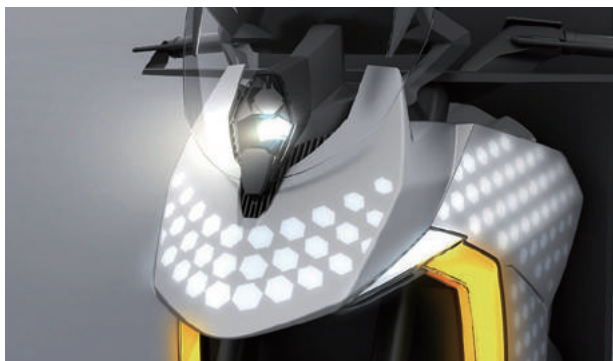
improvingly detect pedestrians and traffic covering 360 degrees around the vehicle. They serve for avoid car accidents under various driving conditions.



Next-generation Lamps for Motorcycles

KOITO explores to improve safety and expand the headlamp design of motorcycles by using our extensive experience with automotive technology. Looking ahead to the autonomous driving society in

the future, we propose next-generation lamps with built-in LiDAR sensors and cameras, which function as more than lighting devices.



APPROACH TO CSR

The KOITO Group's key management policies are to anticipate customers' lighting needs, thereby contributing to social progress and development, and to ensure co-existence and co-prosperity with all stakeholders including shareholders, customers, employees and trade partners.

We recognize the seriousness of global environmental problems and strive to preserve the environment by pursuing "Eco-Friendly

Manufacturing for People and the Earth" in all our activities.

To carry out these policies and activities, we have established the "KOITO Group Corporate Behavior Charter." Based on the following ten principles, we comply with all domestic and overseas laws and regulations, international rules, and the spirit in those laws and regulations. We also behave ourselves in accordance with corporate ethics.

KOITO Group Corporate Behavior Charter

1. Trusted corporate actions
We gain customers' satisfaction and trust by developing and offering safe and high-quality products and services.
2. Observance of social norms
We observe relevant laws and rules and conduct proper trade based on fair, transparent and free market competition.
3. Communication with society
We communicate with various members of society, including not only our shareholders but also trade partners and local residents, and strive to disclose our corporate information appropriately and fairly.
4. Respect for humanity
We respect the diversity of our employees and the character and personality of each of them, regardless of nationality or gender, and strive to build a safe and clean environment where each worker can make best use of their capabilities and fulfill their potential.
5. Care for the global environment
We take the initiative and set an example in protecting the global environment through activities on the theme of "Eco-Friendly Manufacturing for People and the Earth."
6. Contribution to society
We are aware of our responsibility as a good corporate citizen and actively carry out social contribution activities to help create a better society.
7. No relation with anti-social forces
We have no relation whatsoever and deal resolutely with any anti-social force or group that threatens the order and safety of society.
8. Business management from a global perspective
In our global corporate activities, we not only observe international rules and local laws but also respect local culture and customs.
9. Our corporate managers are aware of their duty to comply with the spirit of this Charter. They take the lead and set an example in observing these principles, and make the KOITO Group companies and trade partners familiar with the principles. Furthermore, they grasp opinions inside and outside the companies at all times, manage an effective company structure, and ensure that corporate ethics are strictly observed.
10. In the event of a breach of this Charter, our corporate managers will express, internally and externally, their will to solve the problem themselves, clarify the facts and strive to investigate the cause and prevent recurrence. In addition, they will disclose information to society promptly and adequately and assume accountability, and severely punish those involved, including themselves, after clarifying their authority and responsibility.

Basic Approach to Environmental Activities

In the "KOITO Group Corporate Behavior Charter," KOITO states it will take the lead in environmental conservation under the basic environmental theme of "Eco-Friendly Manufacturing for People and the Earth." Based on this policy, KOITO has established an "Environmental Policy," which sets out the framework of its environmental activities, and implements the policy in environmental

management in all fields: development, design, production, procurement, logistics, and others.

Moreover, the KOITO Group's domestic and overseas subsidiaries or affiliates also established environmental management systems. We are promoting environmental conservation activities throughout the KOITO Group.

Environmental Policy

KOITO shall promote environmental conservation activities while pursuing "Eco-Friendly Manufacturing for People and the Earth" in all business activities centered on automotive lighting.

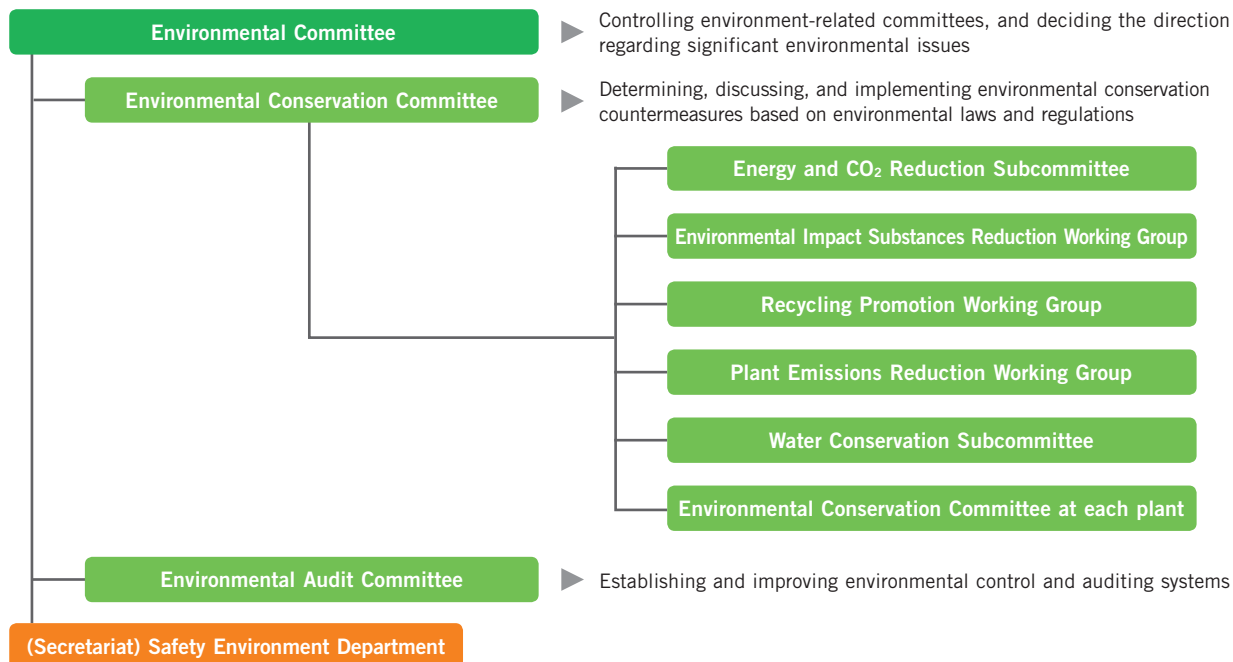
1. We will clarify our targets and measures for environmental conservation and continuously work to improve the KOITO Group's environmental performance as a whole.
2. In addition to complying with environmental laws and regulations, we will formulate and promote environmental improvement plans by addressing environmental issues in advance.
3. We will strive to development and establish new environmentally friendly technologies and products throughout the product lifecycle.
4. We will minimize our environmental impact and the use of resources and energy in the manufacturing process.
In addition, we will promote environmental protection activities and prevent environmental problems from occurring.
5. We will actively promote training for human resources to achieve our environmental targets.

Revised on April 2018

KOITO's Organization for Environmental Activities

KOITO has established an Environmental Committee at the top management level. Under this committee, we have established an Environmental Conservation Committee and an Environmental

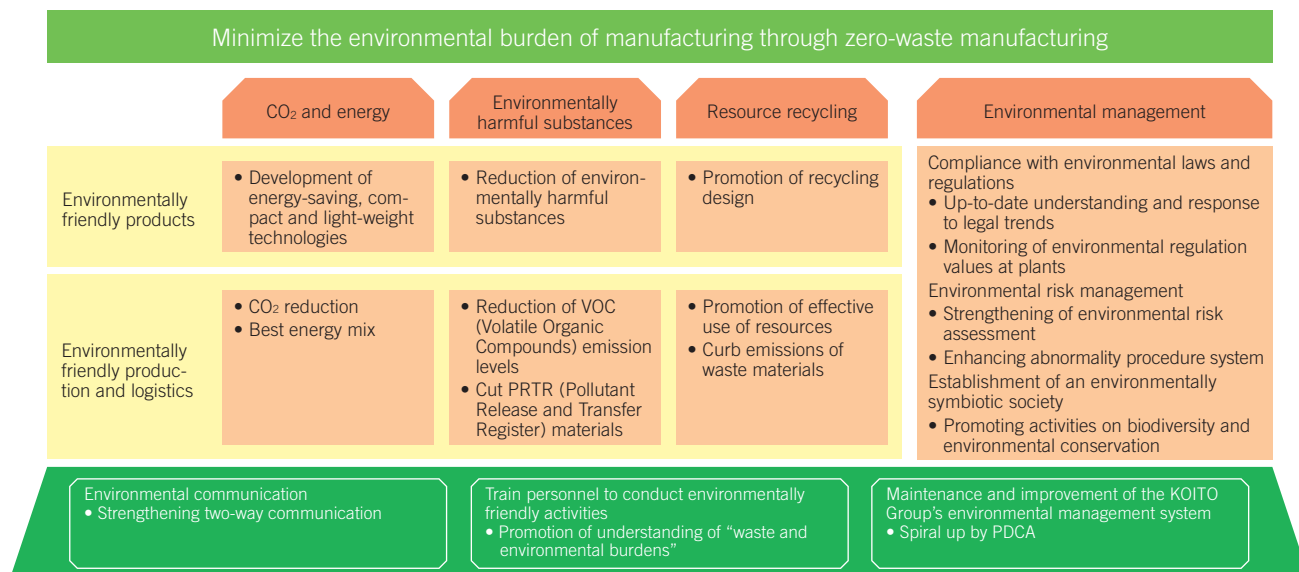
Audit Committee. Based on those organizations' policy, KOITO aims to manufacture products while minimizing environmental impact and pursuing economic efficiency.



Basic Approach to Environmental Conservation

KOITO considers the following three issues as the most crucial environmental conservation approaches: “preventing global warming and reducing CO₂ emissions,” “reducing environmentally harmful substances,” and “recycling resources.” In addition, with the aim of minimizing environmental impact, we have incorporated the

concept of eliminating waste into our environmental activities. This concept has been cultivated over years through KOITO's environmental activities. Moreover, we will expand this activity throughout the KOITO Group companies.



APPROACH TO CSR

Promoting Manufacturing That Puts the Environment First

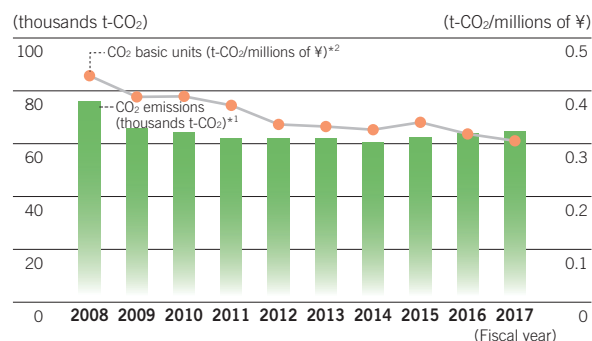
KOITO is promoting measures to reduce its overall environmental impact through the entire product lifecycle from product development to manufacturing, use, disposal and recycling, thereby working to preserve the environment.

To help prevent global warming, KOITO promotes initiatives to reduce energy losses, including making efforts to save energy and improve production efficiency, and initiatives to reduce CO₂ emissions. KOITO also promotes the conversion from heavy fuel oils to electricity or gas, both of which entail only small amounts of CO₂ emissions. Moreover, since fiscal 2012, KOITO has been working to further reduce the CO₂ emissions per production monetary amount (CO₂ basic units) as a result of placing importance on reducing electricity, which has the highest share of energy.

In resource recycling, our primary focus is to keep waste emissions as close to zero as possible by promoting reuse of waste as a resource, namely through the 3Rs (Reduce, Reuse, Recycle). Similarly, we are striving to minimize environmentally harmful substances produced in manufacturing processes. Specifically, we are tightening our control over amounts of materials used and emission levels, using these substances more efficiently, replacing

them with alternatives, and other measures. Our goal is to help form a recycling-oriented society by quickly achieving and maintaining zero-emission operations, among other means.

CO₂ Emissions and CO₂ Basic Units



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

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

Realization of Energy-Saving Plants

The KOITO Group's manufacturing approach pays consideration to the environment from the development and design to the production stage.

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



Environmental and Quality Management Activities

To further enhance our environmental conservation and quality management systems in line with our global business development, the KOITO Group is working to establish environmental and quality management systems at each KOITO Group company and to acquire various certifications.

KOITO has established a Company-wide environmental management system in line with ISO14001 standards, from R&D to production processes. By January 2003, all four production bases in Japan had acquired ISO14001 certification. Meanwhile, mainly at the production bases, 18 of our subsidiaries and affiliated companies, including 10 overseas companies, have acquired ISO14001 certification.

In the Quality Management System (QMS), including 11 overseas subsidiaries, 17 companies acquired ISO/TS16949 certification, which is recognized as an international standard. We are progressively shifting the certification to IATF16949, a quality management standard for the automotive industry. All divisions, from development to production, operate a management system that maintains and manages quality levels.

We will continue to develop our activities in accordance with the status of each country and region, and contribute to the conservation, maintenance and improvement of quality of the global environment, and the realization of a sustainable society that is required by the international community.

Initiatives for Safety in the Automotive Society

Automotive lighting, KOITO's mainstay product, plays a key role in ensuring drivers' visibility during the night when traffic accidents occur most frequently. KOITO intends to contribute to safety and reliance by further improving the performance and quality of headlamps.

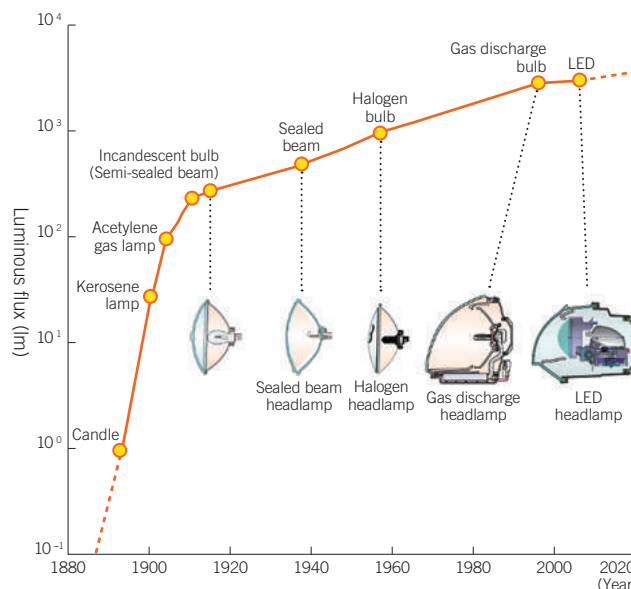
① Development of Light Sources

To produce brighter headlamps capable of lighting farther distances, KOITO has been working to develop light sources.

KOITO's current mainstay product, LED headlamps contributes to ensure drivers' visibility at night by its brightness, instant lighting, and white color which is close to sunlight.

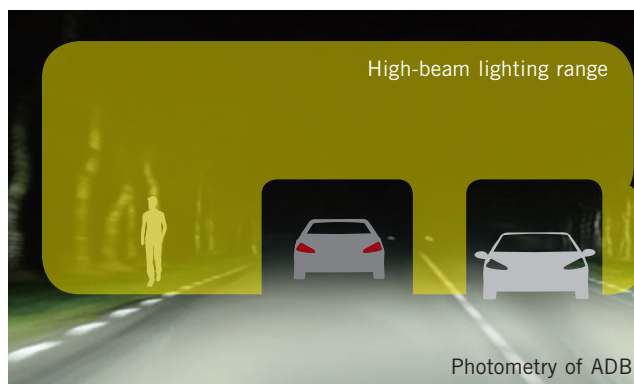
KOITO is also developing laser headlamps to further improve distance visibility.

Evolution of Light Sources



② Development of Adaptive Driving Beam (ADB)

KOITO has developed a headlamp system called ADB that ensures wide visibility for drivers by enabling driving with high beams all the time while avoiding glare to oncoming vehicles or vehicles ahead. In addition, KOITO is conducting research and development activities to further improve safety during nighttime driving by realizing finer light distribution ADB.



Compliance System

KOITO 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.

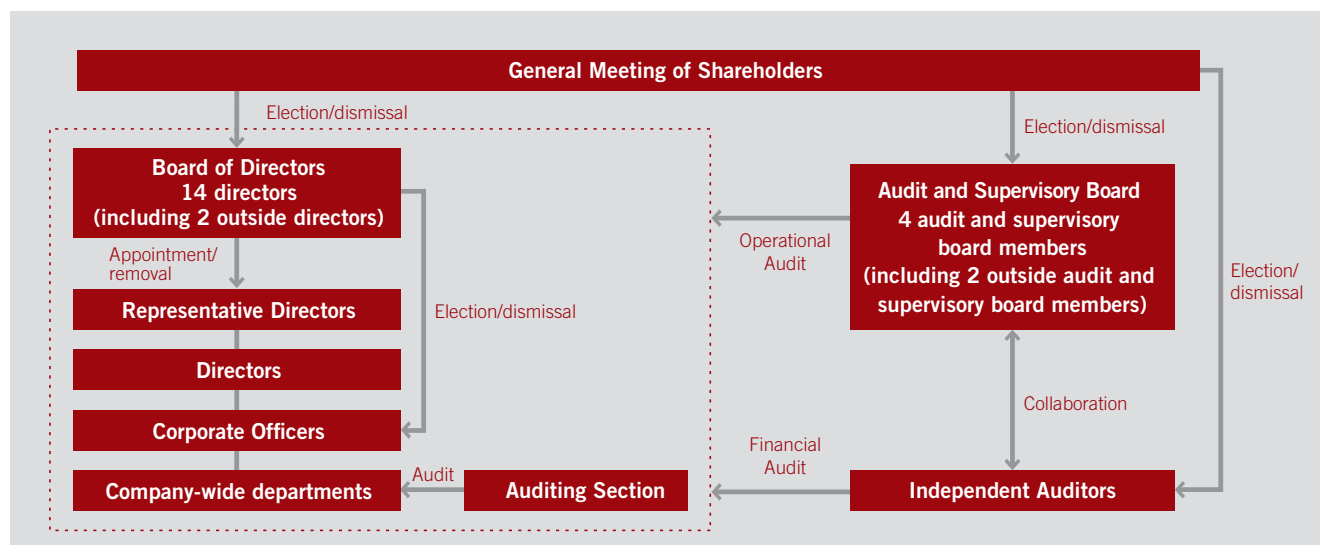
The Compliance Committee is responsible for fiscal year activity plans, responses to risks, reports for results of internal audits and other matters, and checking the status of the overall compliance system. A report has been made to the Board of Directors, etc. relating to the operational situation with the aim of improving its viability by establishing both internal and external contacts (law firm) as a corporate ethics consulting desk.

CORPORATE GOVERNANCE

The KOITO Group's basic approach to corporate governance is to recognize the importance of ethical standards and sound management so as to retain the trust of all its stakeholders. Based on this

approach, KOITO is making efforts to enhance corporate governance and strengthen compliance.

(1) Establishment Status of the Corporate Governance Structure and Internal Control Systems



① Overview of the Corporate Governance Structure

At KOITO, the Board of Directors conducts management decision-making and supervision in accordance with KOITO's regulations, as well as directors and executive officers conduct business execution, and audit and supervisory board members audit the execution. The Board of Directors, which comprises 14 directors (including 2 outside directors), in principle meets once per month and is attended by directors and audit and supervisory board members. It reports on progress in business execution and makes decisions on important matters. The Managing Committee comprised of full-time directors and a corporate officer, is a body to aid the Board of Directors. The committee meets in principle 3 times per month and determines business execution, and reports on progress in and follows up on business execution. As determined by the Articles of Incorporation, the Board of Directors is comprised of 15 members or less.

The Audit and Supervisory Board comprises 4 audit and supervisory board members (including 2 outside audit and supervisory board members). Each audit and supervisory board member audits the performance of directors in line with auditing policies through their participation in meetings of the Board of Directors, and surveys the Company's operations and financial condition. Moreover, the standing audit and supervisory board members attend the Managing Committee and other important meetings or committees to audit business execution by directors.

② Status of Establishment of the Internal Control System

KOITO is establishing a system of internal controls based on the following basic policies.

- i. System ensuring that directors and employees execute their business duties in compliance with laws and regulations and the Company's Articles of Incorporation

The Compliance Committee, Compliance Department, Internal Audit Department, whistle-blower internal reporting system and other organizations and systems, as well as the Code of Corporate Ethics and other relevant regulations, will be developed and enhanced based on the KOITO Group Corporate Behavior Charter. At the same time, KOITO's directors, corporate officers and employees will receive education familiarizing them with the organizations, systems and regulations.

- ii. System for the preservation and administration of information on directors executing their business duties

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

- iii. Regulations and other systems for managing the risk of loss
- Risk Management Regulations and other regulations and systems for managing risk will be developed to avoid and eliminate material risks that could threaten the Company's survival, and minimize the impact when they arise. At the same time, KOITO's directors, corporate officers and employees will receive education and training on risk management.

- iv. System for ensuring the efficient execution of business duties by directors

Board of Directors and Managing Committee meetings will be held regularly. Meanwhile, Board of Directors Regulations, Managing Committee Regulations and other regulations pertaining to the execution of business duties by directors, as well as the corporate officer system and other organizations and systems, will be developed and enhanced to ensure the efficient execution of business duties by directors.

At the same time, business duties will be executed according to specific plans the divisions develop each year based on the president's policy.

- v. System for ensuring appropriate business execution by the corporate group comprising KOITO and its subsidiaries
- KOITO and its Group companies will subscribe together to the KOITO Group Corporate Behavior Charter and develop a system for ensuring and administering the appropriate execution of business duties.

- vi. Matters pertaining to the status of certain employees, their independence from directors, and ensuring the viability of instruction in the event corporate auditors request for such employees to assist in the execution of their duties

An Audit and Supervisory Board Member's Office will be established to help the audit and supervisory board members execute their duties under the instruction and order of the audit and supervisory board member and the Audit and Supervisory Board.

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

- vii. System for directors and employees of KOITO and its subsidiaries to report to audit and supervisory board members and for preventing unfair treatment of the directors and employees for reporting to the audit and supervisory board members

Directors, corporate officers and employees of KOITO and its Group companies shall report to the audit and supervisory board members when they learn of matters of material impact on the Company, serious violations of laws, regulations and the Company's Articles of Incorporation, and other issues of compliance. Moreover, each audit and supervisory board members shall exercise their own discretion in reporting the findings from such reports to the Audit and Supervisory Board. Meanwhile, the Company's organization and systems will be developed and enhanced to rigorously prevent the unfair treatment of directors, corporate officers and employees for reporting to the audit and supervisory board members.

- viii. Policy on expenses arising from the audit and supervisory board members of KOITO executing their duties and system for enabling the audit and supervisory board members to conduct effective audits

The Company shall pay all necessary expenses involved in the audit and supervisory board member executing their duties. The audit and supervisory board member shall monitor and audit the execution of business duties at the Company by means that include attending the Board of Directors, Managing Committee, Compliance Committees and other relevant conferences and committees, and examining important documents. The audit and supervisory board member shall exchange opinions periodically, or as need be with directors, corporate officers, independent auditors, and the Internal Audit Department, among others.

CORPORATE GOVERNANCE

③ Status of Establishment of the Risk Management System

KOITO's risk management system implements measures for avoiding and minimizing various risks and is delegated to various divisions within the Company for administration on a daily basis. In

the event of a given risk transpiring, KOITO will make a rapid and appropriate response based on leadership from top management.

④ Status of Internal Audits and Audits by Corporate Auditors

KOITO's Internal Audit Department, an independent organization, performs internal audits concerning operations, finance, compliance and other areas based on annual audit plans. The results are reported to the directors and audit and supervisory board members.

The Audit and Supervisory Board comprises 2 standing audit and supervisory board members and 2 outside audit and supervisory board members. The audit and supervisory board members participate in Board of Directors and other important meetings and committees, review significant authorization documents, audit the performance of directors. In addition, the audit and supervisory

board member monitors the structure and operation of the internal control system by site visiting plants and branches, interviewing with administrative divisions, and auditing domestic and overseas subsidiaries. Moreover, the audit and supervisory board member attends the audit performed by the independent auditors and the Internal Audit Department, along with working to promote collaboration by exchanging information through regular meetings with the independent auditors, the in-house Compliance Department and the Internal Audit Department.

⑤ Status of Accounting Audits

To ensure the adequacy of financial statements, the Board of Corporate Auditors and Board of Directors periodically receive progress reports on the status of accounting audits based on relevant directives and other laws from the independent auditors.

KOITO's accounting audit was performed by certified public

accountants, Yasushi Onuki, Tsuguhiro Tsukakoshi and Yoshie Suwa from KOITO's independent auditor, accounting firm ARK MEIJI AUDIT & Co. Furthermore, 6 certified public accountants and 9 other staff who belong to ARK MEIJI AUDIT & Co. assisted with the accounting audit.

⑥ Outside Directors and Outside Audit and Supervisory Board Members

KOITO has 2 outside directors and 2 outside audit and supervisory board members.

Outside directors are brought on board from the viewpoint of objectivity and neutrality of management, and are elected to strengthen the management structure. Haruya Uehara, an outside director, is the senior advisor of Mitsubishi UFJ Trust and Banking Corporation, an external director, audit and supervisory committee member of NIKON CORPORATION, and an outside audit and supervisory board member of Mitsubishi Research Institute, Inc. We entrust the stock business to Mitsubishi UFJ Trust and Banking Corporation. KOITO recognizes Kingo Sakurai as a highly independent outside director, because he is not a major shareholder or a person from major supplier. He is elected primarily to supervise the business performance from the viewpoint of tax and accounting.

Koichi Kusano, an outside audit and supervisory board member, is a representative partner of Nishimura & Asahi, and a professor at the Graduate School of Keio University. Although KOITO has law

business relationship outsourcing legal services with Nishimura & Asahi, KOITO is aware that Koichi Kusano is highly independent because we do not have corporate lawyer contracts with Nishimura & Asahi. He is elected primarily to audit the business performance from a legal standpoint. KOITO has no special relationship with the Graduate School of Keio University.

KOITO recognizes Yukinobu Suzuki as a highly independent outside audit and supervisory board member, because he is not a major shareholder or a person from major supplier. He is elected primarily to audit the business performance from the viewpoint of tax and accounting.

There is no specific provision regarding independence for electing outside directors or outside audit and supervisory board members. However, KOITO has elected them based on the basic stance that the duties expected to outside directors or outside audit and supervisory board members are properly executed, and there is no risk of conflicts of interest with general shareholders.

(2) Total Remuneration to Directors and Audit and Supervisory Board Members

	Number of persons paid	Amount paid (million yen)
For Directors	16	1,195
For Audit and Supervisory Board Members	5	105
Total	21	1,300

Notes: 1. The above table includes 2 retired Directors and 1 resigned Audit and Supervisory Board Member at the conclusion of the 117th Ordinary General Meeting of Shareholders on June 29, 2017.

2. The total cost of the amounts for allotting restricted shares to Directors (¥104 million, 12 Directors excluding 2 Outside Directors) has been included in the total amount for remuneration.

3. Aggregate remuneration for the Outside Directors and Outside Audit and Supervisory Board Members, a total of 4 individuals, was ¥60 million.

4. Besides the above, 1 Outside Audit and Supervisory Board Member receives executives' remuneration of ¥0 million from Koito Insurance Services Co., Ltd., a subsidiary of KOITO.

(3) Outside Executives

Major activities during the fiscal year ended March 2018

	Name	Attendance at the Board of Directors Meetings	Attendance at the Audit and Supervisory Board Meetings	Major activities
Outside Directors	Haruya Uehara	All 11 meetings	–	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.
	Kingo Sakurai	All 9 meetings	–	Kingo Sakurai provided opinions and other information based on his knowledge and experience concerning accounting as a certified public accountant. 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 Members	Koichi Kusano	10 of the 11 meetings	All 8 meetings	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.
	Yukinobu Suzuki	All 11 meetings	All 8 meetings	Yukinobu Suzuki 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 Director Kingo Sakurai was elected at the 117th Ordinary General Meeting of Shareholders on June 29, 2017, the number of the Board of Directors meetings held during the fiscal year which he could attend is different from that of the other Outside Directors.

DIRECTORS, AUDIT AND SUPERVISORY BOARD MEMBERS AND CORPORATE OFFICERS



Chairman and CEO
Masahiro Otake



President and COO
Hiroshi Mihara



Executive Vice President
Yuji Yokoya



Executive Vice President
Koichi Sakakibara

■ Directors

Chairman and CEO
Masahiro Otake
President and COO
Hiroshi Mihara
Executive Vice President
Yuji Yokoya
Koichi Sakakibara

Senior Managing Director
Kenji Arima
Masami Uchiyama
Michiaki Kato
Hideharu Konagaya
Director and Senior Adviser
Takashi Ohtake
Director and Managing Corporate Officer
Katsuyuki Kusakawa
Hideo Yamamoto
Jun Toyota
Director
Haruya Uehara
Kingo Sakurai

■ Audit and Supervisory Board Members

Standing Audit and Supervisory Board Member
Mitsuo Kikuchi
Yohei Kawaguchi
Audit and Supervisory Board Member
Koichi Kusano
Yukinobu Suzuki

■ Corporate Officers

(Excluding the members with an additional concurrent post as a director)

Managing Corporate Officer	Corporate Officer
Atsushi Inoue	Koichi Toyoda
Kiyoshi Sato	Shinji Watanabe
Takayuki Katsuda	Mamoru Murakoshi
Masatoshi Yoneyama	Masahiro Otake
Toshiyuki Katsumata	Yuji Higashi
	Hideki Ochiai
	Masataka Choji
	Kakuya Yamamoto
	Kohei Yamasaki
	Kirk Gadberry

(As of June 28, 2018)

FINANCIAL SECTION

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TEN-YEAR SUMMARY

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Consolidated	Millions of yen (except per share amounts)			
	2009	2010	2011	2012
For the year:				
Net sales	¥400,232	¥408,430	¥428,977	¥430,929
Operating income	9,131	36,054	37,434	31,725
Income before income taxes	7,980	13,731	17,591	27,093
Income taxes	2,051	9,736	11,850	10,599
Net income	4,042	6,217	10,012	13,391
Amounts per share (yen and U.S. dollars):				
Net income	¥ 25.16	¥ 38.69	¥ 62.30	¥ 83.33
Cash dividends	20.00	18.00	19.00	19.00
At year-end:				
Working capital	¥ 13,091	¥ 39,512	¥ 58,015	¥ 65,554
Property, plant and equipment less accumulated depreciation	83,244	73,252	65,010	66,791
Total assets	351,869	357,530	338,760	363,273
Total equity	142,184	148,664	168,414	182,916

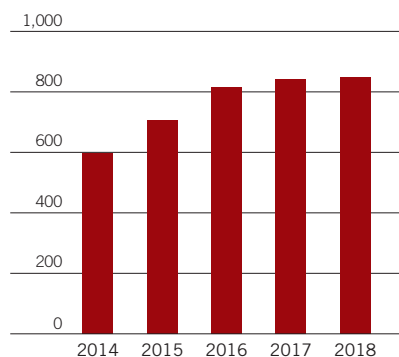
Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥106.24 = US\$1, the rate prevailing on March 31, 2018.

2. The above net income refers to profit attributable to owners of parent.

3. The above total equity for fiscal 2011 and thereafter, included non-controlling interests.

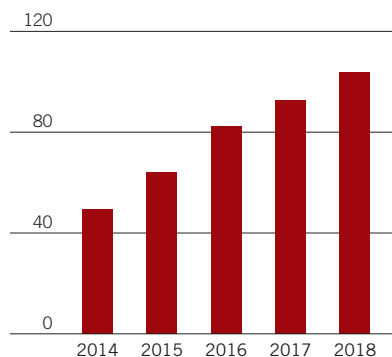
Net Sales

(Billions of yen)



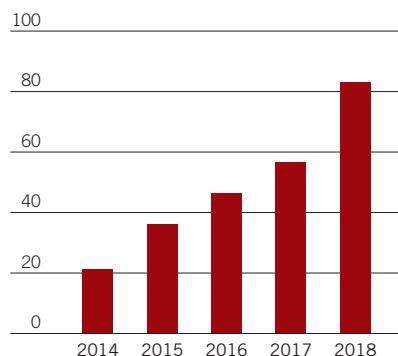
Operating Income

(Billions of yen)



Net Income

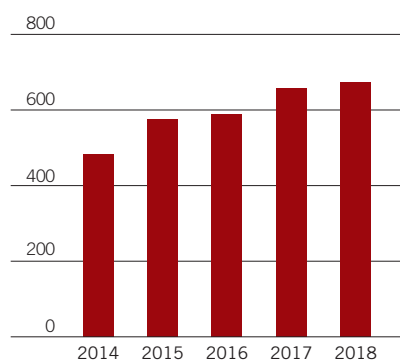
(Billions of yen)



						Thousand of U.S. dollars (except per share amounts)
2013	2014	2015	2016	2017	2018	2018
¥472,843	¥597,502	¥706,470	¥813,477	¥841,456	¥848,868	\$7,990,097
37,668	49,506	64,155	82,218	92,523	103,785	976,891
33,004	46,596	63,895	74,708	91,614	123,712	1,164,457
11,812	17,173	19,017	22,422	26,201	31,480	296,310
16,625	21,378	36,060	46,303	56,692	83,397	784,986
¥ 103.46	¥ 133.04	¥ 224.41	¥ 288.15	¥ 352.80	¥ 518.90	\$ 4.88
22.00	26.00	40.00	36.00	54.00	96.00	0.90
¥ 81,705	¥108,550	¥144,795	¥189,769	¥237,891	¥304,198	\$2,863,309
72,415	87,168	115,285	115,109	117,509	102,329	963,187
418,087	483,093	575,268	588,683	658,341	672,924	6,333,998
218,131	256,072	316,826	329,671	381,000	444,808	4,186,822

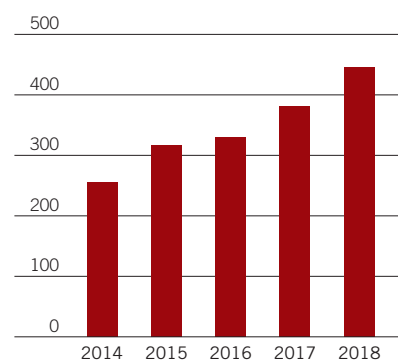
Total Assets

(Billions of yen)



Total Equity

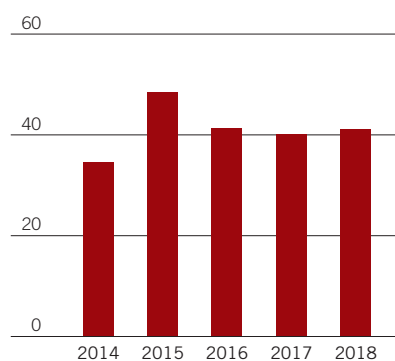
(Billions of yen)



* Non-controlling interests are included.

Capital Expenditures

(Billions of yen)



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The KOITO Group manufactures and sells automotive lighting equipment, components for airplanes, trains and railways, a wide variety of electrical devices, and measuring equipment. It is also involved in related distribution operations.

NET SALES

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, the KOITO Group reported consolidated net sales of ¥848.8 billion, up 0.9% year on year, due to sales growth in the mainstay automotive lighting equipment segment.

EARNINGS

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

RESULTS BY GEOGRAPHICAL SEGMENT

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 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 commenced operations in May 2018.

ANALYSIS ON FINANCIAL POSITION

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.

For fiscal 2018, the year ended March 31, 2018, KOITO marked 22.4% of Return on Equity (ROE), and 60.9% of equity ratio. This was attributable to the historically highest operating income, recurring profit, and net income, resulted from the gain on sales of investment in capital of subsidiaries. As we emphasize on strengthening capital efficiency and our financial base, we will continue working to improve profitability and capital efficiency, and to strengthen our financial base.

ANALYSIS ON 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.

CAPITAL EXPENDITURES

Capital expenditures totaled ¥33.7 billion. Outlays were centered on investing in the overseas business of the automotive lighting equipment segment, primarily in a new factory and machinery, equipment and tools for adapting to new products and model changes. The breakdown of capital expenditures for the fiscal year under review, excluding consumption tax, is as follows.

Capital expenditures totaled ¥14.0 billion in Japan, ¥5.6 billion in North America, ¥5.8 billion in China, ¥6.1 billion in Asia, and ¥1.9 billion in Europe.

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

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

MANAGEMENT POLICIES AND PRESSING ISSUES

(1) 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 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 5 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 driving, 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.

(3) OBJECTIVE INDICATORS FOR JUDGING ACHIEVEMENT IN MANAGEMENT GOALS

In order to maintain high profitability and sound management, KOITO puts emphasis on capital efficiency in addition to sales and profits, thus working to strengthen its financial structure. Looking ahead, KOITO will continue taking steps to strengthen its operational structure so that it can flexibly adapt to changes in the business climate, along with developing new products and pursuing the rationalization of operations. Through these and other steps, KOITO will continuously endeavor to increase its corporate value over the medium and long terms.

(4) KEY ISSUES IN BUSINESS AND FINANCIAL TERMS

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

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

On March 22, 2013, KOITO received cease and desist orders and surcharge payment orders from the Japan Fair Trade Commission (JFTC), on suspicion of violating the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade concerning transactions for automotive lighting equipment. On May 23, 2013, KOITO filed an appeal with the JFTC, and on May 30, 2018, KOITO received their decision to dismiss the appeal. KOITO considered the content, and concluded to accept the cease and desist and other orders without instituting an action to revoke the decision.

In the U.S. and Canada, plaintiffs filed lawsuits against KOITO and its U.S. subsidiary, and were seeking payment for damages they claim to have incurred. KOITO committed to closely reviewing the details of the statement of claim and dealing with this matter in an appropriate manner. As for the lawsuit against KOITO in the U.S., on May 26, 2017, KOITO reached a settlement with the plaintiffs, including by paying approximately ¥3.4 billion to the plaintiffs. With respect to the settlement, it is planned that the U.S. court will follow the approval procedures.

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

(5) BASIC POLICIES ON CONTROL OF THE COMPANY

KOITO believes that those who control the decision-making of the financial and business policies of the Company must have a good understanding of its financial and business content and the source of corporate value. We also think that they must be able to continuously and sustainably secure and improve the corporate value and the common interests of shareholders.

As a company listed on the stock exchange, KOITO respects the free trading of its shares in the market. We do not generally deny a large-scale purchase of our shares by a particular person, as long as it contributes to securing and improving the KOITO Group's corporate value and the common interests of shareholders. In addition, we believe that whether or not we will ultimately accept a large-scale purchase of shares should be left to the decision of all shareholders.

However, some large-scale stock purchasing proposals may risk our corporate value or the common interests of shareholders, which may not be able to maintain good relationships with stakeholders. Moreover, some proposals may not adequately reflect our corporate value or the common interests of shareholders, and it may be possible that sufficient information was not provided to shareholders to make final decisions.

In response to such proposals, entrusted by shareholders, KOITO's Board of Directors believes that it is imperative to secure necessary time and information, and to negotiate such large-scale stock purchasing proposals.

KOITO believes that it can make effective use of the Group's management resources, maintain and develop good relationships with various stakeholders, and contribute to improving the Group's corporate value as well as the common interests of shareholders. The Board of Directors considers that the basic policy formulated to continuously improve the KOITO Group's corporate value is not intended to undermine the common interests of shareholders or to maintain the position of directors and corporate officers.

BUSINESS RISK FACTORS

The following factors could affect the KOITO Group's operating results, share price and financial position. Forward-looking statements in this annual report are based on the management's judgment as of March 31, 2018.

(1) ECONOMIC CONDITIONS

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

(2) LEGAL REGULATIONS

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

(3) EXCHANGE RATE MOVEMENTS

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

(4) POTENTIAL RISKS OF EXPANDING OVERSEAS

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

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

(5) PRODUCT DEFECTS

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

(6) CHANGES IN RAW MATERIAL PRICES

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

(7) NATURAL DISASTERS, ETC.

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

(8) OTHER RISKS

As a global supplier, the KOITO Group engages in business in many countries worldwide, and is subject to the application of the various laws about competition and so forth in Japan and overseas. Therefore, being involved in legal actions could adversely affect the KOITO Group's operating results and financial position.

CONSOLIDATED BALANCE SHEETS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

At March 31,	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 39,500	¥ 41,050	\$ 386,389
Trade notes and accounts receivable	147,840	129,484	1,218,787
Less: Allowance for doubtful accounts	(843)	(503)	(4,734)
	146,997	128,981	1,214,053
Inventories	66,332	62,293	586,342
Deferred tax assets (Note 7)	4,558	5,466	51,449
Prepaid expenses and other current assets	203,491	243,500	2,291,980
Total current assets	460,880	481,291	4,530,224
Property, plant and equipment, at cost:			
Buildings and structures	109,559	99,377	935,400
Machinery, equipment and tools	316,189	305,305	2,873,729
Less: Accumulated depreciation	(308,239)	(302,352)	(2,845,933)
	117,509	102,329	963,187
Land	14,718	15,687	147,656
Construction in progress	9,310	15,918	149,830
Property, plant and equipment, net	141,538	133,935	1,260,683
Investments and other assets:			
Investment securities	46,889	49,707	467,874
Long-term loans	6	113	1,063
Deferred tax assets (Note 7)	5,522	3,802	35,786
Other assets	3,807	4,360	41,039
Less: Allowance for doubtful accounts	(302)	(287)	(2,701)
Total investments and other assets	55,922	57,697	543,081
Total assets	¥ 658,341	¥ 672,924	\$ 6,333,998

At March 31,	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
LIABILITIES AND EQUITY			
Current liabilities:			
Trade notes and accounts payable	¥143,492	¥102,975	\$ 969,267
Short-term loans (Note 5)	21,885	15,845	149,143
Income taxes payable	15,122	18,286	172,119
Accrued expenses and other current liabilities	42,488	39,985	376,364
Total current liabilities	222,989	177,092	1,666,905
Long-term liabilities:			
Long-term debt (Note 5)	13,172	13,083	123,145
Liability for retirement benefits (Note 6)	26,838	24,974	235,071
Other long-term liabilities	14,340	12,964	122,025
Total long-term liabilities	54,351	51,022	480,252
Equity:			
Shareholders' equity:			
Common stock	14,270	14,270	134,318
320,000,000 shares authorized and 160,789,436 shares issued at March 31, 2017 and 2018			
Additional paid-in capital	17,107	16,716	157,341
Retained earnings	278,755	350,903	3,302,927
Treasury stock, at cost:			
95,791 shares in 2017 and 58,106 shares in 2018	(87)	(54)	(508)
Total shareholders' equity	310,045	381,836	3,594,088
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	21,562	23,969	225,611
Foreign currency transaction adjustments	4,572	3,902	36,728
Retirement benefits liability adjustments	(192)	394	3,708
Total accumulated other comprehensive income	25,942	28,266	266,057
Subscription rights to shares	291	245	2,306
Non-controlling interests	44,719	34,460	324,359
Total equity	381,000	444,808	4,186,822
Total liabilities and equity	¥658,341	¥672,924	\$6,333,998

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net sales (Note 9)	¥841,456	¥848,868	\$7,990,097
Cost of sales	694,089	692,264	6,516,039
Gross profit	147,366	156,604	1,474,058
Selling, general and administrative expenses	54,843	52,819	497,166
Operating income (Note 9)	92,523	103,785	976,891
Other income (expenses):			
Interest income	872	1,038	9,770
Interest expenses	(870)	(821)	(7,727)
Loss on sale and disposal of property and equipment	(480)	(413)	(3,887)
Gain on sales of investments in capital of subsidiaries and associates	–	14,643	137,829
Technical advisory fee	–	3,298	31,042
Other, net	(430)	2,183	20,547
Income before income taxes	91,614	123,712	1,164,457
Income taxes	26,201	31,480	296,310
Net income	65,412	92,232	868,147
Attributable to:			
Owners of the parent	56,692	83,397	784,986
Non-controlling interests	8,719	8,834	83,151
Other comprehensive income:			
Valuation difference on available-for-sale securities	2,453	2,597	24,444
Foreign currency transaction adjustments	(4,221)	(712)	(6,701)
Retirement benefits liability adjustments	52	882	8,301
Total other comprehensive income	(1,715)	2,766	26,035
Comprehensive income	¥ 63,696	¥ 94,999	\$ 894,192
Attributable to:			
Owners of the parent	¥ 56,232	¥ 85,721	\$ 806,861
Non-controlling interests	7,463	9,277	87,321
	Yen		U.S. dollars
	2017	2018	2018
Per share:			
Net income	¥ 352.80	¥ 518.90	\$ 4.88
Cash dividends	54.00	96.00	0.90
Average number of shares during the year (thousands of shares)	160,693	160,719	

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
KOITO MANUFACTURING CO., LTD. shareholders' equity			
Common stock:			
Beginning balance	¥ 14,270	¥ 14,270	\$ 134,318
Ending balance	¥ 14,270	¥ 14,270	\$ 134,318
Additional paid-in capital:			
Beginning balance	¥ 17,108	¥ 17,107	\$ 161,022
Change in ownership interest due to purchase of treasury stock by consolidated subsidiaries	(0)	(0)	(0)
Disposal of treasury stock	–	174	1,637
Change in parent's ownership interest due to transactions with non-controlling interests	–	(564)	(5,308)
Ending balance	¥ 17,107	¥ 16,716	\$ 157,341
Retained earnings:			
Beginning balance	¥228,490	¥278,755	\$2,623,823
Net income attributable to owners of the parent	56,692	83,397	784,986
Deductions:			
Cash dividends	(6,427)	(11,249)	(105,882)
Ending balance	¥278,755	¥350,903	\$3,302,927
Treasury stock:			
Beginning balance	¥ (86)	¥ (87)	\$ (818)
Purchase of treasury stock	(0)	(2)	(18)
Disposal of treasury stock	–	34	320
Ending balance	¥ (87)	¥ (54)	\$ (508)
Total shareholders' equity	¥310,045	¥381,836	\$3,594,088
Total accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	¥ 21,562	¥ 23,969	\$ 225,611
Foreign currency transaction adjustments	4,572	3,902	36,728
Retirement benefits liability adjustments	(192)	394	3,708
	¥ 25,942	¥ 28,266	\$ 266,057
Subscription rights to shares	¥ 291	¥ 245	\$ 2,306
Non-controlling interests	¥ 44,719	¥ 34,460	\$ 324,359
Total equity	¥381,000	¥444,808	\$4,186,822

CONSOLIDATED STATEMENTS OF CASH FLOWS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash flows from operating activities:			
Net income attributable to owners of the parent	¥ 56,692	¥ 83,397	\$ 784,986
Adjustments to reconcile net income attributable to owners of the parent to net cash provided by operating activities:			
Depreciation	31,721	32,287	303,906
Net income attributable to non-controlling interests	8,719	8,834	83,151
Increase (decrease) in provision for allowance for doubtful accounts	129	(344)	(3,237)
Decrease in liability for retirement benefits	(560)	(867)	(8,160)
Loss on sale and disposal of property plant and equipment, net	437	362	3,407
Gain on sales of investments in capital of subsidiaries and associates	–	(14,643)	(137,829)
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	(14,518)	(4,619)	(43,477)
Inventories	(4,640)	(6,601)	(62,132)
Prepaid expenses and others	(7,102)	248	2,334
Trade notes and accounts payable	18,892	(4,855)	(45,698)
Accrued expenses and other current liabilities	9,250	660	6,212
Others, net	(633)	934	8,791
Net cash provided by operating activities	98,388	94,793	892,253
Cash flows from investing activities:			
Decrease in time deposits and other due over three months, net	(36,798)	(51,379)	(483,612)
Purchase of marketable and investment securities	(18)	(57)	(536)
Proceeds from sale of marketable and investment securities	3,395	38	357
Proceeds from sale of investments in capital of subsidiaries and associates	–	25,636	241,302
Acquisition of property, plant, and equipment	(39,375)	(41,116)	(387,010)
Proceeds from sale of property, plant and equipment	375	131	1,233
Increase in long-term loans	3	4	37
Others, net	(68)	(517)	(4,866)
Net cash used in investing activities	(72,486)	(67,260)	(633,094)
Cash flows from financing activities:			
Increase (decrease) in short-term loans	(7,423)	704	6,626
Increase (decrease) in long-term debt	1,265	(230)	(2,164)
Increase in treasury stock	(0)	(2)	(18)
Proceeds from exercise of share options	–	0	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(2,325)	(21,884)
Cash dividends	(10,466)	(15,780)	(148,531)
Net cash used in financing activities	(16,624)	(17,633)	(165,973)
Effect of exchange rate change on cash and cash equivalents	(1,664)	1,275	12,001
Change in cash and cash equivalents	7,614	11,175	105,186
Cash and cash equivalents at beginning of the year	31,886	39,500	371,799
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(9,624)	(90,587)
Cash and cash equivalents at end of the year	¥ 39,500	¥ 41,050	\$ 386,389

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation

KOITO MANUFACTURING CO., LTD. (the “Company”) and its subsidiaries maintain their accounts in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their accounts in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan.

In preparing the consolidated financial statements, certain rearrangements and reclassifications have been made and certain additional financial information has been included in the consolidated financial statements issued in Japan for the convenience of readers outside Japan. Certain financial statement items of the previous fiscal year were reclassified to conform to the presentation for the current fiscal year.

2. Summary of significant accounting policies

- (1) The accompanying consolidated financial statements for the years ended March 31, 2017 and 2018 include the accounts for the Company and the 29 subsidiaries listed below:**

Names of consolidated subsidiaries for the year ended March 31, 2018	Equity ownership percentage (*) %
KOITO KYUSHU LIMITED	100
Koito Transport Co., Ltd.	100
Aoitec Co., Ltd.	98
Shizuokadenso Co., Ltd.	100
Nissei Industries Co., Ltd.	62
Fujieda Auto Lighting Co., Ltd.	100
Shizuoka Wire Harness Co., Ltd.	100
Haibara Machine and Tools Co., Ltd.	100
Shizuoka Kanagata Co., Ltd.	40
Koito Insurance Services Co., Ltd.	100
KI HOLDINGS CO., LTD.	50
KOITO ELECTRIC INDUSTRIES, LTD.	100
Minatsu, Ltd.	100
Okayama Industry Co., Ltd.	51
North American Lighting, Inc.	100
North American Lighting Mexico, S.A. de C.V.	90
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.(**)	100
Koito Europe Limited	100
Koito Czech s.r.o.	100
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	100
Hubei Koito Automotive Lamp Co., Ltd.	100
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.	100
THAI KOITO COMPANY LIMITED	62
PT. INDONESIA KOITO	90
Ta Yih Industrial Co., Ltd.	33
INDIA JAPAN LIGHTING PRIVATE LIMITED	70
KOITO MALAYSIA SDN. BHD.(***)	100
KPS N.A., INC.	100
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	50

(*) Represents ownership at March 31, 2018 and includes shares owned through consolidated subsidiaries.

(**) NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda. was established in January 2017 as a wholly owned subsidiary of the Company.

(***) KOITO MALAYSIA SDN. BHD. was established in October 2017 as a wholly owned subsidiary of the Company.

Shanghai Koito Automotive Lamp Co., Ltd. was excluded from scope of consolidation and scope of application of equity method due to the transfer of all the equity interests.

(2) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The excess of the costs over the underlying net equity of investments in the consolidated subsidiaries is amortized over five years.

Investments in one affiliate (owned 20% to 50%) are stated at cost plus equity in their undistributed earnings.

Consolidated net income or loss includes the Company's equity in the current net income or loss of such companies, after the elimination of unrealized intercompany profits.

(3) Translation of foreign currency financial statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date, except for the components of shareholders' equity, which are translated at exchange rates in effect at acquisition dates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year.

Foreign currency translation adjustments are included in non-controlling interests and foreign currency translation adjustment in equity in the accompanying consolidated financial statements.

(4) Inventories

Inventories in the Company and consolidated domestic subsidiaries are stated principally at cost as determined primarily by the gross-average method. The book value is written down to the net realizable value to reflect a decline in profitability.

Inventories in the consolidated foreign subsidiaries are stated at the lower of cost or market as determined by the moving-average method.

(5) Securities

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

Trading securities	Market value
Held-to-maturity securities	Amortized cost
Available-for-sale securities	
Where there is a market quotation with available market value	Market value as determined by the quoted price at the end of the fiscal year
Where there is no market quotation with no available market value	Cost as determined by the moving-average method
Specified money trusts	Market value

(6) Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the declining-balance method or straight-line method, at rates based on the estimated useful lives of the assets.

Machinery held by the Company is depreciated over useful lives estimated by the Company, which are between 3 to 7 years. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(7) Liability for retirement benefits

Accrued pension and liability for employees' retirement benefits has been provided based on the estimated amounts of projected pension and severance obligation and fair value of plan assets at the end of the fiscal year.

In calculating retirement benefit obligation, benefit-formula attribution is adopted for the purpose of attributing expected retirement benefits to periods up to the end of the current fiscal year. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods within the average remaining years of service of the employees (mainly 5 years).

The Company has defined benefit retirement plans and a defined contribution retirement plan.

The Company and its consolidated subsidiary KI HOLDINGS CO., LTD. have two types of defined benefit retirement plan: a fund-type corporate pension plan and a lump-sum retirement benefit plan. Other domestic consolidated subsidiaries mainly have lump-sum retirement benefit plans. Certain overseas subsidiaries have defined contribution retirement plans or defined benefit retirement plans.

Liability for retirement benefits for the directors and corporate auditors of some consolidated subsidiaries are covered by a retirement benefit plan which allows retiring directors and corporate auditors to receive lump-sum retirement benefits. The amount of such benefits is determined based on the length of service and the level of remuneration at the time of retirement.

The amount of the retirement benefits for directors and auditors is recorded in other long-term liabilities.

(8) Income taxes

The Company and its subsidiaries recognize deferred tax assets and liabilities using the asset and liability method. Under this method, deferred tax assets and deferred tax liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(9) Appropriation of retained earnings

Under the Corporation Act of Japan, proposals by the Board of Directors for the appropriation of retained earnings (principally the payment of annual cash dividends) should be approved by a shareholders' meeting that must be held within three months of the end of each financial year. In addition to such appropriation, the Act permits the Board of Directors to distribute cash to shareholders at an interim date (interim dividend). The appropriation of retained earnings reflected in the accompanying consolidated financial statements for each financial year was approved by the shareholders' meeting or the Board of Directors.

(10) Research and development costs

Research and development costs are charged to income as incurred.

(11) Net income and dividends per share

Basic net income per share is computed by dividing net income available to common shareholders of the parent by the weighted-average number of common shares outstanding for the period.

Cash dividends per share represent dividends, including "interim dividends" declared, as applicable to the respective periods.

(12) Cash equivalents

Cash and cash equivalents include time deposits and readily marketable securities with original maturities of three months or less.

(13) Consumption tax

Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.

(14) Derivative transactions

The Company and a certain consolidated subsidiary utilize foreign exchange forward contracts and interest rate swap agreements as hedges. The hedge transactions are only utilized on foreign exchange forward transactions and interest rate swap transactions when the transactions are fixed to hedge any risk anticipated from these transactions and to fix the cash flows value resulting from future transactions denominated in foreign currencies and loans bearing interest. Due to the nature of the hedging arrangements, no significant losses are anticipated.

3. Accounting standards and guidance issued but not yet adopted

(1) Implementation Guidance of Accounting Standards for Tax Effect Accounting, etc.

- “Implementation Guidance of Accounting Standards for Tax Effect Accounting” (ASBJ Guidance No. 28, issued on February 16, 2018)
- “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued on February 16, 2018)

(a) Overview

Upon transferring the accounting and auditing practical guidelines on tax effect accounting (the section relating to accounting treatment) from the Japanese Institute of Certified Public Accountants (JICPA) to the ASBJ, while carrying on the basic thinking, a necessary review was conducted by the ASBJ as below.

(Main treatment of the reviewed accounting)

- The treatment of the taxable temporary differences of its subsidiaries in non-consolidated financial statements
- The treatment of the recoverability of deferred tax on the applicable company of (Classification 1)

(b) Date of application

These guidance will be applied effective from the beginning of fiscal years beginning on or after April 1, 2019.

(c) Effect of applying revised guidance

The Company is currently evaluating the effect of applying the “Implementation Guidance of Accounting Standards for Tax Effect Accounting” and the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” on its consolidated financial statements.

(2) Accounting Standard for Revenue Recognition

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued on March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued on March 30, 2018)

(a) Overview

International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) has developed the comprehensive Accounting Standard for Revenue Recognition jointly. IASB issued the “Revenue from Contracts with Customers” as IFRS15, FASB issued it as Topic 606” on May 2014.

IFRS15 was applied effective from the beginning of fiscal years beginnings on or after January 1, 2018 and Topic 606 was applied effective from the beginning of fiscal years beginnings on or after December 15, 2017.

Based on those situations, ASBJ has developed the comprehensive Accounting Standard for Revenue Recognition and issued it and related Guidance.

As the basic policy on the development of Accounting Standard for Revenue Recognition, the viewpoint of comparability on financial statements, it is one of benefit which is consistency Japanese Accounting Standard and IFRS15, ASBJ has started to adopt the basic principle of IFRS15 and developed it.

If the items for which special attention for the Japanese accounting practice has been occurred, alternative treatment adds to it within the limits that do not harm the comparability of financial statements.

(b) Date of application

The accounting standard and guidance will be applied effective from the beginning of fiscal years beginning on or after April 1, 2021.

(c) Effect of applying revised guidance

The Company is currently evaluating the effect of applying the “Accounting Standard for Revenue Recognition” and the “Implementation Guidance on Accounting Standard for Revenue Recognition” on its consolidated financial statements.

4. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥106.24 = US\$1, the approximate rate of exchange at March 31, 2018, has been used. This translation should not be construed as a representation that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

5. Short-term loans and long-term debt

At March 31, 2017 and 2018, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Loans, principally from banks:			
To the Company	¥ –	¥ –	\$ –
To consolidated subsidiaries	21,885	15,845	149,143
Total	¥21,885	¥15,845	\$149,143

At March 31, 2017 and 2018, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Loans, principally from banks:			
To the Company	¥ –	¥ –	\$ –
To consolidated subsidiaries	13,172	13,083	123,145
Total	¥13,172	¥13,083	\$123,145

6. Employees' retirement benefits

The reconciliation of beginning and ending balance of retirement benefit obligations at March 31, 2017 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Retirement benefit obligations at April 1, 2017 and 2018	¥52,681	¥52,731	\$496,338
Service cost	2,623	2,550	24,002
Interest cost	106	147	1,383
Actuarial differences	(278)	160	1,506
Retirement benefits paid	(2,403)	(2,475)	(23,296)
Transfer amount due to change from the simplified method to the principle method	–	1,231	11,586
Other	–	1	9
Retirement benefit obligations at March 31, 2017 and 2018	¥52,731	¥54,347	\$511,549

The reconciliation of beginning and ending balance of the plan assets at March 31, 2017 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Plan assets at April 1, 2017 and 2018	¥25,060	¥25,892	\$243,712
Expected return on plan assets	694	740	6,965
Actuarial differences	72	1,359	12,791
Contributions by the Company	1,488	1,527	14,373
Retirement benefits paid	(1,423)	(1,377)	(12,961)
Transfer amount due to change from the simplified method to the principle method	–	1,231	11,586
Plan assets at March 31, 2017 and 2018	¥25,892	¥29,373	\$276,477

The reconciliation of the ending balance of projected benefit obligations and plan assets and liability for retirement benefits and assets for retirement benefits recorded in the consolidated balance sheet at March 31, 2017 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded retirement benefit obligations	¥ 31,219	¥ 31,877	\$ 300,047
Plan assets	(25,892)	(29,373)	(276,477)
	5,327	2,503	23,559
Unfunded retirement benefit obligation	21,511	22,470	211,502
Net liability for retirement benefits and assets recorded in consolidated balance sheet	¥ 26,838	¥ 24,974	\$ 235,071
Liability for retirement benefit	¥ 26,838	¥ 24,974	\$ 235,071
Net liability for retirement benefits and assets recorded in consolidated balance sheet	¥ 26,838	¥ 24,974	\$ 235,071

The components of retirement benefit costs for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥2,623	¥2,550	\$24,002
Interest cost	106	147	1,383
Expected return on plan assets	(694)	(740)	(6,965)
Amortization of actuarial differences	(108)	(190)	(1,788)
Other	(15)	(13)	(122)
Total	¥1,912	¥1,754	\$16,509

Retirement benefits liability adjustments included in other comprehensive income (before income tax) for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Actuarial differences	¥241	¥1,009	\$9,497

Retirement benefits liability adjustments included in accumulated other comprehensive income (before income tax) at March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized actuarial differences	¥(192)	¥816	\$7,680

Plan assets at March 31, 2017 and 2018:

The components of plan assets as a percentage of total plan assets at March 31, 2017 and 2018 were as follows:

	2017	2018
Stocks	37%	38%
Bonds	37%	37%
General accounts of life insurance company	16%	17%
Alternative investment	8%	7%
Cash on hand and in banks, and other	2%	1%
Total	100%	100%

Defined contribution plans:

The amount to be contributed to defined contribution plans for the years ended March 31, 2017 and 2018 were ¥2,309 million and ¥2,445 million (\$23,013 thousand), respectively.

7. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income, which in the aggregate resulted in a normal statutory tax rate of approximately 31% and 31% for the years ended March 31, 2017 and 2018, respectively.

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

(a) The significant components of deferred tax assets and liabilities at March 31, 2017 and 2018 were as follows:

At March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Excess accrued bonus	¥ 1,602	¥ 1,543	\$ 14,523
Excess liability for retirement benefits	7,750	7,347	69,154
Disallowed retirement allowance to directors	429	441	4,150
Loss on revaluation of investment securities, other	4,618	4,618	43,467
Reserve for liability claims	495	779	7,332
Reserve for product warranties	2,540	2,517	23,691
Excess allowance for doubtful account	205	131	1,233
Provision for loss on litigation	1,048	—	—
Provision for loss related to antitrust law	—	24	225
Tax loss carry-forward	11,696	11,670	109,845
Others	3,772	5,282	49,717
	34,159	34,356	323,381
Valuation allowance	(17,511)	(17,527)	(164,975)
Total deferred tax assets	16,647	16,829	158,405
Deferred tax liabilities:			
Depreciation	(2,712)	(1,089)	(10,250)
Reserve for reduction of asset costs	(393)	(387)	(3,642)
Valuation difference on available-for-sale securities	(9,976)	(11,013)	(103,661)
Retained earnings of subsidiaries	—	(437)	(4,113)
Total deferred tax liabilities	(13,083)	(12,928)	(121,686)
Net deferred tax assets (liabilities)	¥ 3,564	¥ 3,900	\$ 36,709

(b) Net deferred tax assets and liabilities at March 31, 2017 and 2018 were included in the following accounts of the consolidated balance sheets:

At March 31	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets—current assets	¥ 4,558	¥ 5,466	\$ 51,449
Deferred tax assets—non-current assets	5,522	3,802	35,786
Deferred tax liabilities—long-term liabilities	(6,516)	(5,368)	(50,527)
Net deferred tax assets (liabilities)	¥ 3,564	¥ 3,900	\$ 36,709

(c) A reconciliation between the effective tax rate and the statutory tax rate for the years ended March 31, 2017 and 2018 were as follows:

	2017	2018
Statutory tax rate	30.9 %	30.9 %
Difference in tax rates applied by foreign subsidiaries	(3.8)%	(4.7)%
Change in valuation allowance	1.9 %	—
Other	(0.4)%	(0.7)%
Effective tax rate	<u>28.6 %</u>	<u>25.5 %</u>

8. Business combination

Under common control transactions, etc.

(Additional acquisition of subsidiary shares)

(1) Overview of transaction

(a) Name of combined companies and contents of the business

Name of combined companies Aoitec Co., Ltd.

Contents of the business Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery

(b) Date of business combination

March 29, 2018

(c) Legal form of business combination

Acquisition of shares from non-controlling shareholders

(d) Name of company after the combination

There is no change.

(e) Other matters concerning the summary of transaction

With this transaction 28% was additionally acquired, and voting rights of Aoitec Co., Ltd. owned by the Company reached 98%.

This transaction was carried out for the purpose of strengthening the management structure of the KOITO Group.

(2) Account processing summary

Based on the “Accounting Standard for Business Combinations” and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures,” this transaction was processed as a transaction with non-controlling interests under common control.

(3) Matters concerning additional acquisition of subsidiary shares

Acquisition cost and its breakdown by type of consideration

Consideration for acquisition Cash and deposits ¥2,325 million (\$21,884 thousand)

Acquisition cost ¥2,325 million (\$21,884 thousand)

(4) Matters concerning the change in ownership interest related to transactions with non-controlling interests

(a) Factors for the decrease of capital surplus

Additional acquisition of subsidiary shares

(b) Amount of capital surplus decreased due to transactions with non-controlling interests

¥564 million (\$5,308 thousand)

9. Segment information

Reporting segment information

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

	Millions of yen								
	Japan	North America	China	Asia	Europe	Other regions	Total	Adjustments	Consolidated
For the year ended March 31, 2018									
Sales:									
Sales to outside customers	¥364,689	¥186,849	¥157,754	¥ 96,516	¥43,015	¥ 42	¥ 848,868	¥ –	¥848,868
Intersegment 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 income	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
Others:									
Depreciation and amortization . . .	14,874	7,050	4,150	5,089	1,044	3	32,212	74	32,287
Impairment loss	156	–	–	–	–	–	156	–	156
Increase in fixed assets and intangible assets	14,088	5,670	5,824	6,184	1,911	80	33,759	–	33,759

	Thousands of U.S. dollars								
	Japan	North America	China	Asia	Europe	Other regions	Total	Adjustments	Consolidated
For the year ended March 31, 2018									
Sales:									
Sales to outside customers	\$3,432,690	\$1,758,744	\$1,484,883	\$908,471	\$404,885	\$ 395	\$ 7,990,097	\$ –	\$7,990,097
Intersegment sales and transfers	1,933,650	216	35,250	74,294	13,300	–	2,056,730	(2,056,730)	–
Total	5,366,349	1,758,970	1,520,133	982,765	418,185	395	10,046,827	(2,056,730)	7,990,097
Segment income	521,451	167,874	133,876	98,098	46,875	(5,572)	962,622	14,260	976,891
Segment assets	2,363,384	870,905	667,187	712,368	237,339	84,233	4,935,438	1,398,550	6,333,998
Others:									
Depreciation and amortization . . .	140,003	66,359	39,062	47,900	9,826	28	303,200	696	303,906
Impairment loss	1,468	–	–	–	–	–	1,468	–	1,468
Increase in fixed assets and intangible assets	132,605	53,369	54,819	58,207	17,987	753	317,761	–	317,761

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KOITO MANUFACTURING CO., LTD.:

(Report on the Consolidated Financial Statements)

We have audited the accompanying consolidated financial statements of KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and the consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (all expressed in Japanese yen).

(Management's Responsibility for the Consolidated Financial Statements)

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

(Auditor's Responsibility)

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

(Opinion)

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries as at March 31, 2018, and their financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

(Convenience Translation)

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note. 4 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

ARK MEIJI AUDIT & Co.

ARK MEIJI AUDIT & Co.

Tokyo, Japan

August 3, 2018

CORPORATE INFORMATION

As of March 31, 2018

KOITO MANUFACTURING CO., LTD.

Head office:	4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan
Founded:	April 1, 1915
Incorporated:	April 1, 1936
Capital:	¥14,270 million
Employees:	23,462 (Consolidated) 4,172 (Non-consolidated)
Common stock:	
Authorized:	320,000,000 shares
Issued:	160,789,436 shares
Number of shareholders:	6,033

Principal shareholders:	TOYOTA MOTOR CORPORATION The Master Trust Bank of Japan, Ltd. (Trust account) JPMC OPPENHEIMER JASDEC LENDING ACCOUNT Sumitomo Mitsui Banking Corporation Nippon Life Insurance Company The Bank of Tokyo-Mitsubishi UFJ, Ltd. Japan Trustee Services Bank, Ltd. (Trust account) The Dai-ichi Life Insurance Company, Limited JP MORGAN CHASE BANK 385632 DENSO CORPORATION
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Shareholder Registry Administrator

Account management institution:	Mitsubishi UFJ Trust and Banking Corporation
Contact:	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Department 1-1, Nikko-cho, Fuchu-shi, Tokyo, Japan Phone: 81-42-204-0303

For further information, please contact:	KOITO MANUFACTURING CO., LTD. 4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan Phone: 81-3-3443-7111 Facsimile: 81-3-3447-1520 Or via our website at: http://www.koito.co.jp/english
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CORPORATE DIRECTORY

HEAD OFFICE

4-8-3, Takanawa, Minato-ku,
Tokyo 108-8711, Japan
Phone: 81-3-3443-7111
Facsimile: 81-3-3447-1520

INTERNATIONAL OPERATIONS HEADQUARTERS

Administration Dept.-International Ops.

Phone: 81-3-3447-5171
Facsimile: 81-3-3447-5173

American Operations

Phone: 81-54-345-1123
Facsimile: 81-54-345-4959

European Operations

Phone: 81-54-345-4416
Facsimile: 81-54-345-4959

China Operations

Phone: 81-54-345-4408
Facsimile: 81-54-345-4959

Asia Operations

Phone: 81-54-345-2593
Facsimile: 81-54-345-4959

PLANTS

Shizuoka Plant (Shizuoka Pref.)

Phone: 81-54-345-2251
Facsimile: 81-54-346-9174

Haibara Plant (Shizuoka Pref.)

Sagara Plant (Shizuoka Pref.)

Fujikawa Tooling Plant (Shizuoka Pref.)

LABORATORY

Laboratory (Shizuoka Pref.)

PARTS CENTER

Koito Parts Center (Shizuoka Pref.)

DOMESTIC BUSINESS NETWORK

Sapporo Branch (Hokkaido)

Phone: 81-11-753-2611
Facsimile: 81-11-753-0520

Kitakanto Branch (Tochigi Pref.)

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

Tokyo Branch (Tokyo)

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

Toyota Branch (Aichi Pref.)

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

Osaka Branch (Osaka Pref.)

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

Hiroshima Branch (Hiroshima Pref.)

Phone: 81-82-282-1281
Facsimile: 81-82-282-1285

Sapporo Sales Office (Hokkaido)

Sendai Sales Office (Miyagi Pref.)

Kitakanto Sales Office (Tochigi Pref.)

Ota Sales Office (Gunma Pref.)

Tokyo Sales Office (Tokyo)

Atsugi Sales Office (Kanagawa Pref.)

Shizuoka Sales Office (Shizuoka Pref.)

Nagoya Sales Office (Aichi Pref.)

Osaka Sales Office (Osaka Pref.)

Fukuoka Sales Office (Fukuoka Pref.)

OVERSEAS REPRESENTATIVE OFFICES

Detroit Office (U.S.A.)

c/o North American Lighting, Inc.
36600 Corporate Drive Farmington Hills,
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Phone: 1-248-553-6408
Facsimile: 1-248-553-6454

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R&D Lab in Silicon Valley (U.S.A.)

c/o 181 Metro Drive Suite 580, San Jose,
California 95110, U.S.A.
Phone: 1-408-819-5014

GLOBAL NETWORK

OVERSEAS SUBSIDIARIES AND AFFILIATES

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

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

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

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

NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda. (NAL Brasil / Brazil)

Avenida Comendador Camillo Júlio, nº500, Jardim
Ibiti do Paço, no município de Sorocaba, Estado
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Phone: 55-15-3141-4300

Koito Europe Limited (KEL / U.K.)

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

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

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

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

No. B01, Transnational Industry Park,
Yuexi Village, Shilou Town, Panyu District,
Guangzhou City, Guangdong 511447,
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Hubei Koito Automotive Lamp Co., Ltd. (Hubei Koito / China)

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FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.

(FUZHOU KOITO TAYIH / China)

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Fujian 350119, People's Republic of China
Phone: 86-591-2276-5266
Facsimile: 86-591-2276-7466

THAI KOITO COMPANY LIMITED (THAI KOITO / Thailand)

370 Moo 17 Tambol Bangsaothong
Amphur Bangsaothong,
Samutprakarn 10570, Thailand
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PT. INDONESIA KOITO (INDONESIA KOITO / Indonesia)

Kawasan Industri Indotaisei Sektor 1A Blok P-3,
Kalihurip-Cikampek, Karawang, Jawa Barat, 41373, Indonesia
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Ta Yih Industrial Co., Ltd. (Ta Yih Industrial / Taiwan)

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No.114, First Floor, Jalan S2 B20,
Pusat Dagangan Centrio Seremban 2,
70300, Seremban, Negeri Sembilan, Malaysia

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

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

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Changzhou City, Jiangsu 213011,
People's Republic of China
Phone: 86-519-8837-6007
Facsimile: 86-519-8837-6006

DOMESTIC SUBSIDIARIES AND AFFILIATES

KOITO KYUSHU LIMITED (Saga Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

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

Business lines: Transportation services
and logistics

Aoitec Co., Ltd. (Shizuoka Pref.)

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

Shizuokadenso Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

Nissei Industries Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of
miniature bulbs and electrical equipment

Fujieda Auto Lighting Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

Shizuoka Wire Harness Co., Ltd.

(Shizuoka Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

Haibara Machine and Tools Co., Ltd.

(Shizuoka Pref.)

Business lines: Manufacturing and marketing of
resin metal molds

Shizuoka Kanagata Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of
resin metal molds

Koito Insurance Services Co., Ltd. (Tokyo)

Business lines: Insurance agent

Takeda Suntech Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of
resin metal molds

New Fuji Co., Ltd. (Shizuoka Pref.)

Business lines: Service businesses

KI HOLDINGS CO., LTD. (Kanagawa Pref.)

Business lines: Manufacturing and marketing of
seats for aircraft

KOITO ELECTRIC INDUSTRIES, LTD.

(Shizuoka Pref.)

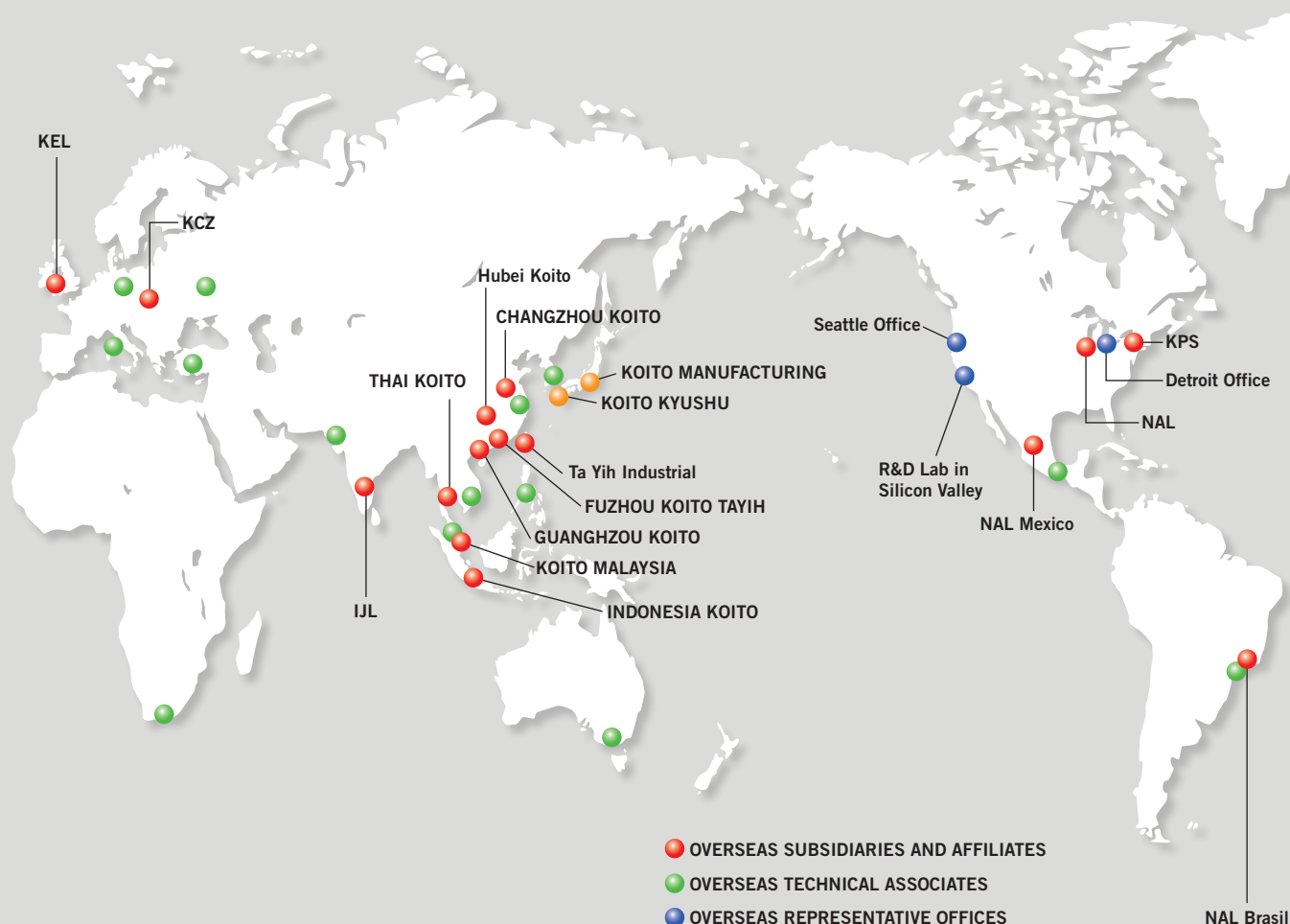
Business lines: Manufacturing and marketing of
railroad car control equipment, road traffic
signals and traffic control systems, and seats for
railroad cars, etc.

Minatsu, Ltd. (Kanagawa Pref.)

Business lines: Maintenance and upkeep of
traffic signals and safety equipment

Okayama Industry Co., Ltd. (Gunma Pref.)

Business lines: Manufacturing and
marketing of railroad car seats



OVERSEAS TECHNICAL ASSOCIATES

North American Lighting, Inc. (U.S.A.)
 KPS N.A., INC. (U.S.A.)
 North American Lighting Mexico, S.A. de C.V. (Mexico)
 Hella Automotive Mexico S.A. de C.V. (Mexico)
 NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda. (Brazil)
 Industrias Arteb S.A. (Brazil)
 Koito Europe Limited (U.K.)
 Koito Czech s.r.o. (Czech Republic)
 HELLA KGaA HUECK & CO. (Germany)
 Farba Otomotiv Aydınlatma ve Plastik Fabrikalari A.S. (Turkey)
 Automotive Lighting Italia S.p.A. (Italy)

AVTOSVET Limited Liability Company (Russia)
 GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (China)
 Hubei Koito Automotive Lamp Co., Ltd. (China)
 FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (China)
 CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD. (China)
 Shanghai TanDa Railway Vehicle Seat System Co., Ltd. (China)
 AMS Co., Ltd. (Korea)
 THAI KOITO COMPANY LIMITED (Thailand)
 Bangkok Diecasting and Injection Co., Ltd. (Thailand)

PT. INDONESIA KOITO (Indonesia)
 Ta Yih Industrial Co., Ltd. (Taiwan)
 INDIA JAPAN LIGHTING PRIVATE LIMITED (India)
 Hella Australia Pty Ltd. (Australia)
 Hella-Phil., Inc. (Philippines)
 Lumotech (Pty.) Ltd. (South Africa)
 KOITO MALAYSIA SDN. BHD. (Malaysia)
 EP Polymers (M) Sdn. Bhd. (Malaysia)
 AuVitronics Limited (Pakistan)



KOITO MANUFACTURING CO., LTD.



This Annual Report has been printed using vegetable oil-based inks and a waterless printing method.

Printed in Japan