



Consolidated Earnings Report for Fiscal 2019 [Japanese GAAP]

April 23, 2019

Company Name:	KOITO MANUFACTURING CO., LTD.
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	7276
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Planned Date of the General Meeting of Shareholders:	June 27, 2019
Planned Date of Dividends Payment:	June 28, 2019
Planned Date of Filing of Annual Securities Report:	June 28, 2019
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes

(¥ millions are rounded down)

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

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

	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
Fiscal 2019	826,257	△2.7%	101,534	△2.2%	105,494	△2.3%	72,895	△12.6%
Fiscal 2018	848,868	0.9%	103,785	12.2%	107,945	13.2%	83,397	47.1%

Note: Comprehensive income: Fiscal 2019: ¥75,707 million (△20.3%), Fiscal 2018: ¥94,999 million (49.1%)

	Net income per share (¥)	Net income per share (diluted) (¥)	Return on equity (%)	Recurring profit to total assets ratio (%)	Operating income to net sales ratio (%)
Fiscal 2019	453.52	453.37	16.7	15.0	12.3
Fiscal 2018	518.90	518.72	22.4	16.2	12.2

Note: Equity in earnings of affiliated companies: Fiscal 2019: ¥1 million, Fiscal 2018: ¥714 million

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
March 31, 2019	738,175	503,564	62.5	2,870.24
March 31, 2018	672,055	444,808	61.0	2,551.48

Note: Equity: March 31, 2019: ¥461,336 million, March 31, 2018: ¥410,102 million

(3) Consolidated Cash Flows (¥ millions)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
Fiscal 2019	96,666	△25,906	△13,063	97,993
Fiscal 2018	94,793	△67,260	△17,633	41,050

2. Dividends

	Dividend per share (¥)					Dividend paid (annual) (¥ millions)	Payout ratio (Consolidated) (%)	Ratio of dividends to net assets (Consolidated) (%)
	First quarter	Second quarter	Third quarter	Year end	Full year			
Fiscal 2018	—	36.00	—	60.00	96.00	15,430	18.5	4.1
Fiscal 2019	—	40.00	—	52.00	92.00	14,787	20.3	3.4
Fiscal 2020 (forecast)	—	—	—	—	—	—	—	—

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

2. Forecasts of dividends for fiscal 2020 are currently undecided.

3. Forecast of Consolidated Results for Fiscal 2020 (April 1, 2019 to March 31, 2020)

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

	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent		Net income per share (¥)
First half	397,000	1.1%	42,000	△9.7%	43,000	△12.0%	29,000	△12.5%	180.43
Full year	825,000	△0.2%	92,000	△9.4%	94,000	△10.9%	63,000	△13.6%	391.96

*Notes

(1) Changes to important subsidiaries during fiscal 2019 (changes in specified subsidiaries resulting in revised scope of consolidation): None

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

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

② Other changes : None

③ Changes in accounting estimates : None

④ Restatements : None

(3) Number of shares issued (common stock)

① Number of shares issued

(shares)

(including treasury stock):

March 31, 2019	160,789,436	March 31, 2018	160,789,436
March 31, 2019	58,220	March 31, 2018	58,106
Fiscal 2019	160,731,257	Fiscal 2018	160,719,794

② Number of treasury stocks:

③ Average number of shares during the year:

《 For Reference Only 》

Non-consolidated Earnings Report for Fiscal 2019

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

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

	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2019	364,104	7.1%	38,346	2.0%	56,652	1.5%	44,132	△29.1%
Fiscal 2018	339,976	14.2%	37,599	28.5%	55,791	22.0%	62,228	100.1%

	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2019	274.57	274.48
Fiscal 2018	387.18	387.05

(2) Non-consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
March 31, 2019	419,791	303,560	72.3	1,887.09
March 31, 2018	403,989	279,726	69.2	1,738.81

Note: Equity: March 31, 2019: ¥303,314 million, March 31, 2018: ¥279,481 million

2. Forecast of Non-consolidated Results for Fiscal 2020 (April 1, 2019 to March 31, 2020)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	178,000	3.9%	15,000	△21.5%	27,000	△12.4%	21,500	△7.7%	133.76
Full year	362,000	△0.6%	31,000	△19.2%	51,000	△10.0%	39,000	△11.6%	242.64

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

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

(Note concerning forecast)

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

(Supplementary materials for financial results)

KOITO is scheduled to have an earnings release conference for securities analysts and institutional investors on May 9, 2019. Supplementary materials will be available on our website after the conference.

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1. Outline of Consolidated Results

(1) Outline of Consolidated Results in Fiscal 2019

During fiscal 2019, the period under review, the Japanese economy showed a trend of moderate expansion due to an increase in capital investment and robust personal consumption. Although the global economy experienced intensifying trade tensions between U.S. and China, Brexit issues in U.K., and geopolitical risks, it remained to be robust as a whole. This was due primarily to firm economies in the U.S. and Asia.

In the Japanese auto industry, the production volume remained flat for both domestic and export vehicles. Despite increased demand in ASEAN countries and India, the global automobile production volume decreased year on year. This was due mainly to the decreased production volume in China caused by the expired tax reduction on compact cars in the previous fiscal year, and production decrease in Europe.

In this climate, for the purpose of expanding earnings of automotive lighting equipment in the mid- and long- term perspective, KOITO Group has reinforced its overseas production capacity, strengthened development capability, and expanded marketing activities. In addition to KOITO's subsidiary in Brazil put into operation in May 2018, KOITO has expanded plants and put into operations in FUZHOU KOITO TAYIH AUTOMOTIVE LAMP., LTD. in November 2018, and PT. INDONESIA KOITO in March 2019.

KOITO Group's consolidated net sales decreased 2.7% year on year to ¥826.2 billion. This was attributable to a decrease in the automobile production volume and the status change of Shanghai Koito Automotive Lamp Co., Ltd. ("Shanghai Koito") from a consolidated company to a company accounted for by the equity-method in the end of September 2017, and its non-consolidation in the end of March 2018.

Results by geographical segment are outlined as follows:

[Japan]

While domestic automobile production remained flat, sales in Japan increased 5.5% year on year to ¥384.6 billion due to an increase in new orders and a shift in automobile lamps to LED.

[North America]

While automobile production in the region remained flat, sales in North America increased 7.2% year on year to ¥200.3 billion due to an increase in new orders and a shift in automobile lamps to LED.

[China]

Despite the decrease in production volume, new orders expanded in China. However, sales in China decreased 40.6% year on year to ¥93.7 billion due to the effect of non-consolidation of Shanghai Koito.

[Asia]

Sales in Asia increased 10.2% year on year to ¥106.3 billion. Sales growth was mainly driven by an increase in automobile production volume and an increase in new orders in Thailand.

[Europe]

Sales in Europe decreased 10.3% year on year to ¥38.5 billion. This was mainly attributable to the decrease in automobile production volume and completion of current round of new vehicle stage effects or the end of production of some of our ordered products portfolio in this region.

[Other regions]

KOITO's subsidiary, NAL Brasil commenced operations in May 2018. Sales in the region was ¥2.5 billion.

On the earnings front, although KOITO implemented rationalization in Japan and overseas, operating income decreased 2.2% year on year to ¥101.5 billion, and recurring profit decreased 2.3% year on year to ¥105.4 billion. This was attributable to the effect of non-consolidation of Shanghai Koito and increased R&D expenses. As KOITO recorded extraordinary gain on sales of investment in Shanghai Koito's capital in the previous fiscal year, profit attributable to owners of parent decreased 12.6% year on year to ¥72.8 billion.

(2) Outline of Financial Position in Fiscal 2019

-1. Assets, liabilities and net assets

Total assets as of March 31, 2019 increased ¥66.1 billion to ¥738.1 billion. This was mainly due to an increase in current assets such as cash and time deposits, and assets on property, plant and equipment led by an increase in capital investment.

Despite the decrease in income taxes payable and long-term debt, total liabilities as of March 31, 2019 increased ¥7.3 billion to ¥234.6 billion. This was due primarily to an increase in short-term loans and account payable for capital investment.

Net assets as of March 31, 2019 increased ¥58.7 billion to ¥503.5 billion. This increase was mainly due to an increase in retained earnings.

-2. Cash flows

Operating activities provided net cash of ¥96.6 billion after payment of taxes, mainly reflecting income before income taxes of ¥104.4 billion and depreciation of ¥32.0 billion.

Investing activities used net cash of ¥25.9 billion, mainly reflecting acquisition of property and equipment of ¥53.7 billion.

Financing activities used net cash of ¥13.0 billion, the result mainly of reflecting dividends paid of ¥18.3 billion.

As a result, cash and cash equivalents as of March 31, 2019 were ¥97.9 billion, ¥56.9 billion higher than on March 31, 2018.

(3) Forecasts for Fiscal 2020

As regards KOITO's business forecasts for fiscal 2020, the fiscal year ending March 31, 2020, the global automobile production volume is expected to remain flat. Although new orders and the market transition to LED automobile lamps are expected to expand, net sales are expected to decrease slightly due to the effect of the currency exchange.

On the earnings front, operating income, recurring profit, and profit attributable to owners of parent are all expected to decrease due mainly to the effect of currency exchange, an increase in R&D expenses and the increase in depreciation cost for strengthening of development capability.

(4) Basic Earnings Distribution Policies and Dividend Payments for Fiscal 2019 and Fiscal 2020

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 accordance with the policy, KOITO has decided to pay ¥52 of year-end dividend per share.

Accordingly, the full year dividend, including the interim dividend, is scheduled to be ¥92.

The full year dividend for fiscal 2020 is currently undecided because the future business climate remains unclear.

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

The differences between the actual results for fiscal 2019 herein and the previous forecasts (consolidated and non-consolidated) issued in the Consolidated Earnings Report for the Third Quarter of Fiscal 2019 dated January 25, 2019, are as follows:

(¥ millions are rounded down)

Consolidated Results for Fiscal 2019

(¥ millions)

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Net income per share (¥)
Previously announced forecast (A)	816,000	98,000	101,000	69,000	429.29
Actual results for fiscal 2019 (B)	826,257	101,534	105,494	72,895	453.52
Difference (B-A)	10,257	3,534	4,494	3,895	—
Change (%)	1.3	3.6	4.4	5.6	—
(Reference) Actual results for previous year (fiscal 2018)	848,868	103,785	107,945	83,397	518.90

(Reference) Non-Consolidated Results for Fiscal 2019

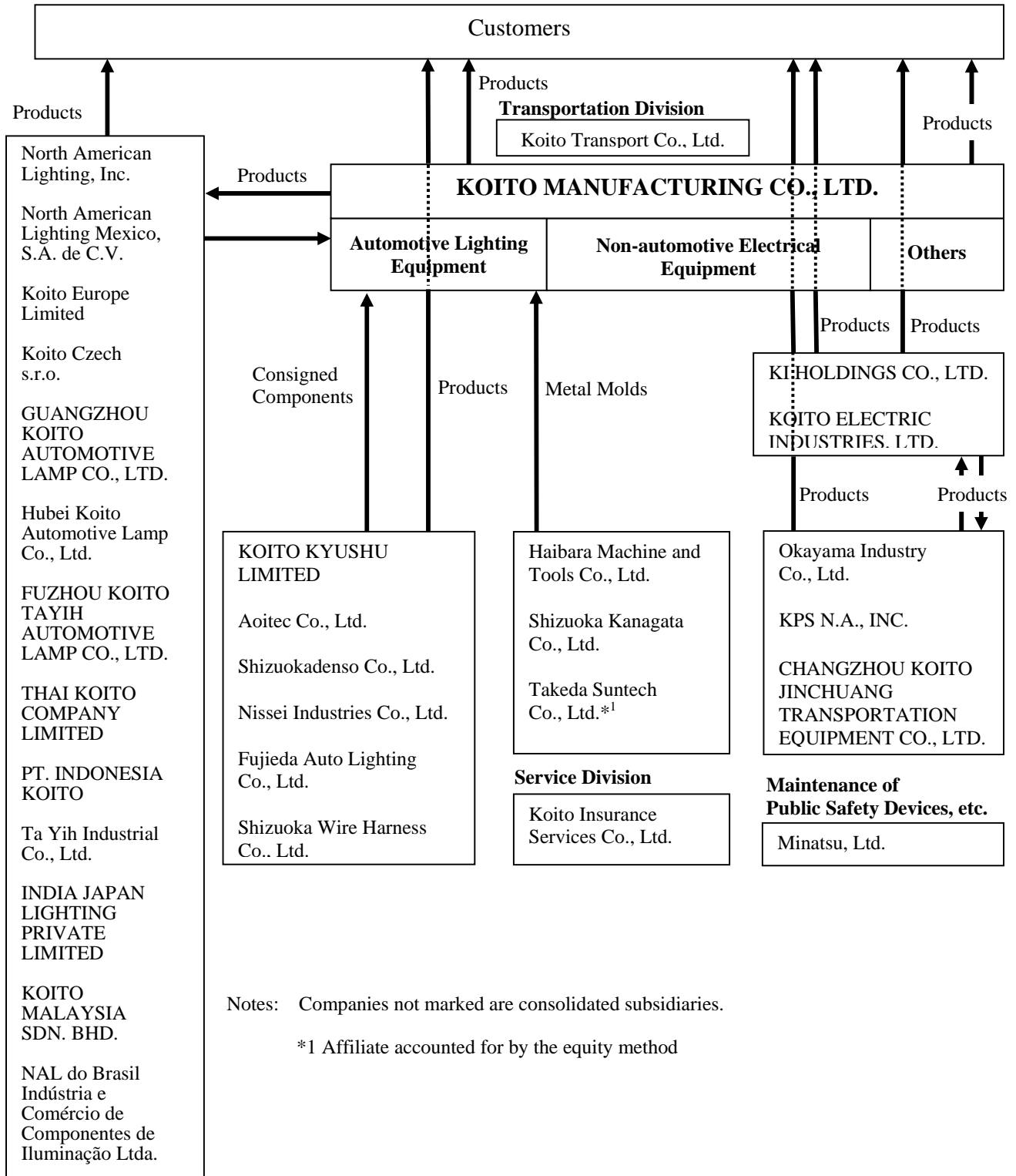
(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously announced forecast (A)	364,000	38,500	56,000	43,000	267.53
Actual results for fiscal 2019 (B)	364,104	38,346	56,652	44,132	274.57
Difference (B-A)	104	△153	652	1,132	—
Change (%)	0.0	△0.4	1.2	2.6	—
(Reference) Actual results for previous year (fiscal 2018)	339,976	37,599	55,791	62,228	387.18

2. KOITO Group

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

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



3. Management Policies

(1) Basic Management Policies

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

(2) Management Targets

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

(3) Medium- and Long-Term Management Strategies

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

Strategies for taking KOITO forward are as follows:

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

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

(4) Key Issues

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

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

On March 22, 2013, KOITO received cease and desist orders and surcharge payment orders from the Japan Fair Trade Commission (JFTC), on suspicion of violating the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade concerning transactions for automotive lighting equipment. 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 have filed lawsuits against KOITO and its U.S. subsidiary, and are seeking payment for damages they claim to have incurred. For some of the lawsuits, KOITO have reached a settlement with the plaintiffs. As for other lawsuits, KOITO will continue reviewing the details of the statement of claim and deal with this matter in an appropriate manner.

KOITO will ensure the further enhancement of corporate governance, compliance systems and the thorough implementation of recurrence prevention measures, as company which should fulfill its social responsibility and to continue as a company that is trusted by all stakeholders, and will make efforts to comply with corporate ethics and restore trust.

4. Basic Approach in Selection of Accounting Standard

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

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(¥ millions)

	Fiscal 2018 As of March 31, 2018	Fiscal 2019 As of March 31, 2019
Assets		
Current assets:		
Cash and time deposits	260,644	287,803
Trade notes and accounts receivable	116,329	118,116
Electronically recorded monetary claims-operating	13,154	13,355
Inventories	62,293	66,632
Other current assets	23,905	28,179
Allowance for doubtful accounts	△503	△517
Total current assets	475,825	513,569
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	37,735	45,599
Machinery and transportation equipment (net)	51,000	60,475
Fixtures, equipment and tools (net)	13,592	15,545
Land	15,687	16,430
Construction in progress	15,918	20,718
Total property, plant and equipment	133,935	158,769
Intangible fixed assets	2,419	3,183
Investments and other assets:		
Investment securities	49,707	43,963
Claims provable in bankruptcy, claims provable in rehabilitation and other	60	60
Deferred income tax assets	8,400	13,621
Other investments	1,994	5,299
Allowance for doubtful accounts	△287	△291
Total investments and other assets	59,875	62,652
Total non-current assets	196,230	224,605
Total assets	672,055	738,175

(¥ millions)

	Fiscal 2018 As of March 31, 2018	Fiscal 2019 As of March 31, 2019
Liabilities		
Current liabilities:		
Trade notes and accounts payable	92,217	93,816
Electronically recorded monetary obligations-operating	10,757	12,079
Short-term loans	15,845	23,507
Accrued expenses	20,959	24,222
Income taxes payable	18,286	5,691
Allowance for employees' bonuses	5,189	5,455
Reserve for product warranties	3,035	2,584
Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	80	83
Other current liabilities	10,721	15,826
Total current liabilities	177,092	183,265
Non-current liabilities:		
Long-term debt	13,083	8,975
Deferred income tax liabilities	4,499	6,529
Allowance for directors' and corporate auditors' retirement benefits	424	478
Reserve for product warranties	5,192	5,437
Allowance for environmental strategies	184	206
Net defined liability for retirement benefits	24,974	27,977
Other non-current liabilities	1,795	1,741
Total non-current liabilities	50,154	51,345
Total liabilities	227,247	234,611
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	16,716	16,759
Retained earnings	350,903	407,725
Treasury common stock, at cost	△54	△55
Total shareholders' equity	381,836	438,700
Accumulated other comprehensive income:		
Valuation adjustment on marketable securities	23,969	19,857
Translation adjustments	3,902	3,473
Adjustments in defined benefit plans	394	△694
Total accumulated other comprehensive income	28,266	22,636
Subscription rights to shares	245	245
Non-controlling interests	34,460	41,981
Total net assets	444,808	503,564
Total liabilities and net assets	672,055	738,175

(2) Consolidated Statements of Income and Comprehensive Income

(¥ millions)

	Fiscal 2018 April 1, 2017 to March 31, 2018	Fiscal 2019 April 1, 2018 to March 31, 2019
Net sales	848,868	826,257
Cost of sales	692,264	678,738
Gross profit	156,604	147,518
Selling, general and administrative expenses:		
Selling expenses	15,251	14,720
General and administrative expenses	37,567	31,263
Total selling, general and administrative expenses	52,819	45,984
Operating income	103,785	101,534
Non-operating income:		
Interest income	1,038	1,313
Dividends	1,354	1,349
Royalty income, other	805	679
Equity in earnings of affiliates	714	1
Foreign exchange gains	—	363
Other non-operating income	2,446	1,598
Total non-operating income	6,359	5,306
Non-operating expenses:		
Interest expenses	821	837
Foreign exchange losses	827	—
Loss on revision of retirement benefit plan	—	174
Other non-operating expenses	549	334
Total non-operating expenses	2,199	1,346
Recurring profit	107,945	105,494
Extraordinary gains:		
Gain on sales of property and equipment	51	291
Gain on sales of investment securities	0	—
Insurance payments received	—	212
Gain on sales of investment in capital of subsidiaries and affiliates	14,643	—
Consideration for technology	3,298	—
Total extraordinary gains	17,992	504
Extraordinary losses:		
Loss on sale and disposal of property and equipment	413	806
Loss on provision for environmental measures	—	484
Loss on valuation of inventories	—	268
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	1,655	—
Impairment loss	156	—
Total extraordinary losses	2,225	1,559
Income before income taxes	123,712	104,439
Income taxes	33,590	23,834
Income tax adjustment	△2,110	△288
Total income taxes	31,480	23,545
Net income	92,232	80,893
(Breakdown)		
Profit attributable to owners of parent	83,397	72,895
Profit attributable to non-controlling interests	8,834	7,998

	(¥ millions)	
	Fiscal 2018 April 1, 2017 to March 31, 2018	Fiscal 2019 April 1, 2018 to March 31, 2019
Other comprehensive income or loss		
Valuation adjustment on marketable securities	2,597	△3,987
Translation adjustments	△712	△321
Adjustments in defined benefit plans	882	△876
Total other comprehensive income	<u>2,766</u>	<u>△5,186</u>
Comprehensive income	<u>94,999</u>	<u>75,707</u>
(Breakdown)		
Attributable to shareholders of the parent company	85,721	67,265
Attributable to non-controlling interests	9,277	8,442

(3) Consolidated Statements of Changes in Shareholders' Equity

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

(¥ millions)

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

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

Fiscal 2019 (April 1, 2018 to March 31, 2019)

(¥ millions)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	14,270	16,716	350,903	△54	381,836
Changes during fiscal year					
Dividends from retained earnings	—	—	△16,073	—	△16,073
Profit attributable to owners of parent	—	—	72,895	—	72,895
Purchases of treasury stock	—	—	—	△0	△0
Changes of equity interest in consolidated subsidiaries	—	△0	—	—	△0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	43	—	—	43
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—
Total changes during fiscal year	—	42	56,822	△0	56,864
Balance at fiscal year-end	14,270	16,759	407,725	△55	438,700

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation adjustment on marketable securities	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	23,969	3,902	394	28,266	245	34,460	444,808
Changes during fiscal year							
Dividends from retained earnings	—	—	—	—	—	—	△16,073
Profit attributable to owners of parent	—	—	—	—	—	—	72,895
Purchases of treasury stock	—	—	—	—	—	—	△0
Changes of equity interest in consolidated subsidiaries	—	—	—	—	—	—	△0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	43
Changes in items other than shareholders' equity during fiscal year (net)	△4,112	△429	△1,088	△5,630	—	7,521	1,891
Total changes during fiscal year	△4,112	△429	△1,088	△5,630	—	7,521	58,755
Balance at fiscal year-end	19,857	3,473	△694	22,636	245	41,981	503,564

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Fiscal 2018 April 1, 2017 to March 31, 2018	Fiscal 2019 April 1, 2018 to March 31, 2019
Cash flows from operating activities		
Income before income taxes	123,712	104,439
Depreciation	32,287	32,060
Impairment loss	156	—
Stock-based compensation	144	44
Equity in earnings of affiliated companies	△714	△1
Provision for allowance for doubtful accounts	△344	21
Net defined liability for retirement benefits	△867	△1,093
Provision for reserve for bonuses	△66	260
Reserve for product warranties	△44	△206
Interest and dividends received	△2,393	△2,663
Interest payments	821	837
Loss on valuation of inventories	—	268
Gain on sale of marketable and investment securities	△0	—
Loss on sale of property and equipment	362	514
Gain on sales of investment in capital of subsidiaries and affiliates	△14,643	—
Increase in provision for environmental measures	—	484
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	1,655	—
Increase in trade notes and accounts receivable	△4,619	△1,879
Increase in inventories	△6,601	△5,185
Increase or decrease in other current assets	248	△4,116
Increase or decrease in trade notes and accounts payable	△4,855	3,178
Increase in accrued expenses and other current liabilities	2,035	3,040
Others	53	1,304
Subtotal	126,327	131,309
Interest and dividend received	2,393	2,685
Interest paid	△821	△837
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade paid	△4,999	—
Income taxes paid	△28,107	△36,463
Net cash provided by operating activities	94,793	96,666
Cash flows from investing activities		
Payments into time deposits	△229,669	△187,984
Proceeds from the redemption of time deposits	178,290	218,218
Payments for purchase of marketable and investment securities	△57	△928
Proceeds from sale of marketable and investment securities	38	0
Proceeds from sales of investment in capital of subsidiaries and affiliates	25,636	—
Acquisition of property and equipment	△41,116	△53,781
Proceeds from sale and disposal of property and equipment	131	1,281
Payments for new loans	△8	△6
Proceeds from loan repayments	12	7
Others	△517	△2,713
Net cash used in investing activities	△67,260	△25,906

(¥ millions)

	Fiscal 2018 April 1, 2017 to March 31, 2018	Fiscal 2019 April 1, 2018 to March 31, 2019
Cash flows from financing activities		
Decrease in short-term loans	704	5,650
Increase in long-term debt	2,414	1,243
Repayment of long-term debt	△2,644	△2,992
Payments for repurchase of treasury stock	△2	△0
Proceeds from exercise of stock options	0	—
Purchase of shares in subsidiaries resulting in change in scope of consolidation	△2,325	—
Proceeds from share issuance to non-controlling shareholders	—	1,337
Dividends paid by parent company	△11,245	△16,066
Dividends paid to non-controlling shareholders	△4,535	△2,235
Net cash used in financing activities	△17,633	△13,063
Effect of exchange rate changes on cash and cash equivalents	1,275	△753
Increase in cash and cash equivalents	11,175	56,942
Cash and cash equivalents at beginning of year	39,500	41,050
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	△9,624	—
Cash and cash equivalents at end of year	41,050	97,993

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

None

(Changes in Presentation Method)

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc.)

KOITO has adopted the “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) No. 28, issued on February 16, 2018) in the first quarter of fiscal year ending March 31, 2019, and have indicated deferred income tax assets under investments and other assets, and deferred income tax liabilities under non-current liabilities.

As a result, “deferred income tax assets” in “current assets” have decreased ¥5,466 million, “deferred income tax assets” in “investments and other assets” have increased ¥4,598 million, and “deferred income tax liabilities” in “non-current liabilities” have decreased ¥868 million.

“Deferred income tax assets” and “deferred income tax liabilities” of the same taxable entity were offset, resulting in a decrease of ¥868 million in total assets compared before the change.

(Segment Information)

1. Overview of Reporting Segments

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

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

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

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

Income of reporting segments is based on operating income.

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

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

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

(¥ millions)

	Japan	North America	China	Asia	Europe	Other regions	Total	Adjustment (Note 1)	Amount recorded on consolidated financial statements (Note 3)
Net sales									
Sales to outside customers	364,689	186,849	157,754	96,516	43,015	42	848,868	—	848,868
Inter-segment sales and transfers	20,381	8	3,155	6,673	107	—	30,327	(30,327)	—
Total	385,071	186,858	160,909	103,190	43,123	42	879,195	(30,327)	848,868
Segment operating income or loss	56,461	17,933	14,212	10,292	4,936	△592	103,243	541	103,785
Segment assets	262,955	89,658	71,089	75,357	25,443	8,928	533,432	138,623	672,055
Other items									
Depreciation	14,874	7,050	4,150	5,089	1,044	3	32,212	74	32,287
Impairment loss	156	—	—	—	—	—	156	—	156
Increase in property, plant and equipment and intangible fixed assets	14,088	5,670	5,824	6,184	1,911	80	33,759	—	33,759

Notes: 1. Adjustments are as follows:

- (1) The ¥541 million adjustment in segment operating income includes ¥6,677 million in intersegment eliminations and ¥△6,135 million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the Head Office of the parent company.
- (2) The ¥206,007 million adjustment in segment assets includes ¥△85,409 million in intersegment eliminations, ¥180,854 million in surplus operational funds at the parent company (cash and time deposits), ¥109,196 million in long-term investments (investment securities, etc.) and ¥1,366 million in the parent company's Head Office building, etc.
- (3) The ¥74 million adjustment of depreciation expenses are the fixed assets amortization expenses for the parent company's Head Office.

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

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

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

4. The amount of inter-segment sales and transfers and segment operating income or loss in fiscal 2018 have been restated.

II Fiscal 2019 (April 1, 2018 to March 31, 2019)

(¥ millions)

	Japan	North America	China	Asia	Europe	Other regions	Total	Adjustment (Note 1)	Amount recorded on consolidated financial statements (Note 3)
Net sales									
Sales to outside customers	384,651	200,337	93,732	106,392	38,567	2,576	826,257	—	826,257
Inter-segment sales and transfers	27,504	105	7,373	5,634	188	9	40,815	(40,815)	—
Total	412,156	200,442	101,106	112,027	38,755	2,585	867,073	(40,815)	826,257
Segment operating income or loss	57,073	16,867	12,859	11,772	3,447	△1,587	100,432	1,101	101,534
Segment assets	293,642	100,837	84,899	90,988	27,057	8,556	605,982	132,192	738,175
Other items									
Depreciation	15,497	6,727	3,643	4,554	1,210	344	31,978	82	32,060
Increase in property, plant and equipment and intangible fixed assets	21,864	9,356	8,696	7,795	1,586	4,753	54,147	—	54,053

Notes: 1. Adjustments are as follows:

- (1) The ¥1,101 million adjustment in segment operating income includes ¥7,233 million in intersegment eliminations and ¥△6,131 million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the Head Office of the parent company.
- (2) The ¥206,042 million adjustment in segment assets includes ¥△93,124 million in intersegment eliminations, ¥188,097 million in surplus operational funds at the parent company (cash and time deposits), ¥109,568 million in long-term investments (investment securities, etc.) and ¥1,500 million in the parent company's Head Office building, etc.
- (3) The ¥82 million adjustment of depreciation expenses are the fixed assets amortization expenses for the parent company's Head Office.

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

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

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

(Per Share Information)

Fiscal 2018 April 1, 2017 to March 31, 2018		Fiscal 2019 April 1, 2018 to March 31, 2019	
Net assets per share	¥2,551.48	Net assets per share	¥2,870.24
Net income per share	¥518.90	Net income per share	¥453.52
Profit per share after adjustment for dilution	¥518.72	Profit per share after adjustment for dilution	¥453.37

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

	Fiscal 2018 April 1, 2017 to March 31, 2018	Fiscal 2019 April 1, 2018 to March 31, 2019
(1)Net income per share	¥518.90	¥453.52
(Basis for calculation)		
Adjustment to profit attributable to owners of parent	¥83,397 million	¥72,895 million
Amount not attributable to common stock	—	—
Profit attributable to shareholders of common stock of parent	¥83,397 million	¥72,895 million
Average number of shares outstanding during the period (thousand shares)	160,719	160,731
(2)Profit per share after adjustment for dilution	¥518.72	¥453.37
(Basis for calculation)		
Adjustment to profit attributable to owners of parent	—	—
Increase in the number of common stock (thousand shares)	55	52
Details of material change from the end of previous fiscal year for latent stocks without a dilution effect, which were not included in the calculation of profit per share after adjustment for dilution	—	—

(Significant Subsequent Events)

None

6. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(¥ millions)

	Fiscal 2018 As of March 31, 2018	Fiscal 2019 As of March 31, 2019
Assets		
Current assets:		
Cash and time deposits	180,854	188,097
Notes receivable	619	603
Electronically recorded monetary claims-operating	11,648	12,302
Accounts receivable-trade	50,917	54,829
Finished products	7,342	7,058
Work in progress	1,090	1,264
Raw materials and supplies	8,721	8,393
Accrued income	6,075	5,651
Other current assets	298	339
Less: Allowance for doubtful receivables	△164	△259
Total current assets	272,442	278,280
Non-current assets:		
Property, plant and equipment:		
Buildings (net)	7,011	7,217
Structures (net)	456	544
Machinery (net)	3,565	4,778
Transportation equipment (net)	134	195
Fixtures, equipment and tools (net)	3,327	3,225
Land	4,844	4,652
Construction in progress	—	352
Total property, plant and equipment	19,340	20,976
Intangible fixed assets:		
Telephone subscription rights	37	37
Other intangible fixed assets	1,234	1,537
Total intangible fixed assets	1,271	1,574
Investments and other assets:		
Investment securities	27,217	21,850
Shares of affiliated companies	57,502	59,734
Bonds of affiliated companies	1,650	1,650
Investments in affiliated companies	22,825	26,333
Long-term loans of affiliated companies	1,700	1,700
Claims provable in bankruptcy, claims provable in rehabilitation and other	60	60
Deferred income tax assets	4,662	6,641
Other investments	519	1,162
Less: Allowance for doubtful accounts	△164	△164
Total investments and other assets	115,973	118,968
Total non-current assets	136,586	141,510
Total assets	403,989	419,791

(¥ millions)

	Fiscal 2018 As of March 31, 2018	Fiscal 2019 As of March 31, 2019
Liabilities		
Current liabilities:		
Notes and accounts payable	58,948	61,431
Electronically recorded monetary obligations-operating	3,499	3,851
Accrued amount payable	1,254	3,205
Accrued expenses	6,128	6,538
Income taxes payable	14,008	3,687
Allowance for employees' bonuses	3,617	3,712
Reserve for product warranties	3,035	2,584
Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	80	83
Other current liabilities	2,366	1,004
Total current liabilities	92,938	86,098
Non-current liabilities:		
Allowance for retirement benefits	18,098	16,661
Allowance for losses on overseas investments	7,000	7,000
Reserve for product warranties	5,192	5,437
Allowance for environmental strategies	7	29
Other non-current liabilities	1,025	1,005
Total non-current liabilities	31,324	30,132
Total liabilities	124,262	116,231
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital		
Capital reserve	17,107	17,107
Other additional paid-in capital	174	174
Total additional paid-in capital	17,282	17,282
Retained earnings		
Profit reserve	3,567	3,567
Other retained earnings		
Reserve for reductions of asset costs	879	973
Other reserve	100,000	100,000
Retained earnings brought forward	120,852	148,818
Total retained earnings	225,299	253,359
Treasury common stock, at cost	△54	△55
Total shareholders' equity	256,798	284,857
Revaluations and translation adjustments:		
Valuation adjustment on marketable securities	22,682	18,457
Total revaluations and translation adjustments	22,682	18,457
Subscription rights to shares	245	245
Total net assets	279,726	303,560
Total liabilities and net assets	403,989	419,791

(2) Non-consolidated Statements of Income

(¥ millions)

	Fiscal 2018 April 1, 2017 to March 31, 2018	Fiscal 2019 April 1, 2018 to March 31, 2019
Net sales	339,976	364,104
Cost of sales	279,376	301,398
Gross profit	60,599	62,705
Selling, general and administrative expenses:		
Selling expenses	9,886	10,627
General and administrative expenses	13,112	13,731
Total selling, general and administrative expenses	22,999	24,359
Operating income	37,599	38,346
Non-operating income:		
Interest income	198	283
Dividend income	11,056	10,098
Royalty income, other	6,821	7,252
Rent income	519	55
Miscellaneous income	231	734
Total non-operating income	18,828	18,425
Non-operating expenses:		
Foreign exchange losses	364	—
Miscellaneous expenses	272	119
Total non-operating expenses	637	119
Recurring profit	55,791	56,652
Extraordinary gains:		
Gain on sale of fixed assets	803	270
Gain on sale of investment securities	0	—
Gain on sales of investment in capital of subsidiaries and affiliates	22,306	—
Consideration for technology	3,298	—
Total extraordinary gains	26,407	270
Extraordinary losses:		
Loss on sale and disposal of fixed assets	236	474
Loss on provision for environmental measures	—	484
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	1,655	—
Impairment loss	156	—
Total extraordinary losses	2,048	958
Income before income taxes	80,149	55,963
Income taxes	19,002	11,024
Income tax adjustment	△1,081	806
Total income taxes	17,921	11,831
Net income	62,228	44,132