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June 4, 2019

To our shareholders:

Hiroshi Mihara  
President

**KOITO MANUFACTURING CO., LTD.**

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

**NOTICE OF THE 119TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 119th Ordinary General Meeting of Shareholders of KOITO MANUFACTURING CO., LTD. (the “Company”), which will be held as described below.

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

**Exercising Voting Rights**

[For those attending the meeting]

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

[For those exercising voting rights by mail]

Please use the enclosed voting form to indicate your approval or disapproval and return it so it reaches us by 5:00 p.m., Wednesday, June 26, 2019 (Japan Standard Time), the day before the Ordinary General Meeting of Shareholders.

[For those exercising voting rights by the Internet]

Please access the voting website (<https://evote.tr.mufg.jp/>) to submit votes of approval or disapproval. Votes can be submitted until 5:00 p.m., Wednesday, June 26, 2019 (Japan Standard Time).

**Meeting Details**

**1. Date and time:** Thursday, June 27, 2019 at 10:00 a.m. (Japan Standard Time)

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

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

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

**3. Agenda of the General Meeting of Shareholders:**

**Items to be reported:**

1. Business Report and Consolidated Financial Statements for the 119th Term (from April 1, 2018 to March 31, 2019), as well as the results of audit of the Consolidated Financial Statements by the Independent Auditors and the Audit and Supervisory Board.
2. Financial Statements for the 119th Term (from April 1, 2018 to March 31, 2019)

**Items to be resolved:**

**Proposal 1:** Dividends of surplus

**Proposal 2:** Election of fourteen (14) Directors

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

**Proposal 4:** Revision of the remuneration system for Directors and Audit and Supervisory Board Members and remuneration amount for Directors

## **Reference Documents for the General Meeting of Shareholders**

### **Proposal 1: Dividends of surplus**

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 yen of year-end dividend per share.

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

### **Matters related to year-end dividend**

1. Type of dividend property:

**Cash**

2. Allocation of dividend property and total amount thereof

**52 yen per common share of the Company**

**Total amount: 8,358,023,232 yen**

3. Effective date of distribution of dividends of surplus

June 28, 2019

**Proposal 2: Election of fourteen (14) Directors**

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

The candidates for Directors are as follows:

No. 1	<b>Masahiro Otake</b> (born on March 15, 1947)	Up for re-election
Number of shares of the Company held: 87,300 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1977	Joined the Company
	June 1987	Director
	June 1993	Managing Director
	June 1999	Senior Managing Director
	June 2005	Executive Vice President
	June 2007	President
	June 2015	Chairman (present position)

**Reasons for nomination as candidate for Director**

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

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

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

No.2	<b>Hiroshi Mihara</b> (born on February 19, 1955)	Up for re-election
Number of shares of the Company held: 13,900 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1978	Joined the Company
	June 2003	Director
	June 2006	Managing Director
	June 2011	Senior Managing Director
	June 2013	Executive Vice President
	June 2015	President (present position)

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**Reasons for nomination as candidate for Director**

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

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

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

No.3

**Koichi Sakakibara** (born on January 22, 1952)

Up for re-election

Number of shares  
of the Company held:

19,900 shares

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

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

**Reasons for nomination as candidate for Director**

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

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

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

No.4	<b>Kenji Arima</b> (born on September 11, 1954)	Up for re-election
Number of shares of the Company held: 9,700 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1977	Joined the Company
	January 2005	Director, Koito Europe NV (KENV)
	June 2005	Director, the Company
	June 2011	Managing Director
	June 2012	Director and Managing Corporate Officer
	June 2013	Senior Managing Director (present position)
		International Operations Headquarters
		Engineering Headquarters (present position)
		In charge of
		Quality Assurance Department (present position)

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**Reasons for nomination as candidate for Director**

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

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

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

No.5	<b>Masami Uchiyama</b> (born on May 12, 1959)	Up for re-election
Number of shares of the Company held: 5,900 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1983	Joined the Company
	June 2005	General Manager of Personnel Department
	June 2007	Director
	June 2010	Director, KOITO INDUSTRIES, LIMITED (currently KI HOLDINGS CO., LTD.) (present position)
	June 2011	Managing Director, the Company
	June 2012	Director and Managing Corporate Officer
	June 2017	Senior Managing Director (present position)
		Production Headquarters Shizuoka Plant Haibara Plant (present position) In charge of Logistics Department Safety Environment Department Production Control Department Electronics Products Production Department (present position)

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**Reasons for nomination as candidate for Director**

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

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

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



No.6	<b>Michiaki Kato</b> (born on June 23, 1959)	Up for re-election
Number of shares of the Company held: 11,500 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1982	Joined the Company
	June 2004	General Manager of Euro-American Operations
	June 2005	Director
	June 2011	Managing Director
	June 2012	Managing Corporate Officer
	June 2013	Director and Managing Corporate Officer
	June 2017	Senior Managing Director (present position)
		Sales Headquarters
		International Operations Headquarters (present position)

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**Reasons for nomination as candidate for Director**

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

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

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

No. 7	<b>Hideharu Konagaya</b> (born on June 17, 1963)	Up for re-election
Number of shares of the Company held: 8,400 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1987	Joined the Company
	April 2006	General Manager of Accounting Department
	June 2009	Director
	December 2011	Auditor, KI HOLDINGS CO., LTD. (present position)
	June 2012	Corporate Officer, the Company
	June 2013	Managing Corporate Officer
	June 2015	Director and Managing Corporate Officer
	June 2017	Senior Managing Director (present position) Finance & Accounting Headquarters (present position)

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**Reasons for nomination as candidate for Director**

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

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

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

No.8	<b>Katsuyuki Kusakawa</b> (born on July 30, 1956)	Up for re-election
Number of shares of the Company held: 10,200 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1980	Joined Toyota Motor Co., Ltd. (currently TOYOTA MOTOR CORPORATION)
	January 2009	Seconded to Toyota Motor Sales, U.S.A., Inc.
	March 2011	Standing Adviser, the Company
	June 2011	Managing Director
	June 2012	Director and Managing Corporate Officer (present position)
		In charge of Corporate Planning Department Compliance Department Cost Administration Department (present position)

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**Reasons for nomination as candidate for Director**

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

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

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

No.9

Takashi Ohtake (born on September 15, 1939)

Up for re-election

Number of shares  
of the Company held:

110,700 shares

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

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

**Reasons for nomination as candidate for Director**

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

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

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

No.10	Hideo Yamamoto (born on April 1, 1958)	Up for re-election
Number of shares of the Company held: 8,400 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1980	Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
	June 2008	General Manager of Asian Investment Banking Division, MUFG Bank, Ltd.
	October 2010	Standing Adviser, the Company
	June 2011	Managing Director
	June 2012	Director and Managing Corporate Officer (present position)
		In charge of General Affairs Department Information System Department Internal Audit Department (present position)

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**Reasons for nomination as candidate for Director**

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

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

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

No.11	<b>Jun Toyota</b> (born on August 24, 1959)	Up for re-election
Number of shares of the Company held: 6,300 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1983	Joined the Company
	January 2005	Director, Koito Europe NV (KENV)
	June 2005	Director, the Company
	June 2012	Corporate Officer
	June 2013	Managing Corporate Officer
	June 2015	President, North American Lighting, Inc. (NAL)
	June 2017	Director and Managing Corporate Officer (present position)
		International Operations Headquarters (present position)
		In charge of
		American Department-North American Region
		American Department-Latin American Region (present position)

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**Reasons for nomination as candidate for Director**

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

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

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

No.12	Takayuki Katsuda (born on December 2, 1962)	First-time candidate
Number of shares of the Company held: 2,600 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1985	Joined TOYOTA MOTOR CORPORATION
	January 2010	Chief Engineer, Lexus Center
	April 2016	Standing Adviser, the Company
	June 2016	Managing Corporate Officer (present position) Engineering Headquarters (present position) In charge of Project Management Department System Product Development Department Shizuoka 1st Design Department Design Section, Engineering Department in Toyota Branch

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**Reasons for nomination as candidate for Director**

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

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

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

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

**Reasons for nomination as candidate for Outside Director**

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

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

Notes:

1. Mr. Uehara is a candidate for Outside Director.
2. Matters to the candidate for Outside Director are as follows.
  - (1) The Company has submitted a notice to the Tokyo Stock Exchange that Mr. Uehara has been designated as an independent executive as provided for by the aforementioned exchange. If his re-election is approved, the Company plans for his appointment as an independent executive to continue.
  - (2) At the conclusion of this meeting, Mr. Uehara's tenure as Outside Director of the Company will have been six years.
  - (3) Liability limitation agreements with Outside Directors

To enable Outside Directors to perform their duties as expected, current Articles of Incorporation provide for agreements that limit the liability of Outside Directors for matters specified by laws and regulations concerning liability in Article 423, paragraph 1 of the Companies Act and in accordance with Article 427, paragraph 1 of this act. These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations. The Outside Director candidate Haruya Uehara has established the agreement with the Company. If Mr. Uehara is re-elected, the Company plans to renew the agreement with him.



No.14	<b>Kingo Sakurai</b> (born on May 5, 1943)	Up for re-election Outside Independent executive
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Number of shares of the Company held:	<b>Career history, position and responsibility, and important positions concurrently held</b>
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10,000 shares	March 1972      Registered as certified public accountant June 1983        Independent Auditor, the Company June 2009        Resigned Independent Auditor July 2009        Adviser (part time), the Company June 2017        Outside Director, (present position)
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**Reasons for nomination as candidate for Outside Director**

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

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

Notes:

1. Mr. Sakurai is a candidate for Outside Director.
2. Matters to the candidate for Outside Director are as follows.
  - (1) The Company has submitted a notice to the Tokyo Stock Exchange that Mr. Sakurai has been designated as an independent executive as provided for by the aforementioned exchange. If his re-election is approved, the Company plans for his appointment as an independent executive to continue.
  - (2) Reason for determining that the candidate can properly perform the duties of an Outside Director.  
Mr. Sakurai has never been directly involved with a company's management. However, he has sufficient knowledge as an expert in finance and accounting to oversee management as a certified public accountant. As a result, the Company believes that Mr. Sakurai can perform the duties of an Outside Director properly.
  - (3) At the conclusion of this meeting, Mr. Sakurai's tenure as Outside Director of the Company will have been two years.
  - (4) Liability limitation agreements with Outside Directors  
To enable Outside Directors to perform their duties as expected, current Articles of Incorporation provide for agreements that limit the liability of Outside Directors for matters specified by laws and regulations concerning liability in Article 423, paragraph 1 of the Companies Act and in accordance with Article 427, paragraph 1 of this act. These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations. The Outside Director candidate Kingo Sakurai has established the agreement with the Company. If Mr. Sakurai is re-elected, the Company plans to renew the agreement with him.

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

Hiroshi Kimeda as incumbent Audit and Supervisory Board Member will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company proposes the election of one (1) Audit and Supervisory Board Member.

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

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

	<b>Hiroshi Kimeda</b> (born on September 26, 1967)		Up for re-election Outside Independent executive
Number of shares of the Company held: 0 shares	<b>Career history, position and important positions concurrently held</b>		
	April 1993	Public Prosecutor, Tokyo District Public Prosecutors Office	
	April 1997	Public Prosecutor, Special Investigation Department, Tokyo District Public Prosecutors Office	
	August 1998	Visiting scholar, Notre Dame Law School in U.S.A.	
	June 1999	Public Prosecutor, Criminal Affairs Bureau, Ministry of Justice	
	June 2001	Assistant Division Chief, Planning and Legal Division, Financial Services Agency	
	August 2002	Registered as an attorney Joined Nishimura & Partners (currently Nishimura & Asahi) (present position)	
	December 2011	Outside Director, Advance Create Co., Ltd. (present position)	
	January 2019	Outside Audit and Supervisory Board Member, the Company (present position)	

(Significant concurrent positions outside the Company)

Partner attorney, Nishimura & Asahi

Outside Director, Advance Create Co., Ltd.

**Reasons for nomination as candidate for Outside Audit and Supervisory Board Member**

Mr. Hiroshi Kimeda is an attorney. The Company proposes his re-election as an Outside Audit and Supervisory Board Member for the purpose of using his knowledge and experience to strengthen the Company’s auditing activities.

The candidate, Mr. Hiroshi Kimeda, is a partner at Nishimura & Asahi. The Company has a business relationship with Nishimura & Asahi concerning legal services. However, the Company and said law office have not entered into an advisory agreement.

The average amount of legal fees paid to said law office including Nishimura & Asahi LPC with which said law office conducts joint legal operations, and so on below amounted to less than 1% of the Company’s net sales and less than 2% of said law office’s total revenue. Therefore, there is no risk of a conflict of interest with general shareholders and Mr. Hiroshi Kimeda’s independence is unaffected.

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

Notes:

1. Mr. Hiroshi Kimeda is a candidate for Outside Audit and Supervisory Board Member.
2. Matters concerning the candidate for Outside Audit and Supervisory Board Member are as follows.
  - (1) Mr. Kimeda fulfills the requirements for independence stipulated by the Tokyo Stock Exchange and, if his re-election is approved, the Company plans to submit a notice to this exchange that Mr. Kimeda is an independent executive.
  - (2) Reason for determining that the candidate can properly perform the duties of an Outside Audit and Supervisory Board Member.

Mr. Kimeda has never been directly involved with a company's management other than being an outside executive. However, he has sufficient knowledge as an expert in corporate legal affairs and adequate insight for governing corporate management as an attorney. As a result, the Company believes that Mr. Kimeda can perform the duties of an Outside Audit and Supervisory Board Member properly.

- (3) Mr. Kimeda was appointed as Outside Audit and Supervisory Board Member on January 31, 2019, in conjunction with the resignation of Outside Audit and Supervisory Board Member Koichi Kusano. Therefore, his tenure as Outside Audit and Supervisory Board Member will be five months at the conclusion of this General Meeting of Shareholders.
  - (4) Liability limitation agreements with Outside Audit and Supervisory Board Members  
To enable Outside Audit and Supervisory Board Members to perform their duties as expected, the current Articles of Incorporation provide for agreements that limit the liability of Outside Audit and Supervisory Board Members for matters specified by laws and regulations concerning liability in Article 423, paragraph 1 of the Companies Act and in accordance with Article 427, paragraph 1 of this act.  
These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations. Outside Audit and Supervisory Board Members candidate Hiroshi Kimeda has established the agreement with the Company. If Mr. Kimeda is re-elected, the Company plans to renew the agreement with him.

**Proposal 4: Revision of the remuneration system for Directors and Audit and Supervisory Board Members and remuneration amount for Directors**

It was approved at the 113th Ordinary General Meeting of Shareholders held on June 27, 2013 that the amount of remuneration, etc. for the Company's Directors shall be no more than 1.2 billion yen a year (of which, the amount of remuneration, etc. for Outside Directors is no more than 50 million yen). In addition, it was approved at the 115th Ordinary General Meeting of Shareholders held on June 26, 2015, that, apart from the amount of remuneration, etc., for Directors described above, the amount of remuneration, etc., related to subscription rights as stock compensation-type stock options for Directors (excluding Outside Directors) shall be no more than 200 million yen a year. Moreover, it was approved at the 117th Ordinary General Meeting of Shareholders held on June 29, 2017, that the amount of compensation related to restricted shares for Directors (excluding Outside Directors) shall be no more than 150 million yen a year.

Due to significant changes in the economy, such as globalization, and changes in the management environment, such as further strengthening of the functions and effectiveness required of the Board of Directors, the responsibilities of Directors have increased. Furthermore, the Company seeks to further increase the flexibility of remuneration settings and enable agile implementation of remuneration for Directors and Audit and Supervisory Board Members. To this end, the Company seeks to abolish the abovementioned upper limit of 150 million yen a year regarding the amount of remuneration, etc. related to restricted shares and revise the amount of remuneration, etc. for Directors to 1.5 billion yen a year (of which, the amount of remuneration, etc. for Outside Directors is no more than 50 million yen).

No changes are sought for the upper limit of remuneration for remuneration, etc., related to subscription rights as stock compensation-type stock options for Directors (excluding Outside Directors).

Currently, there are 14 Directors (including 2 Outside Directors), and if proposal 2 is approved in its original form, the number of Directors will be the same as now: 14 Directors (including 2 Outside Directors).

(Accompanying documents) **BUSINESS REPORT** (from April 1, 2018 to March 31, 2019)

## **1. Matters related to the KOITO Group**

### **1) Developments and results of business activities**

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.	Composition of sales 46.6%
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.	Composition of sales 24.2%
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.	Composition of sales 11.3%
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.	Composition of sales 12.9%
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.	Composition of sales 4.7%
Other regions	KOITO's subsidiary, NAL Brasil commenced operations in May 2018. Sales in the region was ¥2.5 billion.	Composition of sales 0.3%

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) Capital expenditures**

Capital expenditures totaled 54 billion yen. Outlays were centered on the automotive lighting equipment segment, primarily in molding machines, assembly lines and molds for adapting to new products and model changes both Japan and Overseas.

## **3) Financing**

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

## **4) Key issues**

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

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

On March 22, 2013, KOITO received cease and desist orders and surcharge payment orders from the Japan Fair Trade Commission (JFTC), on suspicion of violating the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade concerning transactions for automotive lighting equipment. 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.

The Company asks shareholders for their continued understanding and support.

## 5) Changes in assets and profit (loss)

	Million yen (except per share amounts)			
	116th Term April 1, 2015 – March 31, 2016	117th Term April 1, 2016 – March 31, 2017	118th Term April 1, 2017 – March 31, 2018	<b>119th Term April 1, 2018 – March 31, 2019</b>
<b>Net sales</b>	813,477	841,456	848,868	<b>826,257</b>
<b>Profit attributable to owners of parent</b>	46,303	56,692	83,397	<b>72,895</b>
<b>Net income per share (yen)</b>	288.15	352.80	518.90	<b>453.52</b>
<b>Total assets</b>	588,683	658,341	672,055	<b>738,175</b>
<b>Net assets</b>	329,671	381,000	444,808	<b>503,564</b>

Notes:

1. Net sales do not include consumption taxes.
2. Net income per share is based on the average number of shares issued in each fiscal year after deducting treasury stock.
3. The Company has adopted the “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) No. 28, issued on February 16, 2018) from the start of the 119th term, the amounts of total assets for the previous terms reflect the adoption of the standard retroactively.



## 6) Significant subsidiaries

### i. Significant subsidiaries

#### 1) Domestic subsidiaries

Company name	Capital (million yen)	Equity ownership percentage	Description of principal businesses
KOITO KYUSHU LIMITED	3,000	100.0%	Manufacturing and marketing of automotive lighting equipment
Koito Transport Co., Ltd.	40	100.0%	Transportation services and logistics
Aoitec Co., Ltd.	100	98.0%	Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery
Shizuokadenso Co., Ltd.	76	100.0% (35.1%)	Manufacturing and marketing of automotive lighting equipment
Nissei Industries Co., Ltd.	51	61.8% (12.4%)	Manufacturing and marketing of miniature bulbs and electrical equipment
Fujieda Auto Lighting Co., Ltd.	100	100.0% (50.0%)	Manufacturing and marketing of automotive lighting equipment
Shizuoka Wire Harness Co., Ltd.	100	100.0% (50.0%)	Manufacturing and marketing of automotive lighting equipment
Haibara Machine and Tools Co., Ltd.	50	100.0% (55.0%)	Manufacturing and marketing of resin metal molds
Shizuoka Kanagata Co., Ltd.	20	40.0%	Manufacturing and marketing of resin metal molds
Koito Insurance Services Co., Ltd.	10	100.0%	Insurance agent
KI HOLDINGS CO., LTD.	9,214	50.0%	Manufacturing and marketing of seats for aircraft
KOITO ELECTRIC INDUSTRIES, LTD.	90	100.0% (100.0%)	Manufacturing and marketing of railroad car control equipment, road traffic signals and traffic control systems, and seats for railroad cars, etc.
Minatsu, Ltd.	40	100.0% (100.0%)	Maintenance and upkeep of traffic signals and safety equipment
Okayama Industry Co., Ltd.	50	51.0% (51.0%)	Manufacturing and marketing of railroad car seats, etc.

## 2) Overseas subsidiaries

Company name	Capital	Equity ownership percentage	Description of principal businesses
North America			
North American Lighting, Inc.	130,000 thousands of U.S. dollars	100.0%	Manufacturing and marketing of automotive lighting equipment
North American Lighting Mexico, S.A. de C.V.	750 millions of Mexican peso	90.0% (30.0%)	Manufacturing and marketing of automotive lighting equipment
Europe			
Koito Europe Limited	65,000 thousands of Sterling pound	100.0%	Manufacturing and marketing of automotive lighting equipment
Koito Czech s.r.o.	1,000 millions of Czech koruna	100.0%	Manufacturing and marketing of automotive lighting equipment
China			
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	4,000 million yen	100.0%	Manufacturing and marketing of automotive lighting equipment
Hubei Koito Automotive Lamp Co., Ltd.	5,000 million yen	100.0%	Manufacturing and marketing of automotive lighting equipment
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.	9,000 thousands of U.S. dollars	100.0% (49.0%)	Manufacturing and marketing of automotive lighting equipment
Asia			
THAI KOITO COMPANY LIMITED	365,200 thousands of Thai baht	61.8%	Manufacturing and marketing of automotive lighting equipment
PT. INDONESIA KOITO	60,000 thousands of U.S. dollars	90.0%	Manufacturing and marketing of automotive lighting equipment
Ta Yih Industrial Co., Ltd.	762,300 thousands of New Taiwan dollar	32.5%	Manufacturing and marketing of automotive lighting equipment
INDIA JAPAN LIGHTING PRIVATE LIMITED	1,840 millions of Indian rupee	70.1%	Manufacturing and marketing of automotive lighting equipment
KOITO MALAYSIA SDN. BHD.	200 millions of Malaysian ringgit	90.0%	Manufacturing and marketing of automotive lighting equipment
South America			
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	303,000 thousands of Brazilian Real	95.0% (20.0%)	Manufacturing and marketing of automotive lighting equipment
KI HOLDINGS Group			
KPS N.A., INC.	400 thousands of U.S. dollars	100.0% (100.0%)	Manufacturing and marketing of railroad car electric components
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	200 million yen	50.0% (50.0%)	Manufacturing and marketing of railroad car electric components

Note: Percentages in parentheses represent the equity ownership percentage for subsidiaries and are included in the total.

ii. Technology alliances

The Company has technology alliances primarily with the following companies.

1) Agreements to provide technological support

Company name	Country
Hella Automotive Mexico S.A.de C.V.	Mexico
Industrias Arteb S.A.	Brazil
FARBA AYDINLATMA SİSTEMLERİ ANONİM ŞİRKETİ	Turkey
Lumotech (Pty.) Ltd.	South Africa
EP Polymers (M) Sdn.Bhd.	Malaysia
AuVitronics Limited	Pakistan
AMS CO., LTD.	South Korea
AVTOSVET Limited Liability Company	Russia

2) Agreements to receive technological support

Company name	Country
PTI Technologies Inc.	USA

**7) Description of principal businesses (as of March 31, 2019)**

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

## 8) Main offices and plants (as of March 31, 2019)

### i. The Company

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

### ii. Subsidiaries

#### 1) Domestic subsidiaries

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

## 2) Overseas subsidiaries

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

## 9) Employees (as of March 31, 2019)

Number of employees	Change from previous fiscal year
24,608	+1,146

## 10) Principal lenders (as of March 31, 2019)

Lender	Outstanding amount of loan (million yen)
Sumitomo Mitsui Banking Corporation	14,927
MUFG Bank, Ltd.	12,049
Mizuho Bank, Ltd.	4,577

**11) Other significant information about the KOITO Group**

At a meeting of the Board of Directors held on April 23, 2019, the Company resolved to acquire common shares of its consolidated subsidiary, KI HOLDINGS CO., LTD., through a tender offer as part of a transaction intended to make it a wholly-owned subsidiary.

## 2. Shares (as of March 31, 2019)

1) Total number of shares authorized to be issued	320,000,000 shares
2) Total number of shares issued	160,789,436 shares
3) Number of shareholders	5,117

### 4) Principal shareholders

Shareholders	Number of shares held (thousand shares)	Ratio of shares held (%)
TOYOTA MOTOR CORPORATION	32,158	20.0
The Master Trust Bank of Japan, Ltd. (Trust account)	8,554	5.3
Japan Trustee Services Bank, Ltd. (Trust account)	6,265	3.9
Sumitomo Mitsui Banking Corporation	5,442	3.4
Nippon Life Insurance Company	5,382	3.3
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	5,324	3.3
MUFG Bank, Ltd.	5,154	3.2
The Dai-ichi Life Insurance Company, Limited	4,000	2.5
DENSO CORPORATION	3,024	1.9
STATE STREET BANK AND TRUST COMPANY	2,982	1.9

Note: Ratio of shares held is calculated by deducting treasury stock (58,220 shares).

#### <Reference>

##### Distribution by owners

Financial institution	36.7%
Other domestic corporation	30.1%
Foreign corporation, etc.	29.2%
Individual, etc.	3.5%
Financial instruments business operator (brokerage house)	0.5%

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

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

Name	First Issue of Subscription Rights to Shares (Stock compensation-type stock options)
Date of issuance resolution	June 26, 2015
Holders	Directors (except Outside Directors) 11
Number of subscription rights to shares	330
Type and number of shares subject to subscription rights to shares	Common shares 33,000 shares
Amount to be paid upon exercise of subscription rights to shares	One (1) yen per share
Exercise period of subscription rights to shares	July 30, 2015 - July 29, 2045
Primary condition for exercise of subscription rights to shares	Once an individual is no longer the Company's Director or Corporate Officer, any subscription rights to shares held can be exercised only during the 10-day period starting on the next day following the day the Company's position ended.



#### 4. Company's executives

##### 1) Directors and Audit and Supervisory Board Members (as of March 31, 2019)

Position	Name	In charge of/Important positions concurrently held
Chairman	Masahiro Otake	
President	Hiroshi Mihara	
Executive Vice President	Yuji Yokoya	Engineering Headquarters Mobility Strategy Department Research & Development Department Intellectual Property Department
Executive Vice President	Koichi Sakakibara	Personnel Department General Affairs Department, Shizuoka Purchasing Department Aircraft Equipment Division
Senior Managing Director	Kenji Arima	International Operations Headquarters Engineering Headquarters Quality Assurance Department
Senior Managing Director	Masami Uchiyama	Production Headquarters Shizuoka Plant Haibara Plant Logistics Department Safety Environment Department Production Control Department Electronics Products Production Department Director, KI HOLDINGS CO., LTD.
Senior Managing Director	Michiaki Kato	Sales Headquarters International Operations Headquarters
Senior Managing Director	Hideharu Konagaya	Finance & Accounting Headquarters Auditor, KI HOLDINGS CO., LTD.
Director and Senior Adviser	Takashi Ohtake	
Director and Managing Corporate Officer	Katsuyuki Kusakawa	Corporate Planning Department Compliance Department Cost Administration Department
Director and Managing Corporate Officer	Hideo Yamamoto	General Affairs Department Information System Department Internal Audit Department
Director and Managing Corporate Officer	Jun Toyota	International Operations Headquarters American Operations
Director (Outside) (Independent executive)	Haruya Uehara	Senior Adviser, Mitsubishi UFJ Trust and Banking Corporation External Director, Audit and Supervisory Committee Member, NIKON CORPORATION Outside Audit & Supervisory Board Member, Mitsubishi Research Institute, Inc.
Director (Outside) (Independent executive)	Kingo Sakurai	Certified public accountant

Position	Name	In charge of/Important positions concurrently held
Standing Audit and Supervisory Board Member	Mitsuo Kikuchi	
Standing Audit and Supervisory Board Member	Yohei Kawaguchi	
Audit and Supervisory Board Member (Outside) (Independent executive)	Yukinobu Suzuki	Certified tax accountant Audit and Supervisory Board Member, Koito Insurance Services Co., Ltd.
Audit and Supervisory Board Member (Outside)	Hiroshi Kameda	Attorney, Partner of Nishimura & Asahi Outside Director, Advance Create Co.,Ltd.

Notes:

1. Mr. Koichi Kusano resigned from Outside Audit and Supervisory Board Member on January 31, 2019. He held concurrent positions as Senior Partner of Nishimura & Asahi and professor of the graduate school of Keio University.
2. Director Haruya Uehara and Director Kingo Sakurai are Outside Directors.
3. Audit and Supervisory Board Members Yukinobu Suzuki and Hiroshi Kameda are Outside Audit and Supervisory Board Members.
4. Audit and Supervisory Board Member Yukinobu Suzuki is a certified tax accountant who has considerable expertise in the fields of finance and accounting.
5. A notice has been submitted to the Tokyo Stock Exchange that Director Haruya Uehara, Director Kingo Sakurai and Audit and Supervisory Board Member Yukinobu Suzuki are designated as independent executive in accordance with the regulations of this exchange.
6. On the basis of the stipulations of Article 427, paragraph 1 of the Companies Act, the Company and its Outside Directors and its Outside Audit and Supervisory Board Members have concluded an agreement limiting restitution liability for Article 423, paragraph 1 of the same act. These agreements limit the monetary liability of these individuals to the minimum liability amount specified by laws and regulations.
7. The Company uses the Corporate Officer system.  
Corporate Officers as of March 31, 2019 are as follows. (excluding Corporate Officers who are also Directors)

Position	Name	In charge of/Important positions concurrently held
Managing Corporate Officer	Atsushi Inoue	Corporate Planning Department General Affairs Department
Managing Corporate Officer	Kiyoshi Sato	President, INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL) (Expatriate in the India)
Managing Corporate Officer	Takayuki Katsuda	Engineering Headquarters Project Management Department System Product Department Shizuoka 1st Design Department Design Section, Engineering Department in Toyota Branch
Managing Corporate Officer	Masatoshi Yoneyama	Engineering Headquarters Product Development Department Light Source Division Aircraft Equipment Division
Managing Corporate Officer	Toshiyuki Katsumata	Engineering Headquarters Shizuoka 2nd Design Department Advanced Electronics Development Department Electronics Design & Development Engineering Department
Corporate Officer	Koichi Toyoda	Sales Headquarters Osaka Branch
Corporate Officer	Shinji Watanabe	Quality Assurance Department
Corporate Officer	Mamoru Murakoshi	Production Headquarters Sagara Plant Fujikawa Tooling Plant Production Kaizen Division Production Engineering Department
Corporate Officer	Masahiro Otake	Chairman, North American Lighting, Inc. (NAL) (Expatriate in USA)
Corporate Officer	Yuji Higashi	Engineering Headquarters Mobility Strategy Department Research & Development Department
Corporate Officer	Hideki Ochiai	President, THAI KOITO COMPANY LIMITED (Expatriate in Thailand)
Corporate Officer	Masataka Choji	President, Koito Czech s.r.o. (KCZ) (Expatriate in Europe)
Corporate Officer	Kakuya Yamamoto	International Operations Headquarters China Department
Corporate Officer	Kohei Yamasaki	Finance & Accounting Headquarters Financial Department Affiliated Companies Finance Division
Corporate Officer	Kirk Gadberry	President, North American Lighting, Inc. (NAL)

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

	Number of persons paid	Amount paid (million yen)
For Directors	14	1,159
For Audit and Supervisory Board Members	5	119
Total	19	1,279

### Notes:

1. The above table includes one resigned Audit and Supervisory Board Member on January 31, 2019
2. Aggregate remuneration for the Outside Directors and Outside Audit and Supervisory Board Members, a total of five individuals, was 62 million yen.
3. The Company abolished its Directors' and Audit and Supervisory Board Members' executive retirement bonuses payment system at the conclusion of the 112th Ordinary General Meeting of Shareholders held on June 28, 2012. The Company also decided to grant executive retirement bonuses, at the time of the retirement of each person involved, to cover the period in post up to the abolition of the system to Directors and Audit and Supervisory Board Members continuing in post subsequent to the conclusion of the aforementioned General Meeting of Shareholders.  
On the basis of this decision, an executive retirement bonus of 20 million yen was paid to one resigned Audit and Supervisory Board Member.  
These amounts included 11 million yen for one Audit and Supervisory Board Member, which were transferred from provision for directors' retirement benefits included in the total remuneration, etc. to executives in the business report for past years.
4. Besides the above, one Outside Audit and Supervisory Board Member receives executives' remuneration of 0 million yen from Koito Insurance Services Co., Ltd., a subsidiary of the Company.

### 3) Outside executives

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

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

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

Audit and Supervisory Board Member Hiroshi Kimeda is Partner of Nishimura & Asahi and Outside Director of Advance Create Co.,Ltd. The Company has a business relationship with Nishimura & Asahi concerning legal services.

Mr. Koichi Kusano resigned from Outside Audit and Supervisory Board Member on January 31, 2019. He held concurrent positions as Senior Partner of Nishimura & Asahi and professor of the graduate school of Keio University.

ii. Major activities during the fiscal year ended March 2019

	Name	Attendance at the Board of Directors Meetings	Attendance at the Audit and Supervisory Board Meetings	Major activities
Outside Director	Haruya Uehara	12 of the 11 meetings (91.7%)	—	Haruya Uehara provided opinions and other information based on his knowledge and experience concerning corporate management. In this role, he verified the adequacy and appropriateness of decisions by the Board of Directors and provided other advice and ideas.
Outside Director	Kingo Sakurai	All 12 meetings (100.0%)	—	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.

	Name	Attendance at the Board of Directors Meetings	Attendance at the Audit and Supervisory Board Meetings	Major activities
Outside Audit and Supervisory Board Member	Yukinobu Suzuki	All 12 meetings (100.0%)	All 9 meetings (100.0%)	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.
Outside Audit and Supervisory Board Member	Hiroshi Kimeda	All 2 meetings (100.0%)	All 2 meetings (100.0%)	Hiroshi Kimeda provided opinions primarily by using his legal expertise and performed other activities for verifying the adequacy and appropriateness of decisions by the Board of Directors, etc. and offering other advice and ideas.
Outside Audit and Supervisory Board Member	Koichi Kusano	10 of the 9 meetings (90.0%)	All 7 meetings (100.0%)	Koichi Kusano provided opinions primarily by using his legal expertise and performed other activities for verifying the adequacy and appropriateness of decisions by the Board of Directors, etc. and offering other advice and ideas.

Note: The record for Outside Audit and Supervisory Board Member Hiroshi Kimeda covers the period after his appointment on January 31, 2019, and for Outside Audit and Supervisory Board Member Koichi Kusano the period up to his retirement on January 31, 2019.

## 5. Independent Auditors

### 1) Name of Independent Auditors

ARK MEIJI AUDIT & Co.

Notes: ARK MEIJI AUDIT & Co. will shift to limited liability audit corporation on July 1, 2019 and changes the name to ARK LLC.

### 2) Remuneration, etc. to the Independent Auditors

	Amount paid
1. Amount of remuneration, etc. paid by the Company	50 million yen
2. Total amount of money and other property benefits paid by the Company and its subsidiaries	79 million yen

Notes:

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

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

- i. In cases where the Independent Auditors fall under any of the grounds set forth in each item of Paragraph 1 of Article 340 of the Companies Act and the dismissal is deemed appropriate, Audit and Supervisory Board shall decide to dismiss the Independent Auditors based on the consent of all the Audit and Supervisory Board Members of the company.
- ii. In cases where it is found that a reason that hinders the Independent Auditors from performing proper audits has arisen, Audit and Supervisory Board shall decide on the content of drafts to be submitted to the Ordinary General Meeting of Shareholders for dismissal or non-reappointment of the Independent Auditors.

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

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

**6. System for ensuring appropriate business execution**

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

**1) System ensuring that Directors and employees execute their duties in compliance with laws and regulations and the Company's Articles of Incorporation**

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

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

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

**3) Regulations and other systems for managing the risk of loss**

Risk Management Regulations and other regulations and systems for managing risk will be developed to avoid and eliminate material risks that could threaten the Company's survival, and minimize the impact when they arise. At the same time, the Company's Directors, Corporate Officers and employees will receive education and training on risk management.

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

Board of Directors and Managing Committee will be held regularly. Meanwhile, Board of Directors Regulations, Managing Committee Regulations and other regulations pertaining to the execution of duties by Directors, as well as the Corporate Officer system and other organizations and systems, will be developed and enhanced to ensure the efficient execution of duties by Directors. At the same time, business will be executed according to specific plans the divisions develop each year based on the President's policy.



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

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

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

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

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

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

An Audit and Supervisory Board Members' Office will be established to help the Audit and Supervisory Board Members execute their duties under the instruction and order of the Audit and Supervisory Board Members and the Audit and Supervisory Board.

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

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

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

Moreover, each Audit and Supervisory Board Member shall exercise their own discretion in reporting the findings from such reports to the Audit and Supervisory Board.

Meanwhile, the Company's organization and systems will be developed and enhanced to rigorously prevent the unfair treatment of the directors, corporate officers and employees for reporting to the Audit and Supervisory Board Members.

**8) Policy on expenses arising from the Audit and Supervisory Board Members of the Company executing their duties, and system for enabling the Audit and Supervisory Board Members to conduct effective audits**

The Company shall pay all necessary expenses involved in the Audit and Supervisory Board Members executing their duties.

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

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

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

### **1) Compliance system**

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

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

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

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

The Internal Audit Department conducts periodic compliance audits regarding the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, etc.

### **2) System concerning the execution of duties by Directors**

At the Company, based on the Company's regulations, management decisions and supervision are conducted by the Board of Directors, the execution of duties is conducted by Directors and Corporate Officers, and the execution of duties is audited by Audit and Supervisory Board Members. The Board of Directors, which comprises 14 Directors (including 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 the execution of duties and makes decisions on important matters.

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

### **3) Risk management system**

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

#### **4) System for management of Group companies**

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

#### **5) System concerning Audit and Supervisory Board Members**

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

## **8. Basic policy concerning corporate control**

### **1) Explanation of basic policy**

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

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

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

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

### **2) Initiative to enhance corporate value**

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:

- i. To address the automobile industry's expansion of globally optimal production systems, the Group will work to enhance its system to respond to the five major regions of the world (Japan, North America, Europe, China and Asia). To this end, the Group will further reinforce the

product development, manufacturing and sales functions of its overseas bases, among other measures.

- ii. The KOITO Group will respond to the future changes in the mobility, such as connectivity, autonomous, sharing, and electric vehicle. The Group will also develop cutting-edge technologies that stay ahead of customer and market needs, and commercialize products at the earliest opportunity. Moreover, we will bring attractive products to market in a timely manner.
- iii. The Group aims to pursue the highest quality and safety standards, while advancing the protection of the environment and strengthening compliance.
- iv. The Group plans to further reinforce its profit structure and operations by securing and effectively allocating resources.

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

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Monetary figures and numbers of shares in this business report are rounded down to the units shown. All ratios are rounded off to the units shown. (Except for the part of the references)

## FINANCIAL STATEMENTS, ETC.

### Consolidated Balance Sheets

(¥ millions)

	Fiscal 2018 As of March 31, 2018	Fiscal 2019 As of March 31, 2019
<b>Assets</b>		
<b>Current assets:</b>		
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)
<b>Total current assets</b>	<b>475,825</b>	<b>513,569</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
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
<b>Total property, plant and equipment</b>	<b>133,935</b>	<b>158,769</b>
<b>Intangible fixed assets</b>	<b>2,419</b>	<b>3,183</b>
<b>Investments and other assets:</b>		
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)
<b>Total investments and other assets</b>	<b>59,875</b>	<b>62,652</b>
<b>Total non-current assets</b>	<b>196,230</b>	<b>224,605</b>
<b>Total assets</b>	<b>672,055</b>	<b>738,175</b>

(¥ millions)

	Fiscal 2018 As of March 31, 2018	Fiscal 2019 As of March 31, 2019
<b>Liabilities</b>		
<b>Current liabilities:</b>		
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
<b>Total current liabilities</b>	<b>177,092</b>	<b>183,265</b>
<b>Non-current liabilities:</b>		
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
<b>Total non-current liabilities</b>	<b>50,154</b>	<b>51,345</b>
<b>Total liabilities</b>	<b>227,247</b>	<b>234,611</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
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)
<b>Total shareholders' equity</b>	<b>381,836</b>	<b>438,700</b>
<b>Accumulated other comprehensive income:</b>		
Valuation adjustment on marketable securities	23,969	19,857
Translation adjustments	3,902	3,473
Adjustments in defined benefit plans	394	(694)
<b>Total accumulated other comprehensive income</b>	<b>28,266</b>	<b>22,636</b>
<b>Subscription rights to shares</b>	<b>245</b>	<b>245</b>
<b>Non-controlling interests</b>	<b>34,460</b>	<b>41,981</b>
<b>Total net assets</b>	<b>444,808</b>	<b>503,564</b>
<b>Total liabilities and net assets</b>	<b>672,055</b>	<b>738,175</b>

Note: Yen in millions, round down



## Consolidated Statements of Income

(¥ millions)

	Fiscal 2018 April 1, 2017 to March 31, 2018	Fiscal 2019 April 1, 2018 to March 31, 2019
<b>Net sales</b>	848,868	826,257
Cost of sales	692,264	678,738
<b>Gross profit</b>	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
<b>Operating income</b>	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
<b>Recurring profit</b>	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
<b>Net income</b>	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

Note: Yen in millions, round down

**Consolidated Statements of Changes in Shareholders' Equity**

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

Note: Yen in millions, round down

## Notes to consolidated financial statements

### 1. Basis of preparation for consolidated financial statements

#### (1) Scope of consolidation

##### i. Consolidated subsidiaries

Number of consolidated subsidiaries: 29

Names of primary consolidated subsidiaries:

KI HOLDINGS CO., LTD. and others 14 Domestic subsidiaries

North American Lighting, Inc. and others 15 overseas subsidiaries

##### ii. Non-consolidated subsidiaries

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

Reason for exclusion from the scope of consolidation:

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

#### (2) Application of the equity method

##### i. Equity-method affiliates

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

Company name: Takeda Suntech Co., Ltd.

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

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

Reason for not applying the equity method:

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

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

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

For other consolidated subsidiaries (25 companies including Aoitec Co., Ltd.), the Company made consolidated financial statements based on provisional statements of accounts as of March 31.

#### (4) Accounting policy

##### i. Valuation basis and methods for significant assets

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

- c. Other securities:
  - With market value
    - Market value method based on market price as of the closing date (Unrealized gains and losses are reported in net asset section. Sales cost of securities is principally determined by the moving-average method.)
  - Without market value
    - Cost method based on the moving-average method
    - For investments in investment limited partnerships, an amount corresponding to the equity in the partnership assets is recognized as “investment securities,” and an amount corresponding to the share of profit or loss of the investment limited partnership is recognized as profit or loss.
  
- d. Derivatives: Market value method
- e. Money trusts for investments: Market value method
- f. Inventories:
  - The Company and its consolidated subsidiaries in Japan state inventories principally at cost as determined by the weighted average method (book values of inventories are lowered in accordance with declines in profitability). Foreign consolidated subsidiaries state inventories at the lower of cost or market as determined by the moving-average method.
- ii. Depreciation and amortization method for principal assets
  - a. Property, plant and equipment (excluding leased assets):
    - The Company and its consolidated subsidiaries in Japan compute depreciation with the declining-balance method and foreign consolidated subsidiaries use the straight-line method.
    - However, consolidated subsidiaries in Japan use the straight-line method for buildings (excluding attached facilities) that were acquired on or after April 1, 1998, and facilities attached to buildings and structures that were acquired on or after April 1, 2016.
  - b. Intangible fixed assets (excluding leased assets):
    - The Company and its consolidated subsidiaries in Japan compute depreciation with the straight-line method and foreign consolidated subsidiaries use the straight-line method in accordance with the accounting standards of the countries where they are located.
  - c. Leased assets: Leased assets under finance lease transactions that do not transfer ownership
    - Leased assets are depreciated with the straight-line method with the lease term regarded as the useful life and a residual value of zero.
- iii. Significant allowances
  - a. Allowance for doubtful accounts:
    - The allowance for doubtful accounts for the Company and its consolidated subsidiaries in Japan is calculated by using the actual loss ratio for ordinary receivables and recording an estimate of the amount that cannot be recovered for specific doubtful receivables after

determining the likelihood of collection. Foreign consolidated subsidiaries primarily record estimated amounts that cannot be recovered for specific receivables.

- b. Allowance for employees' bonuses:  
The allowance for employees' bonuses for the Company and some of its consolidated subsidiaries in Japan is the estimated amount of bonuses to be paid to employees based on their services provided during the fiscal year.
  - c. Reserve for product warranties:  
Reserve for product warranty is the estimated amount of expenses associated with product warranties in accordance with the designated standards.
  - d. Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade:  
To prepare for the payment of loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the amount deemed as necessary is recognized by estimating a loss that may be borne in the future.
  - e. Allowance for directors' and corporate auditors' retirement benefits:  
Some consolidated subsidiaries in Japan recorded the amount of required payments at the end of the fiscal year in accordance with the benefit rules, to cover the payment of executive retirement bonuses paid at the time of retirement.
  - f. Allowance for environmental strategies:  
The allowance for environmental strategies is the estimated amount of expenses for environmental measures at the Company and its consolidated subsidiaries in Japan.
- iv. Standard for conversions into yen of major assets and liabilities denominated in foreign currencies
- Foreign currency-denominated assets and liabilities are converted into yen using the exchange rate at the end of the fiscal year and any differences are recorded as gains or losses. At foreign consolidated subsidiaries, assets and liabilities are converted into yen using the exchange rate at the end of the fiscal year and income and expenses are converted into yen using the average fiscal year exchange rate. Differences are included in translation adjustments and non-controlling interests, which are part of net assets.
- v. Principal methods of hedge accounting
- a. Methods of hedge accounting:  
The Company recognized profits or losses or appraisal differences associated with hedged items at the time of hedge and allocated them to the fiscal year under review.
  - b. Hedging instruments and hedged items:  
Items to be hedged are exchange rate fluctuation risks in transactions denominated in foreign currencies and interest rate fluctuation risks in loans payable at fixed or floating interest rates. The Company adopts foreign exchange contracts to hedge exchange rate fluctuation risks and interest rate swap agreements to hedge interest rate fluctuation risks.
  - c. Hedging policy:

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

d. Hedge effectiveness evaluation methods:

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

vi. Amortization method and amortization period for goodwill:

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

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

vii. Other basis of preparation for consolidated financial statements

a. Accounting method associated with retirement benefits:

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

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

b. Treatment of consumption tax:

Financial statements are prepared exclusive of consumption tax and local consumption tax.

## 2. Note on change in presentation

(Consolidated balance sheets)

The Company has adopted the “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) No. 28, issued on February 16, 2018) from the fiscal year ended March 31, 2019, and has changed the presentation method so as to present deferred income tax assets under investments and other assets and deferred income tax liabilities under non-current liabilities.

## 3. Notes to consolidated balance sheets

### (1) Assets pledged as collateral

Buildings and structures	1,092 million yen
Machinery and equipment	464 million yen
Land	1,743 million yen
Total	3,300 million yen

The above assets are used for collateral for short-term loans worth 1,866 million yen and long-term debt worth 6,597 million yen.

### (2) Accumulated depreciation of property, plant and equipment: 319,961 million yen

### (3) Contingent liabilities

#### Litigations

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

## 4. Notes to consolidated statement of changes in equity

### (1) Total number of shares issued

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

### (2) Type and number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	(thousand shares)	
				Number of shares at the end of the current fiscal year	
Common shares	58	0	–	58	

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

(3) Dividends of surplus

i. Cash dividends

- a. Matters concerning dividends based on resolutions at the 118th General Meeting of Shareholders (June 28, 2018)

Type of shares	Common shares
Aggregate dividends	9,643 million yen
Dividend per share	60 yen

Note: Dividend per share of 60 yen includes extraordinary dividend of 20 yen.

Record date March 31, 2018

Effective date June 29, 2018

- b. Matters concerning dividends based on resolutions at the Board of Directors Meeting (October 26, 2018)

Type of shares	Common shares
Aggregate dividends	6,429 million yen
Dividend per share	40 yen

Record date September 30, 2018

Effective date December 5, 2018

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

The Company plans to present a proposal on that dividend as follows for resolution at the 119th General Meeting of Shareholders to be held on June 27, 2019.

Type of shares	Common shares
Aggregate dividends	8,358 million yen
Funds for the dividend	Retained earnings

Dividend per share 52 yen

Record date March 31, 2019

Effective date June 28, 2019

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

Common shares	53,000 shares
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## 5. Notes to financial instruments

### (1) Financial instruments

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

Trade payables—trade notes and accounts payable, electronically recorded monetary obligations - operating, accrued expenses, and income taxes payable—have payment terms within one year. Among loans payable, short-term loans primarily represent fund raising related to operating transactions, and long-term debt mainly concern fund raising related to capital expenditure. Trade payables and loans payable are exposed to liquidity risks. The Group manages those risks by making cash management plans. The Group utilizes derivative transactions for the purpose of reducing risks of foreign exchange and interest rate fluctuations and refrains from speculative transactions.

### (2) Market value of financial instruments

The following table shows amounts recognized on the consolidated balance sheets, market values, and the differences between them on March 31, 2019.

	Balance sheet amount (*1)	Fair value (*1)	(million yen) Difference
1. Cash and time deposits	287,803	287,803	—
2. Trade notes and accounts receivable	118,116	118,116	—
3. Electronically recorded monetary claims- operating	13,355	13,355	—
4. Investment securities	40,780	40,780	—
5. Claims provable in bankruptcy, claims provable in rehabilitation and other	60		
Allowance for doubtful accounts (*2)	(60)		
	—	—	—
6. Trade notes and accounts payable	[93,816]	[93,816]	—
7. Electronically recorded monetary obligations - operating	[12,079]	[12,079]	—
8. Short-term loans (*3)	[19,782]	[19,782]	—
9. Accrued expenses	[24,222]	[24,222]	—
10. Income taxes payable	[5,691]	[5,691]	—
11. Long-term debt (*3)	[12,699]	[12,699]	(0)

(\*1) Liabilities are shown in square brackets.

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

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

Notes:

Fair value measurement of financial instruments and matters related to securities

1. Cash and time deposits

2. Trade notes and accounts receivable

3. Electronically recorded monetary claims-operating

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

4. Investment securities

The fair values of investment securities are measured at quoted market prices of the stock exchange, and those of debt securities are measured at quoted market prices of the stock exchange or those provided by counterparty financial institutions. As unlisted shares (2,296 million yen reported on the consolidated balance sheets) and investments in investment limited partnership (886 million yen reported on the consolidated balance sheets) had no market prices, it was very difficult to measure their fair values, so the Company did not include those shares in this category.

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

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

6. Trade notes and accounts payable

7. Electronically recorded monetary obligations - operating

8. Short-term loans

9. Accrued expenses

10. Income taxes payable

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

11. Long-term debt

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

## 6. Notes to per share information

(1) Net assets per share      2,870.24 yen

(2) Net income per share    453.52 yen

## **7. Notes concerning significant subsequent events**

(Transactions, etc. under common control)

(Acquisition of shares, etc. through tender offer)

At the meeting of the Board of Directors held on April 23, 2019, the Company decided to acquire common shares of its consolidated subsidiary, KI HOLDINGS CO., LTD., through a tender offer as part of a transaction intended to make it a wholly-owned subsidiary.

## Non-consolidated Balance Sheets

(¥ millions)

	Fiscal 2018 As of March 31, 2018	Fiscal 2019 As of March 31, 2019
<b>Assets</b>		
<b>Current assets:</b>		
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)
<b>Total current assets</b>	<b>267,402</b>	<b>278,280</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
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
<b>Total property, plant and equipment</b>	<b>19,340</b>	<b>20,967</b>
<b>Intangible fixed assets:</b>		
Telephone subscription rights	37	37
Other intangible fixed assets	1,234	1,537
<b>Total intangible fixed assets</b>	<b>1,271</b>	<b>1,574</b>
<b>Investments and other assets:</b>		
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)
<b>Total investments and other assets</b>	<b>115,973</b>	<b>118,968</b>
<b>Total non-current assets</b>	<b>136,586</b>	<b>141,510</b>
<b>Total assets</b>	<b>403,989</b>	<b>419,791</b>

(¥ millions)

	Fiscal 2018 As of March 31, 2018	Fiscal 2019 As of March 31, 2019
<b>Liabilities</b>		
<b>Current liabilities:</b>		
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
<b>Total current liabilities</b>	<u>92,938</u>	<u>86,098</u>
<b>Non-current liabilities:</b>		
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
<b>Total non-current liabilities</b>	<u>31,324</u>	<u>30,132</u>
<b>Total liabilities</b>	<u>124,262</u>	<u>116,231</u>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
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	<u>17,282</u>	<u>17,282</u>
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	<u>225,299</u>	<u>253,359</u>
Treasury common stock, at cost	(54)	(55)
<b>Total shareholders' equity</b>	<u>256,798</u>	<u>284,857</u>
<b>Revaluations and translation adjustments:</b>		
Valuation adjustment on marketable securities	22,682	18,457
<b>Total revaluations and translation adjustments</b>	<u>22,682</u>	<u>18,457</u>
<b>Subscription rights to shares</b>	245	245
<b>Total net assets</b>	<u>279,726</u>	<u>303,560</u>
<b>Total liabilities and net assets</b>	<u>403,989</u>	<u>419,791</u>

Note: Yen in millions, round down

**Non-consolidated Statements of Income**

(¥ millions)

	Fiscal 2018 April 1, 2017 to March 31, 2018	Fiscal 2019 April 1, 2018 to March 31, 2019
<b>Net sales</b>	339,976	364,104
Cost of sales	279,376	301,398
<b>Gross profit</b>	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
<b>Operating income</b>	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
<b>Recurring profit</b>	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
<b>Net income</b>	62,228	44,132

Note: Yen in millions, round down

**Non-Consolidated Statements of Changes in Shareholders' Equity**  
Fiscal 2019 (April 1, 2018 to March 31, 2019)

(¥ millions)

	Shareholders' equity								
	Common stock	Additional paid-in capital				Retained earnings			
		Legal capital surpluses	Other additional paid-in capital	Total additional paid-in capital	Retained earnings	Other retained earnings			Total retained earnings
						Reserve for reduction of asset costs	General reserve	Retained earnings brought forward	
Balance at beginning of year	14,270	17,107	174	17,282	3,567	879	100,000	120,852	225,299
Changes during fiscal year									
Provision of reserve for reduction of asset costs	–	–	–	–	–	107	–	(107)	–
Reversal of reserve for reduction of asset costs	–	–	–	–	–	(13)	–	13	–
Dividends from retained earnings	–	–	–	–	–	–	–	(16,073)	(16,073)
Profit	–	–	–	–	–	–	–	44,132	44,132
Purchases of treasury stock	–	–	–	–	–	–	–	–	–
Changes in items other than shareholders' equity during fiscal year (net)	–	–	–	–	–	–	–	–	–
Total changes during fiscal year	–	–	–	–	–	94	–	27,965	28,059
Balance at fiscal year-end	14,270	17,107	174	17,282	3,567	973	100,000	148,818	253,359

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to share	Total net assets
	Treasury stock	Total shareholders' equity	Valuation adjustment on investment securities	Total valuation and Translation adjustments		
Balance at beginning of year	(54)	256,798	22,682	22,682	245	279,726
Changes during fiscal year						
Provision of reserve for reduction of asset costs	–	–	–	–	–	–
Reversal of reserve for reduction of asset costs	–	–	–	–	–	–
Dividends from retained earnings	–	(16,073)	–	–	–	(16,073)
Profit	–	44,132	–	–	–	44,132
Purchases of treasury stock	(0)	(0)	–	–	–	(0)
Changes in items other than shareholders' equity during fiscal year (net)	–	–	(4,225)	(4,225)	–	(4,225)
Total changes during fiscal year	(0)	28,058	(4,225)	(4,225)	–	23,833
Balance at fiscal year-end	(55)	284,857	18,457	18,457	245	303,560

Note: Yen in millions, round down

## Notes to financial statements

### 1. Significant accounting policies

#### (1) Valuation basis and methods for securities

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

ii. Other securities:

With market value

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

Without market value

Cost method based on the moving-average method

For investments in investment limited partnerships, an amount corresponding to the equity in the partnership assets is recognized as “investment securities,” and an amount corresponding to the share of profit or loss of the investment limited partnership is recognized as profit or loss.

#### (2) Valuation basis and methods for derivatives and others

i. Derivatives: Market value method

ii. Money trusts for investments: Market value method

#### (3) Valuation basis and methods for inventories

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

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

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

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

Buildings and structures: 7-50 years

Machinery and equipment and vehicles: 3-7 years

Fixtures, equipment and tools: 2-20 years

ii. Intangible fixed assets

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

Other intangible assets: Straight-line method

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

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

#### (6) Allowances

i. Allowance for doubtful accounts

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



ii. Allowance for employees' bonuses

The allowance for employees' bonuses for the Company is the estimated amount of bonuses to be paid to employees based on estimated bonus payments this fiscal year.

iii. Reserve for product warranties

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

iv. Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade

To prepare for the payment of loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the amount deemed as necessary is recognized by estimating a loss that may be borne in the future.

v. Allowance for retirement benefits

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

When calculating retirement benefit obligation, the benefit formula basis is used to allocate estimated retirement benefits to the period up to this fiscal year-end. Actuarial gains and losses are amortized by the straight-line method over a certain period (five years), which is within the average remaining service period of employees at the time of recognition, starting from the fiscal year following the respective fiscal year of recognition.

vi. Allowance for losses on overseas investments

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

vii. Allowance for environmental strategies

The allowance for environmental strategies is the estimated amount of expenses for environmental measures at the Company.

(7) Method of hedge accounting

The Company recognized profits or losses or appraisal differences associated with hedged items at the time of hedge and allocated them according to the period.

(8) Other basis of preparation for financial statements

i. Accounting standard for retirement benefits

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

ii. Treatment of consumption tax

Financial statements are prepared exclusive of consumption tax and local consumption tax.

## 2. Note on change in presentation

(Non-consolidated balance sheets)

The Company has adopted the “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) No. 28, issued on February 16, 2018) from the fiscal year ended March 31, 2019, and has changed the presentation method so as to present deferred income tax assets under investments and other assets and deferred income tax liabilities under non-current liabilities.

## 3. Notes to balance sheets

(1) Accumulated depreciation of property, plant and equipment: 98,943 million yen

(2) Contingent liabilities

i. Guarantee liabilities

The Company guarantees following loans obtained by affiliates.

NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	4,273 million yen
INDIA JAPAN LIGHTING PRIVATE LIMITED	3,220 million yen
Koito Europe Limited	2,174 million yen
<hr/>	
Total	9,668 million yen

ii. Litigations

In Canada, plaintiffs have filed lawsuits against the Company seeking payment for damages they claim to have incurred from alleged coordination concerning transactions for automotive lighting equipment. In the U.S., similar lawsuits have been filed. A settlement has been reached for some of the lawsuits in the U.S.

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

i. Short-term credits	35,859 million yen
ii. Short-term debits	25,220 million yen

## 4. Note to statements of income

Transactions with affiliates

i. Net sales	207,234 million yen
ii. Purchase of goods	204,573 million yen
iii. Transactions excluding business transaction	16,152 million yen

## 5. Note to statement of changes in equity

### Type and number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	(thousand shares)
				Number of shares at the end of the current fiscal year
Common shares	58	0	–	58

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

## 6. Note to tax effect accounting

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

## 7. Notes to transactions with related parties

### (1) Parent companies and major corporate shareholders

Relationship	Company name	Location	Capital or investments (million yen)	Description of businesses or job	Voting rights held	Relationship with related parties		Description of transactions	Transaction amount (million yen)	Account	Ending balance (million yen)
						Interlocking of officers	Business relationships				
Other affiliate	TOYOTA MOTOR CORPORATION	Toyota city, Aichi prefecture	635,401	Manufacturing and marketing of motor vehicles and automobile parts, marketing of industrial vehicles, manufacturing and marketing of houses, and others	Directly held 20%	–	Marketing of automotive lighting equipment	Marketing of automotive lighting equipment	181,185	Electronically recorded monetary claims-operating	6,644
										Accounts receivable-trade	18,974
								Receipt of materials	7,172	Notes and accounts payable	1,267

## (2) Subsidiaries

Relationship	Company name	Location	Capital or investments	Description of businesses or job	Voting rights held	Relationship with related parties		Description of transactions	Transaction amount (million yen)	Account	Ending balance (million yen)
						Interlocking of officers	Business relationships				
Consolidated subsidiary	KOITO KYUSHU LIMITED	Saga City, Saga Prefecture	3,000 million yen	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly held 100%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	74,206	Notes and accounts payable	13,011
								Supply of materials	34,277	Accrued income	1,511
Consolidated subsidiary	Aoitec Co., Ltd.	Hamamatsu City, Shizuoka Prefecture	100 million yen	Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery	(Ownership) Directly held 98%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	36,152	Notes and accounts payable	3,285
Consolidated subsidiary	Shizuokadensō Co., Ltd.	Shizuoka City, Shizuoka Prefecture	76 million yen	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly held 65%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	41,034	Notes and accounts payable	2,095
								Supply of materials	33,431	-	-
Consolidated subsidiary	Koito Europe Limited	Droitwich City, Worcestershire U.K.	65,000 thousands of Sterling pound	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly held 100%	There are concurrent services of officers	Manufacturing and marketing of the company's products mainly in the U.K. There is a technological support agreement	Debt guarantee	2,174	-	-
Consolidated subsidiary	INDIA JAPAN LIGHTING PRIVATE LIMITED	Tamil Nadu, India	1,840 millions of Indian rupee	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly held 70%	There are concurrent services of officers	Manufacturing and marketing of the company's products mainly in India. There is a technological support agreement	Debt guarantee	3,220	-	-
Consolidated subsidiary	NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	San Paulo, Brazil	303,000 thousands of Brazilian Real	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly held 75%	-	Manufacturing and marketing of the company's products mainly in Brazil. There is a technological support agreement	Debt guarantee	4,273	-	-

### Notes:

1. Of the amounts above, the "Transaction amount" does not include consumption tax and the "Ending balance" includes consumption tax.
2. The terms and conditions of the above transactions and their decision policy  
As in general transactions, the Company takes market prices and total costs into consideration in determining the transactions.
3. The Company provides guarantees for loans from financial institutions and receives guarantee fees decided through consultation.

## 8. Notes to per share information

- (1) Net assets per share 1,887.09 yen
- (2) Net income per share 274.57 yen

**9. Notes concerning significant subsequent events**

(Transactions, etc. under common control)

(Acquisition of shares, etc. through tender offer)

At the meeting of the Board of Directors held on April 23, 2019, the Company decided to acquire common shares of its consolidated subsidiary, KI HOLDINGS CO., LTD., through a tender offer as part of a transaction intended to make it a wholly-owned subsidiary.

## **Independent Auditor's Report**

May 9, 2019

The Board of Directors  
KOITO MANUFACTURING CO., LTD.

ARK MEIJI AUDIT & Co.

Junichi Yoshimura (Seal)  
Designated Partner  
Engagement Partner  
Certified Public Accountant

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

We have audited the consolidated financial statements, comprising the consolidated balance sheets, the consolidated statements of income, the consolidated statement of changes in equity and the notes to consolidated financial statements of KOITO MANUFACTURING CO., LTD. (“the Company”) as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 444, Paragraph 4 of the Companies Act.

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

### **Auditor's responsibility**

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

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

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

#### Opinion

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

#### Highlighted matters

As described in significant subsequent events in the notes to consolidated financial statements, at the meeting of the Board of Directors held on April 23, 2019, the Company resolved to acquire common shares of its consolidated subsidiary, KI HOLDINGS CO., LTD., through a tender offer as part of a transaction intended to make it a wholly-owned subsidiary.

This matter does not affect our opinion.

#### Other matters

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

## Independent Auditor's Report

May 9, 2019

The Board of Directors  
KOITO MANUFACTURING CO., LTD.

ARK MEIJI AUDIT & Co.

Junichi Yoshimura (Seal)  
Designated Partner  
Engagement Partner  
Certified Public Accountant

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

We have audited the financial statements, comprising the balance sheets, the statements of income, the statement of changes in equity and the notes to financial statements, and the supporting schedules of KOITO MANUFACTURING CO., LTD. (“the Company”) as at March 31, 2019 and for the 119th business year from April 1, 2018 to March 31, 2019 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

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

### Auditor’s responsibility

Our responsibility is to express an opinion on the financial statements and the supporting schedules based on our audit as Independent Auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supporting schedules are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supporting schedules. The procedures selected and applied depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supporting schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements and the supporting schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supporting schedules.



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

#### Opinion

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

#### Highlighted matters

As described in significant subsequent events in the notes to non-consolidated financial statements, at the meeting of the Board of Directors held on April 23, 2019, the Company resolved to acquire common shares of its consolidated subsidiary, KI HOLDINGS CO., LTD., through a tender offer as part of a transaction intended to make it a wholly-owned subsidiary.

This matter does not affect our opinion.

#### Other matters

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

## AUDIT REPORT

Regarding the execution of Directors' duties during the 119th business year from April 1, 2018 to March 31, 2019, we, the Audit and Supervisory Board of KOITO MANUFACTURING CO., LTD. ("the Company"), hereby submits its audit report, which has been prepared through discussions based on the audit reports prepared by the respective Audit and Supervisory Board Members.

### 1. Method and details of audit

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

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

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

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

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

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

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

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

## 2. Results of audit

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

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

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

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

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

### (2) Results of audit of consolidated financial statements

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

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

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

May 15, 2019

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

Standing Audit and Supervisory Board Member  
Mitsuo Kikuchi (Seal)

Standing Audit and Supervisory Board Member  
Yohei Kawaguchi (Seal)

Outside Audit and Supervisory Board Member  
Yukinobu Suzuki (Seal)

Outside Audit and Supervisory Board Member  
Hiroshi Kimeda (Seal)

Note: Replacement of Outside Audit and Supervisory Board Member in the Fiscal Year  
Mr. Koichi Kusano, who was elected and appointed as an Outside Audit and Supervisory Board Member at the 115th Ordinary General Meeting of Shareholders held on June 26, 2015, resigned from an Outside Audit and Supervisory Board Member at the end of January 2019 as he was appointed to a Justice of the Supreme Court of Japan. Therefore, Mr. Hiroshi Kimeda, a substitute Audit and Supervisory Board Member, has been appointed as an Outside Audit and Supervisory Board Member.