



Koito

WORLDWIDE AUTOMOTIVE LIGHTING

2019 ANNUAL REPORT

Year ended March 31, 2019

KOITO MANUFACTURING CO., LTD.

PROFILE

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

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

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

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DISCLAIMER WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

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

TO OUR SHAREHOLDERS AND OTHER INVESTORS

During fiscal 2019, the period under review ended March 31, 2019, the automobile production volume in Japan 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, and production decrease in Europe.

As for business performance, the KOITO Group's consolidated net sales and profit decreased year on year. 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.

In order to increase sales of automotive lighting equipment in the mid- and long-term perspective, the KOITO Group is pursuing to reinforce its production capacity in the five major regions of the world (Japan, North America, Europe, China, and Asia). In addition to KOITO's subsidiary in Brazil put into operation in May 2018, KOITO has expanded plants in FUZHOU KOITO TAYIH AUTOMOTIVE LAMP., LTD., PT. INDONESIA KOITO and NAL Mexico. Furthermore, in December 2019, KOITO is scheduled to commence operations in Malaysia.

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

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

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

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

August 2019



M. Otake

Masahiro Otake
Chairman and CEO

Hiroshi Mihara

Hiroshi Mihara
President and COO

FINANCIAL OVERVIEW AND MEDIUM-TERM OUTLOOK

Fiscal 2019 Results

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, and production decrease in Europe.

In this climate, 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. 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.

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 paid a ¥52 year-end dividend per share.

Accordingly, the full year dividend, including the interim dividend, was ¥92.

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



Masahiro Otake
Chairman and CEO

CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Millions of yen (except per share amounts)			Thousands of U.S. dollars (except per share amounts)
	2017	2018	2019	2019
Annual:				
Net sales	¥841,456	¥848,868	¥826,257	\$7,444,427
Operating income	92,523	103,785	101,534	914,803
Profit attributable to owners of parent	56,692	83,397	72,895	656,770
Per share (yen and U.S. dollars):				
Net income	¥ 352.80	¥ 518.90	¥ 453.52	\$ 4.08
Year-end:				
Total assets	¥658,341	¥672,055	¥738,175	\$6,650,824
Total equity	381,000	444,808	503,564	4,537,021

Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥110.99 = US\$1, the rate prevailing on March 31, 2019.

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

3. "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019, therefore, the key performance indicators, etc., pertaining to the fiscal year ended March 31, 2018 are those after retrospective application of the relevant accounting standard.

Outlook for Fiscal 2020

Looking ahead, domestic and overseas automobile production volumes are expected to remain flat.

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

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

Hiroshi Mihara
President and COO



Medium-Term Outlook

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

We believe these medium- and long-term trends in the automobile industry will present considerable business opportunities for the KOITO Group. The Group currently conducts its businesses in its 33 companies located in 13 countries, and is working to strengthen production capability and enhance the corporate structure of each member company so as to achieve more competitiveness and profitability in line with globally optimized production requirements. KOITO is strengthening production systems and sales activities in regions where major global automakers are expanding production, hoping to win further orders. In Japan, KOITO is accelerating the optimization of business structures and efficient utilization of resources through plant realignment and rationalization of production lines.

As for research and development, we are aggressively developing high-value products, such as LED headlamps and the Adaptive Driving Beam (ADB). At the same time, we are also developing headlamps for low-priced vehicles in emerging countries, and other products that would meet respective

market needs. In the automotive industry, competition is expected to intensify due to changes in mobility, such as connectivity, autonomous driving, sharing, and electric vehicles. In this situation, we are collecting information on Advanced Driver Assistance Systems (ADAS) and autonomous driving technologies, as well as developing next-generation lamps.

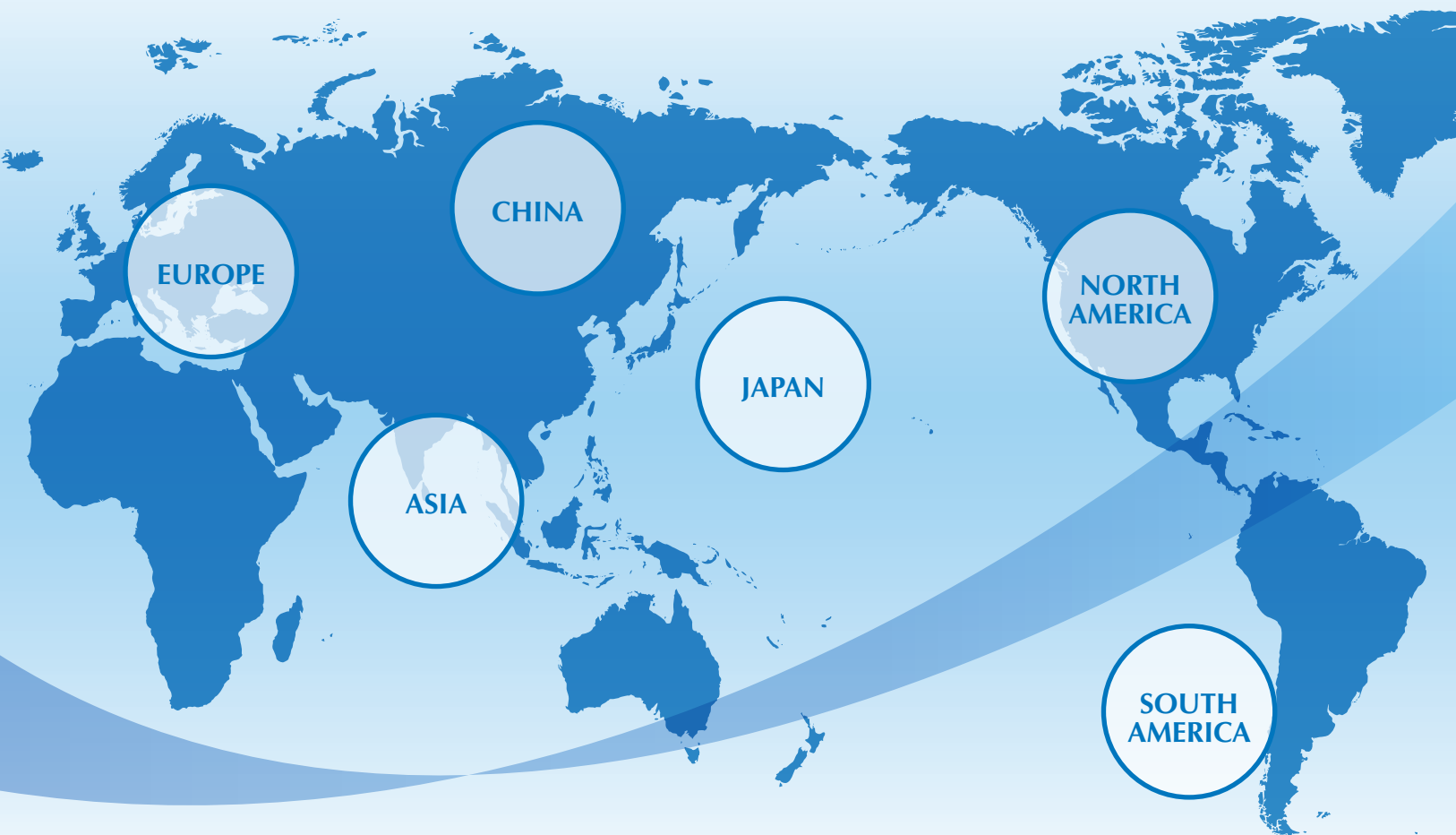
The KOITO Group is also conducting its businesses with other products and services: road traffic control systems, LED displays, electronic aircraft components and hydraulic equipment, LED headlamps and tail lamps, and seats for railroad cars such as the bullet train. We are striving to develop new products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

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



OPERATIONS BY REGION AND FUTURE DEVELOPMENTS

OUTLOOK FOR MEDIUM-TERM GLOBAL STRATEGIES



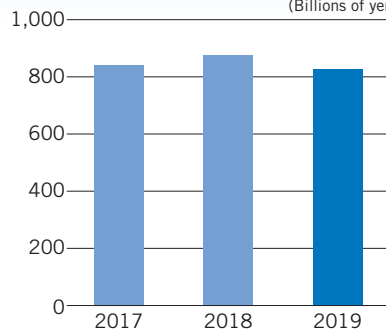
The KOITO Group is expanding its production capacity in Japan, North America, South America, Europe, China, and Asia, and promoting its optimized production to meet the growing automobile production.

KOITO's consolidated net sales for the fiscal year ended March 31, 2019 decreased year on year to ¥826.2 billion, due to a decrease in the automobile production volume and the effect of Shanghai Koito.

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

CONSOLIDATED NET SALES

Years ended March 31, (Billions of yen)



JAPAN

In fiscal 2019, Japan's automobile production remained flat year on year at the 9.6 million unit level for both domestic and export vehicles.

KOITO MANUFACTURING CO., LTD.

In fiscal 2019, net sales of KOITO MANUFACTURING increased 7.1% year on year to ¥364.1 billion, as a result of an increase in new orders, and a shift in automobile lamps to LED while domestic automobile production volume remained flat.

On the earnings front, KOITO MANUFACTURING reported operating income of ¥38.3 billion, a 2.0% increase from the previous year, and recurring profit increased 1.5% to ¥56.6 billion. Net income decreased by 29.1% to ¥44.1 billion, as KOITO recorded extraordinary gain on sales of investment in Shanghai Koito's capital in the previous fiscal year.

KOITO made total capital expenditures of ¥10.1 billion primarily

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

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

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



KOITO MANUFACTURING Shizuoka Plant



KOITO MANUFACTURING Haibara Plant



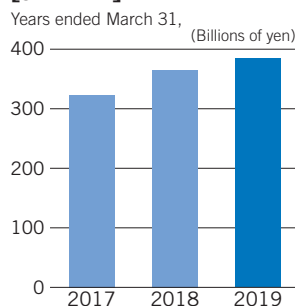
KOITO MANUFACTURING Sagara Plant



KOITO MANUFACTURING Fujikawa Tooling Plant

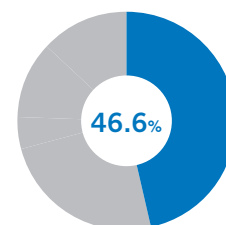
In fiscal 2019, while domestic automobile production remained flat, sales in Japan increased 5.5% year on year to ¥384.6 billion due to an increase in new orders and a shift in automobile lamps to LED.

NET SALES [JAPAN]



SHARE OF SALES [JAPAN]

Year ended March 31, 2019



KOITO KYUSHU LIMITED

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

Net sales of KOITO KYUSHU in fiscal 2019 increased 8.8% year on year to ¥74.1 billion, mainly due to a shift in automobile lamps to LED.



KOITO KYUSHU Head Office and Plant

KI HOLDINGS CO., LTD.

KI HOLDINGS' consolidated net sales for fiscal 2019 (the period from April 1, 2018 to March 31, 2019) increased 6.6% year on year to ¥49.1 billion.

Results by segment were as follows:

[Transportation Equipment Segment]

Segment sales increased 9.6% year on year to ¥23.9 billion, as a result of increased sales in the railroad car equipment and railroad seat business.

[Electrical Equipment Segment]

Segment sales increased 5.0% year on year to ¥23.7 billion, as a result of increased sales in information and traffic system business.

[Home Appliances and Environment Segment]

Segment sales decreased 11.2% year on year to ¥1.4 billion due to decreased sales in the home appliances business, despite increasing in the environmental systems business.

* KOITO wholly-owned KI HOLDINGS in August 2019.

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



KI HOLDINGS Head Office and Plant



KOITO ELECTRIC INDUSTRIES Head Office and Fuji Nagaizumi Plant

NORTH AMERICA

In fiscal 2019, automobile production in North America remained flat year on year at a level of 17.3 million units.

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

United States

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

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

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



NAL Head Office (Paris)



NAL Paris Plant



NAL Flora Plant



NAL Salem Plant



NAL Alabama Plant



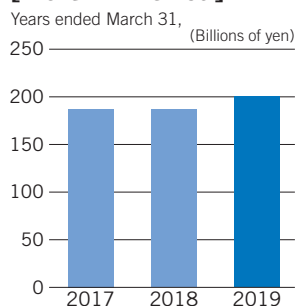
NAL Indiana Tooling Plant



NAL Technical Center

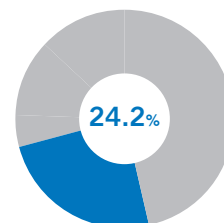
In fiscal 2019, in North America, while automobile production remained flat, sales increased 7.2% year on year to ¥200.3 billion due to an increase in new orders and a shift in automobile lamps to LED.

NET SALES [North America]



SHARE OF SALES [North America]

Year ended March 31, 2019



Mexico

North American Lighting Mexico, S.A. de C.V. (NAL Mexico) commenced its operations in September 2014. In July 2019, to respond to the expanding automotive production in Mexico, KOITO expanded the plant in the subsidiary and put into operations.



NAL Mexico

SOUTH AMERICA

Brazil

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

In fiscal 2019, sales in South America were ¥2.5 billion.



NAL Brasil

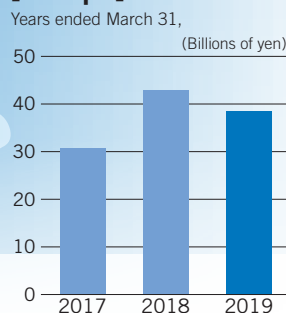
EUROPE

Automobile production in Europe decreased from the previous fiscal year to 16.7 million units in fiscal 2019.

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

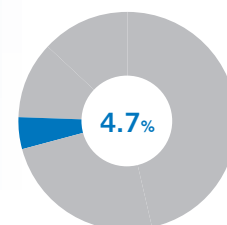
In fiscal 2019, net sales in the European business decreased 10.3% year on year to ¥38.5 billion. This was mainly attributable to the decrease in automobile production volume and completion of current round of new vehicle stage effects or the end of production of some of our ordered products portfolio in this region.

NET SALES [Europe]



SHARE OF SALES [Europe]

Year ended March 31, 2019



United Kingdom

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



KEL

Czech Republic

In the Czech Republic, KOITO produces automobile lighting equipment at Koito Czech s.r.o. (KCZ). To respond to increasing new orders, KOITO is now expanding its plant in KCZ, and schedules to commence operations in May 2020.

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



KCZ



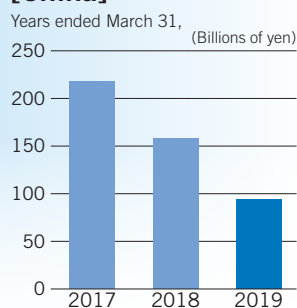
KCZ Technical Section

CHINA

Automobile production in China decreased to the 27.0 million unit level in fiscal 2019 due to the expired tax reduction on compact cars.

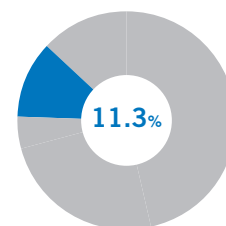
In fiscal 2019, despite the decrease in production volume, new orders expanded in China. However, sales in China decreased 40.6% year on year to ¥93.7 billion due to the effect of non-consolidation of Shanghai Koito.

NET SALES [China]



SHARE OF SALES [China]

Year ended March 31, 2019



KOITO has been developing its automotive lighting equipment business in China through 3 companies: GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (GUANGHZOU KOITO), Hubei Koito Automotive Lamp Co., Ltd. (Hubei Koito), and FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (FUZHOU KOITO TAYIH). In November 2018, KOITO expanded its plant in FUZHOU KOITO TAYIH to respond to increasing orders from Chinese

automobile manufacturers.

In research and development, KOITO is conducting product development at the Technical Section in GUANGZHOU KOITO.

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



GUANGZHOU KOITO



GUANGZHOU KOITO Technical Section



Hubei Koito



FUZHOU KOITO TAYIH

ASIA

In fiscal 2019, compared to the previous year, Asian automobile production volume increased in India, Thailand, and Indonesia.

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

Thailand

In Thailand, which is the center of the Asian automotive industry, KOITO supplies automotive lighting equipment to all local Japanese automotive manufacturers. The products are manufactured in 2 plants in THAI KOITO COMPANY LIMITED (THAI

KOITO): Bangplee Plant and Prachinburi Plant.

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



THAI KOITO Bangplee Plant



THAI KOITO Prachinburi Plant



THAI KOITO Technical Center

Indonesia

In Indonesia, KOITO produces lamps for automobiles and motorcycles in PT. INDONESIA KOITO (INDONESIA KOITO). In March 2019, KOITO expanded plants in Indonesia to respond to further increases in orders in the future.



INDONESIA KOITO

Taiwan

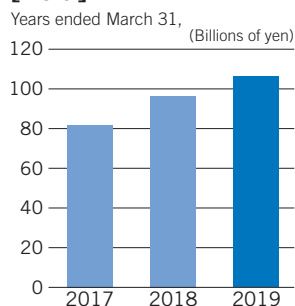
In Taiwan, operations are conducted by Ta Yih Industrial Co., Ltd. (Ta Yih Industrial), in which KOITO took an equity interest in 1988.



Ta Yih Industrial

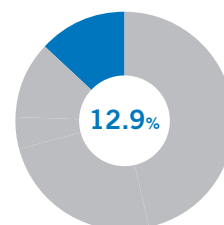
In fiscal 2019, sales in Asia increased 10.2% year on year to ¥106.3 billion. Sales growth was mainly driven by an increase in automobile production volume and an increase in new orders in Thailand.

NET SALES [Asia]



SHARE OF SALES [Asia]

Year ended March 31, 2019



India

In India, where the automotive industry is expected to grow, KOITO is conducting business in INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL). IJL manufactures automotive lighting equipment in 2 plants: Chennai Plant and Bawal Plant. Also, in order to respond

to increasing automobile production volume in India, KOITO is now constructing a new plant in Gujarat, Western India, which is scheduled to commence operations in August 2020.



IJL Chennai Plant



IJL Bawal Plant

Malaysia

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



KOITO MALAYSIA (Conceptual image)

RESEARCH AND DEVELOPMENT

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

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

The KOITO Group's R&D activities are conducted by KOITO's global R&D network of 5 bases, led by KOITO MANUFACTURING Technical Center in Japan. The other bases are NAL Technical

Center in North America, KCZ's Technical Section in Europe, GUANGZHOU KOITO's Technical Section in China, and THAI KOITO Technical Center in Asia. As of March 31, 2019, the number of personnel engaged in the KOITO Group's R&D activities stood at 2,981.

In fiscal 2019, R&D expenditure totaled ¥34.0 billion (4.1% of consolidated net sales); ¥21.3 billion in Japan and ¥12.7 billion in North America, China, Asia and Europe.



KCZ Technical Section



KOITO MANUFACTURING
Technical Center



NAL Technical Center



THAI KOITO Technical Center



GUANGZHOU KOITO Technical Section

Our Efforts toward Future Changes in the Automotive Industry

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

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



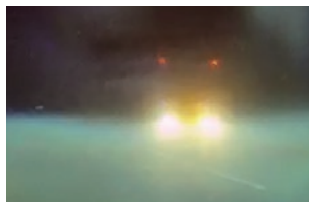
R&D Lab in Silicon Valley

Investment in Israeli Startup Company

In Israel, KOITO collects information on local venture companies through overseas funds.

In June 2019, KOITO invested in Israeli company, BrightWay Vision Ltd. (BWV), and included them into KOITO's scope of consolidation as a company accounted for by the equity method. BWV develops and manufactures "Forward Monitoring System based on Gated Imaging Technology" camera technology which is superior at night imaging, and less susceptible to bad weather conditions.

By integrating KOITO's automotive lighting technology and BWV's camera technology, we will work together to conduct research on next-generation automotive lighting equipment.



Driver's view

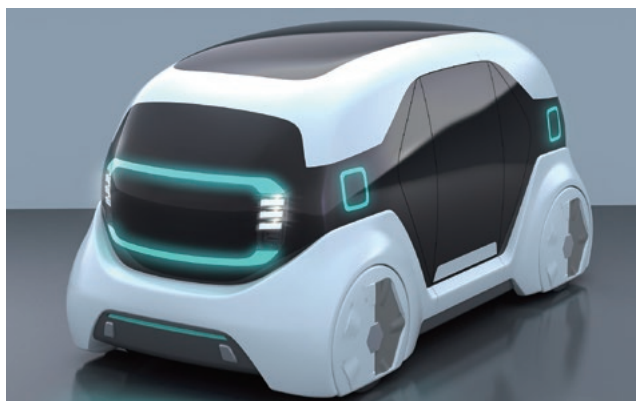


Visual using BWV's Forward Monitoring System

Lamps with Built-in Sensors

A wide variety of sensors, such as cameras and LiDAR (Light Detection and Ranging) sensors for detecting surrounding conditions, are essential for ADAS and autonomous driving vehicles.

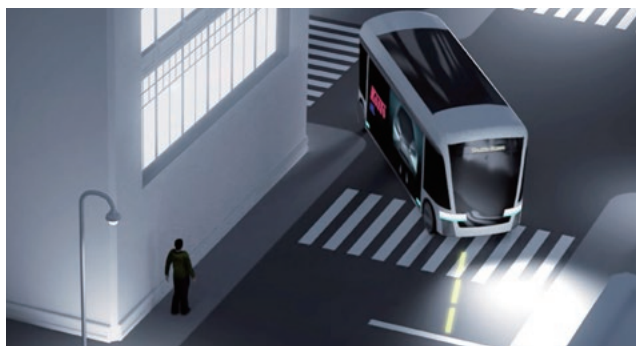
Integrating LiDAR into headlamps and rear combination lamps located on four corners of the vehicle, these lamps help sensors to improve detection of pedestrians and traffic covering 360 degrees around the vehicle. They serve to avoid car accidents under various driving conditions.



Communication Lamps

In the future autonomous driving society, communication lamps will convey the movement of the vehicle (moving forward/backward, or turning) to the surrounding vehicles and pedestrians instead of drivers. KOITO is therefore working to develop these communication lamps.

KOITO is committed to propose new technologies based on the theme of light, such as road drawing and displaying functions using headlights.



ESG ACTIVITIES

The KOITO Group's key management policies are to anticipate customers' lighting needs, thereby contributing to social progress and development, and to ensure co-existence and co-prosperity with all stakeholders including shareholders, customers, employees and business partners. With the aim of achieving sustainable growth, we are working to strengthen ESG (Environment, Social, Governance) activities and pursuing "Eco-friendly Manufacturing for People and the Earth."

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

KOITO Group Corporate Behavior Charter

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

● Environmental Activities

Basic Approach to Environmental Activities

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

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

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

Environmental Policy

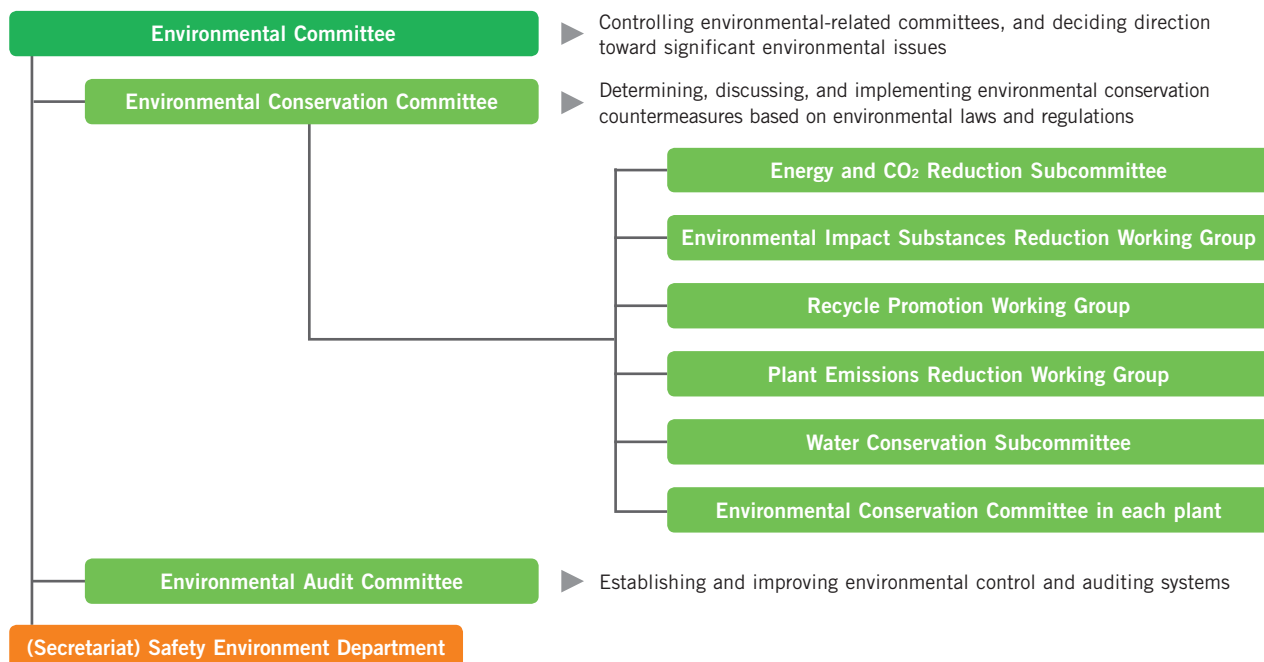
- KOITO shall promote environmental conservation activities while pursuing "Eco-friendly Manufacturing for People and the Earth" in all business activities centered on automotive lighting.
1. We will clarify our targets and measures for environmental conservation and continuously work to improve KOITO Group's environmental performance as a whole.
 2. In addition to complying with environmental laws and regulations, we will formulate and promote environmental improvement plans by considering environmental issues in advance.
 3. We will strive to develop and establish environmentally friendly new technologies and products throughout the product lifecycle.
 4. We will minimize the environmental impact and use of resources and energy in the manufacturing process.
In addition, we will promote environmental protection activities and prevent environmental problems from occurring.
 5. We will actively promote training for human resources to achieve our environmental targets.

Revised on April 2017

KOITO's Organization for Environmental Activities

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

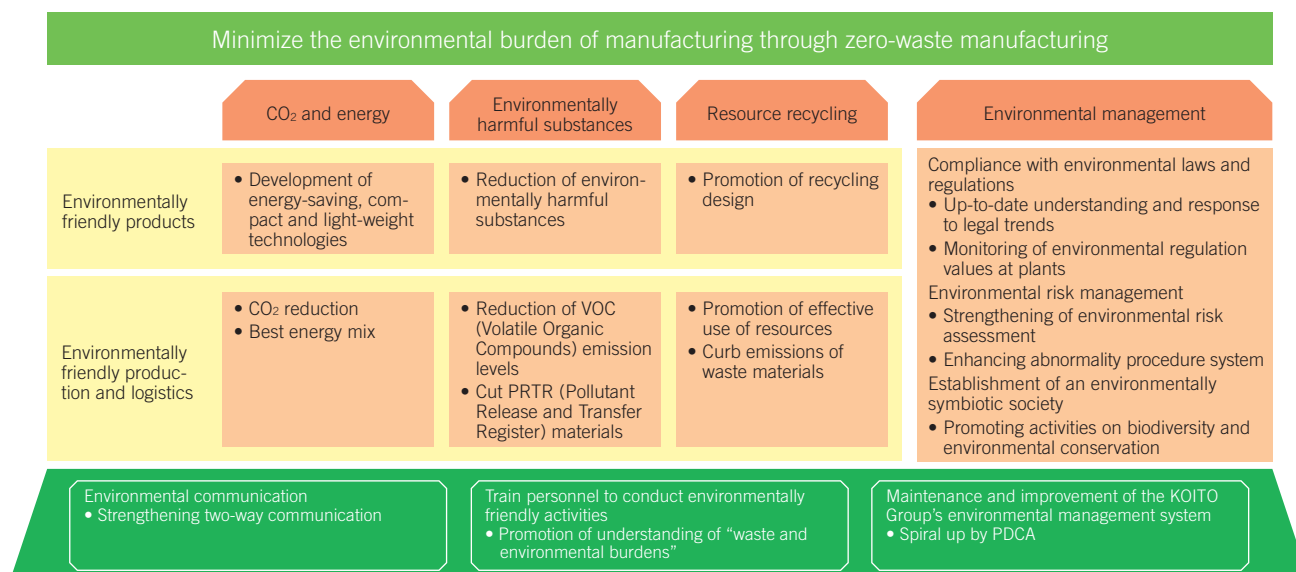
Audit Committee. Based on those organizations' policy, KOITO aims to manufacture products while minimizing environmental impact and pursuing economic efficiency.



Basic Approach to Environmental Conservation

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

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



ESG ACTIVITIES

Promoting Manufacturing That Puts the Environment First

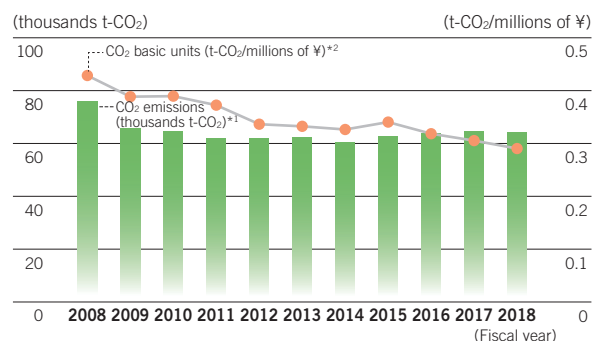
KOITO is promoting measures to reduce its overall environmental impact through its entire product lifecycle from product development to manufacturing, use, disposal and recycling, thereby working to preserve the environment.

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

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

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

CO₂ Emissions and CO₂ Basic Units



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

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

Realization of Energy-Saving Plants

The KOITO Group's production plants are committed to implement eco-friendly manufacturing.

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



Environmental and Quality Management Activities

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

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

In the Quality Management System (QMS), including 11 overseas subsidiaries, 18 companies acquired IATF16949 or ISO9001, and all divisions, from development to production, are operating a management system that maintains and assures quality levels.

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

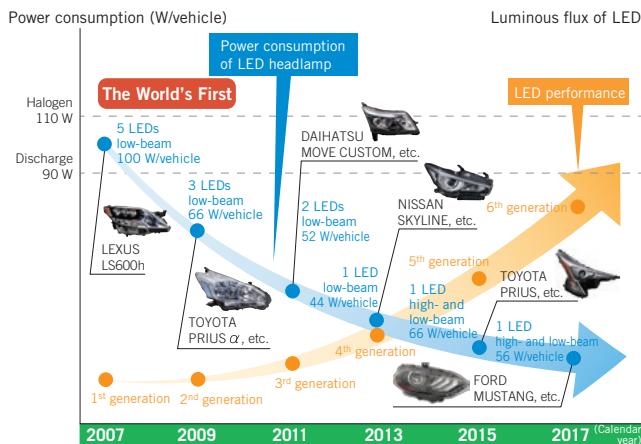
Saving Power and Reducing the Weight of Headlamps

In order to improve automotive fuel efficiency and to reduce CO₂ emissions, KOITO is working to enhance energy efficiency and reduce the weight of headlamps.

To reduce power consumption, KOITO commercialized high-power and energy-efficient LED headlamps for the first in the world, and they are being installed in a wide variety of vehicles. We have also improved LED performance, reduced the number of LED units, and succeeded in reducing the power consumption by 50% compared to halogen headlamps.

KOITO is also working to reduce the number of headlamp components and develop lightweight resin materials to reduce the weight of our products.

Saving Power of LED Headlamps



Social Activities

Initiatives for Safety in the Automotive Society

KOITO's mainstay automotive lighting products play an essential role in ensuring drivers' visibility during the night when traffic accidents occur most frequently. KOITO intends to contribute to the safety and security of night driving by further improving the performance and quality of headlamps.

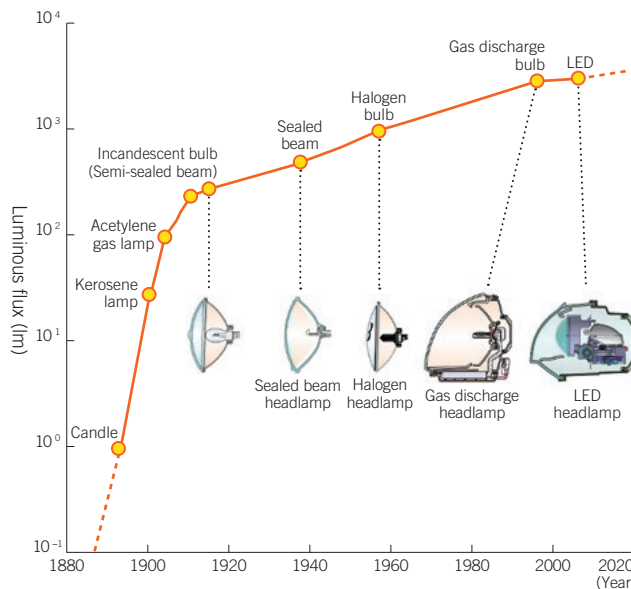
① Development of Light Sources

To produce brighter, and more distant-lighting headlamps, KOITO has long been working to develop light sources.

KOITO's current mainstay products, LED headlamps, contribute to ensuring drivers' visibility at night by their brightness, instant lighting, and white color which is close to sunlight.

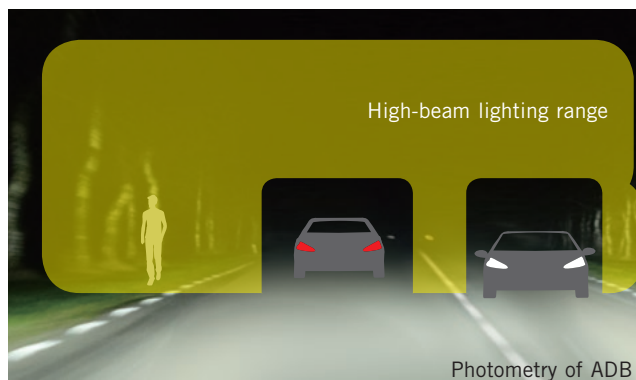
KOITO is also developing laser headlamps to further improve distance visibility.

Evolution of Light Sources



② Development of Adaptive Driving Beam (ADB)

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



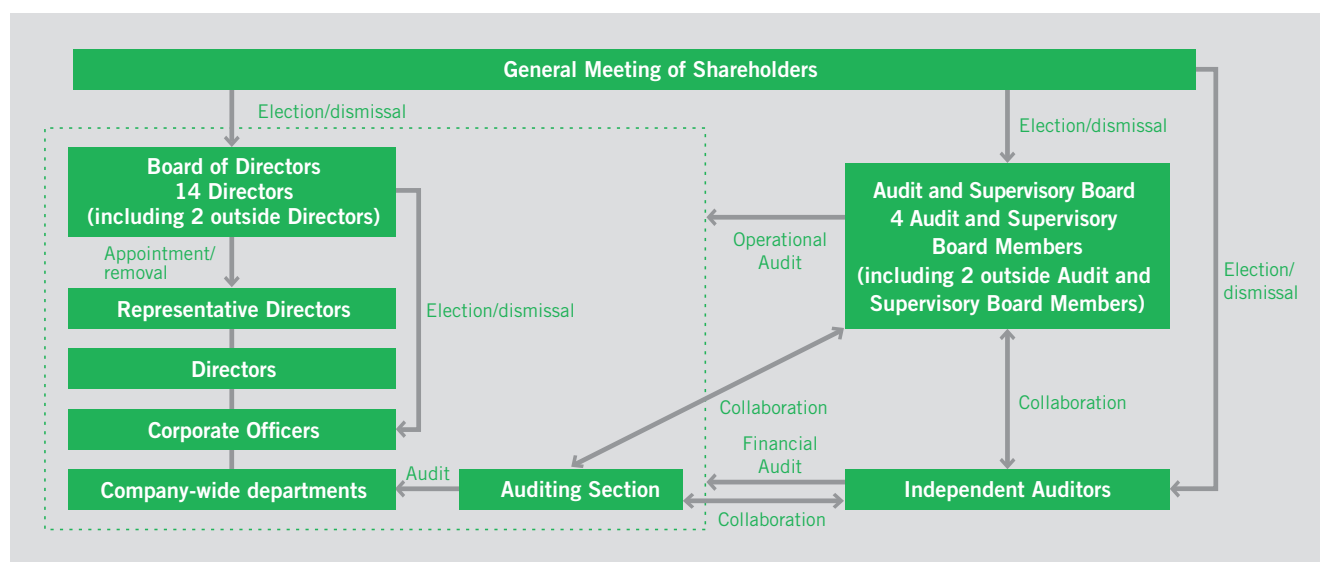
ESG ACTIVITIES

● Corporate Governance

The KOITO Group's basic approach to corporate governance is to recognize the importance of ethical standards and sound management in order to retain the trust of all its stakeholders (people

concerned). Based on this approach, KOITO is making efforts to enhance corporate governance and strengthen compliance.

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



① Overview of the Corporate Governance Structure

i. Board of Directors

KOITO's Board of Directors is chaired by Hiroshi Mihara, President. Other members include Masahiro Otake, Chairman, Koichi Sakakibara and Kenji Arima, Executive Vice Presidents, Masami Uchiyama, Michiaki Kato, Hideharu Konagaya and Katsuyuki Kusakawa, Senior Managing Directors, Takashi Ohtake, Director and Senior Adviser, Hideo Yamamoto, Jun Toyota and Takayuki Katsuda, Directors and Managing Corporate Officers, and outside Directors Haruya Uehara and Kingo Sakurai. In principle, the Board of Directors meets once per month. The Board of Directors discusses, reports, and makes decisions on matters stipulated in the "Board of Directors Regulations," including those matters stipulated by laws, regulations, and the Articles of Incorporation, and supervises the execution of Director's business execution.

In addition, all Audit and Supervisory Board Members attend the Board of Directors to monitor Director's business operations. The Managing Committee (chaired by the President) comprises full-time directors and a corporate officer as a body to aid the Board of Directors. The committee meets, in principle, three

times per month, determines business execution, reports on progress, and follows up on business execution.

ii. Audit and Supervisory Board

KOITO is a company with an Audit and Supervisory Board. The Audit and Supervisory Board comprises 4 Audit and Supervisory Board Members, Mitsuo Kikuchi and Yohei Kawaguchi, standing Audit and Supervisory Board Members, and Yukinobu Suzuki and Hiroshi Kimeda, outside Audit and Supervisory Board Members, and the meetings are held regularly. Other than the Board of Directors, the standing Audit and Supervisory Board Members attend the Managing Committee and other important meetings to express opinions as needed. This structure enables Audit and Supervisory Board Members to constantly monitor the Director's business execution.

KOITO also strives to improve our auditing functions through close collaboration between Audit and Supervisory Board Members, the Internal Audit Department and independent auditors, by allowing them to exchange information and opinions as needed, and to hold regular meetings.

② Status of Establishment of the Internal Control System

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

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

The Compliance Committee, Compliance Department, Internal Audit Department, whistle-blower internal reporting system, and other organizations and systems, as well as the Code of Corporate Ethics and other relevant regulations, will be developed and enhanced based on the Koito Group Corporate Behavior Charter.

At the same time, KOITO's Directors, corporate officers and employees will receive education familiarizing them with the organizations, systems and regulations.

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

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

- iii. Regulations and other systems for managing the risk of loss

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

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

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

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

- v. System for ensuring appropriate business execution by the corporate group comprising KOITO and its subsidiaries

KOITO and its Group companies will subscribe together to the Koito Group Corporate Behavior Charter and develop a system for ensuring and administering the appropriate execution of business duties.

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

An Audit and Supervisory Board Member's Office will be established to help the Audit and Supervisory Board Members execute their duties under the instructions and orders of the Audit and Supervisory Board Member and the Audit and Supervisory Board.

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

- vii. System for Directors and employees of KOITO and its subsidiaries to report to Audit and Supervisory Board Members and for preventing unfair treatment of the directors and employees for reporting to the Audit and Supervisory Board Members

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

- viii. Policy on expenses arising from the Audit and Supervisory Board Members of KOITO executing their duties and system for enabling the Audit and Supervisory Board Members to conduct effective audits

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

ESG ACTIVITIES

③ Status of Establishment of the Risk Management System

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

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

(2) Status of Outside Officers

KOITO has 2 outside Directors and 2 outside Audit and Supervisory Board Members.

Outside Directors are brought on board from the viewpoint of objectivity and neutrality of management, and are elected to strengthen the management structure. Haruya Uehara, an outside Director, is the senior advisor of Mitsubishi UFJ Trust and Banking Corporation, an external Director, Audit and Supervisory Committee Member of NIKON CORPORATION, and an outside Audit and Supervisory Board Member of Mitsubishi Research Institute, Inc. We entrust the stock business to Mitsubishi UFJ Trust and Banking Corporation, but do not have any business relationships such as borrowing. KOITO recognizes Haruya Uehara as a highly independent outside Director, because he is not a major shareholder or a person from a major supplier. He is elected primarily to supervise the business performance from the viewpoint of corporate management. Kingo Sakurai, an outside Director, owns 10,000 shares of KOITO, but there are no other personal, capital or specific interests between him and KOITO. KOITO recognizes Kingo Sakurai as a highly independent outside Director, because he is not a major shareholder or a person from a major supplier. He is elected primarily to supervise the business performance from the viewpoint

of finance and accounting.

KOITO recognizes Yukinobu Suzuki as a highly independent outside Audit and Supervisory Board Member, because he is not a major shareholder or a person from a major supplier. He is elected primarily to audit the business performance from the viewpoint of finance and accounting.

Hiroshi Kimeda, an outside Audit and Supervisory Board Member, is a partner of Nishimura & Asahi and an outside Director at Advance Create Co., Ltd. Although KOITO has a law business relationship outsourcing legal services with Nishimura & Asahi, KOITO is aware that Hiroshi Kimeda is highly independent because we do not have corporate lawyer contracts with Nishimura & Asahi. He is elected primarily to audit the business performance from a legal standpoint.

There is no specific provision regarding independence for electing outside Directors or outside Audit and Supervisory Board Members. However, KOITO has elected them based on the basic stance that the duties expected of outside Directors or outside Audit and Supervisory Board Members are properly executed, and there is no risk of conflicts of interest with general shareholders.

(3) Status of Internal Audits, Audit and Supervisory Board Member Audits and Accounting Audits

Based on the annual audit plan, KOITO's Internal Audit Department, an independent organization, conducts audits of the operations of internal control over financial reporting, as well as audits of the legality and appropriateness of operations at company-wide departments and our subsidiaries. Each department and subsidiary implements the necessary improvements to improve internal control.

The Internal Audit Department reports audit results to Directors and Audit and Supervisory Board Members, and exchanges information with the Audit and Supervisory Board Members and the independent auditors on the status of audits to facilitate mutual cooperation.

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

operation of the internal control system by site visiting plants and branches, interviewing the administrative divisions, and auditing domestic and overseas subsidiaries. Moreover, the Audit and Supervisory Board Members attend the audits performed by the independent auditors and the Internal Audit Department, along with working to promote collaboration by exchanging information through regular meetings with the independent auditors, the in-house Compliance Department, and the Internal Audit Department.

KOITO's accounting audit is performed by Junichi Yoshimura and Yasushi Onuki, certified public accountants from accounting firm ARK LLC. Furthermore, certified public accountants and persons who passed the certified public accountant examination who belongs to ARK LLC. assist the accounting audit.

KOITO's policies and reasons for selecting audit corporations are settled based on the appropriate size as an audit corporation, the expertise and independence required of accounting auditors, and a system to ensure the appropriateness of accounting audits.

On July 1, 2019, ARK MEIJI AUDIT & Co. changed its name to ARK LLC.

(4) Total Remuneration 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 1 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 5 individuals, was 62 million yen.

3. KOITO 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. KOITO 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 1 resigned Audit and Supervisory Board Member.

These amounts included 11 million yen for 1 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, 1 Outside Audit and Supervisory Board Member receives executives' remuneration of ¥0 million from Koito Insurance Services Co., Ltd., a subsidiary of KOITO.

(5) Outside Executives

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 Directors	Haruya Uehara	11 of the 12 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.
	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.
Outside Audit and Supervisory Board Members	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.
	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.
	Koichi Kusano	9 of the 10 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.

(6) Compliance System

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

The 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 on 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.

DIRECTORS, AUDIT AND SUPERVISORY BOARD MEMBERS AND CORPORATE OFFICERS



Chairman and CEO
Masahiro Otake



President and COO
Hiroshi Mihara



Executive Vice President
Koichi Sakakibara



Executive Vice President
Kenji Arima

■ Directors

Chairman and CEO

Masahiro Otake

President and COO

Hiroshi Mihara

Executive Vice President

Koichi Sakakibara

Kenji Arima

Senior Managing Director

Masami Uchiyama

Michiaki Kato

Hideharu Konagaya

Katsuyuki Kusakawa

Director and Senior Adviser

Takashi Ohtake

Director and Managing Corporate Officer

Hideo Yamamoto

Jun Toyota

Takayuki Katsuda

Director

Haruya Uehara

Kingo Sakurai

■ Audit and Supervisory Board Members

Standing Audit and Supervisory Board Member

Mitsuo Kikuchi

Yohei Kawaguchi

Audit and Supervisory Board Member

Yukinobu Suzuki

Hiroshi Kimeda

■ Corporate Officers

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

Managing Corporate Officer

Atsushi Inoue

Kiyoshi Sato

Masatoshi Yoneyama

Toshiyuki Katsumata

Corporate Officer

Koichi Toyoda

Shinji Watanabe

Mamoru Murakoshi

Masahiro Otake

Yuji Higashi

Hideki Ochiai

Masataka Choji

Kakuya Yamamoto

Kohei Yamasaki

Kirk Gadberry

Eisuke Shibata

Takahito Otake

Kazuhiro Aoshima

Masayasu Ito

Manabu Kobayashi

FINANCIAL SECTION

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TEN-YEAR SUMMARY

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

Consolidated	2010	2011	2012	2013
For the year:				
Net sales	¥408,430	¥428,977	¥430,929	¥472,843
Operating income	36,054	37,434	31,725	37,668
Income before income taxes	13,731	17,591	27,093	33,004
Income taxes	9,736	11,850	10,599	11,812
Net income	6,217	10,012	13,391	16,625
Amounts per share (yen and U.S. dollars):				
Net income	¥ 38.69	¥ 62.30	¥ 83.33	¥ 103.46
Cash dividends	18.00	19.00	19.00	22.00
At year-end:				
Working capital	¥ 39,512	¥ 58,015	¥ 65,554	¥ 81,705
Property, plant and equipment less accumulated depreciation	73,252	65,010	66,791	72,415
Total assets	357,530	338,760	363,273	418,087
Total equity	148,664	168,414	182,916	218,131

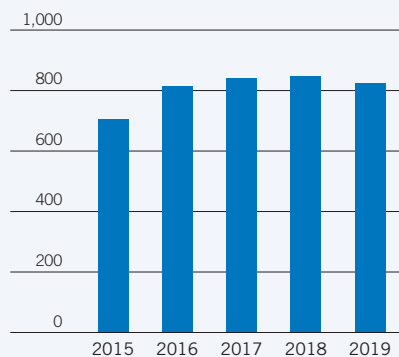
Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥110.99 = US\$1, the rate prevailing on March 31, 2019.

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

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

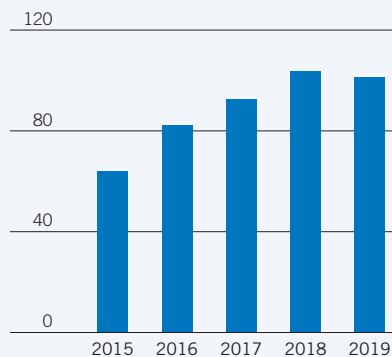
Net Sales

(Billions of yen)



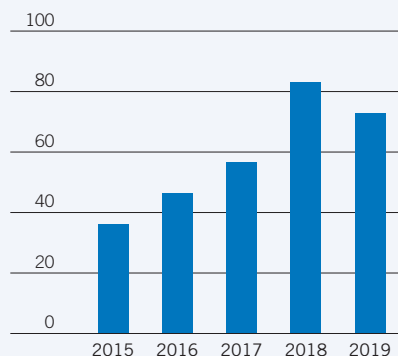
Operating Income

(Billions of yen)



Net Income

(Billions of yen)

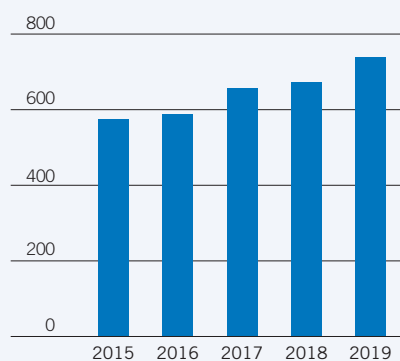


Millions of yen (except per share amounts)						Thousand of U.S. dollars (except per share amounts)
2014	2015	2016	2017	2018	2019	2019
¥597,502	¥706,470	¥813,477	¥841,456	¥848,868	¥826,257	\$7,444,427
49,506	64,155	82,218	92,523	103,785	101,534	914,803
46,596	63,895	74,708	91,614	123,712	104,439	940,976
17,173	19,017	22,422	26,201	31,480	23,545	212,136
21,378	36,060	46,303	56,692	83,397	72,895	656,770
¥ 133.04	¥ 224.41	¥ 288.15	¥ 352.80	¥ 518.90	¥ 453.52	\$ 4.08
26.00	40.00	36.00	54.00	96.00	92.00	0.82
¥108,550	¥144,795	¥189,769	¥237,891	¥298,732	¥332,283	\$2,993,810
87,168	115,285	115,109	117,509	102,329	121,619	1,095,765
483,093	575,268	588,683	658,341	672,055	738,175	6,650,824
256,072	316,826	329,671	381,000	444,808	503,564	4,537,021

4. "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019, therefore, the key performance indicators, etc., pertaining to the fiscal year ended March 31, 2018 are those after retrospective application of the relevant accounting standard.

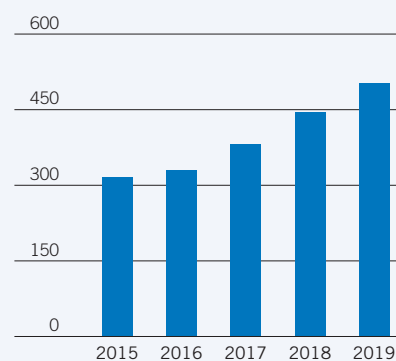
Total Assets

(Billions of yen)



Total Equity

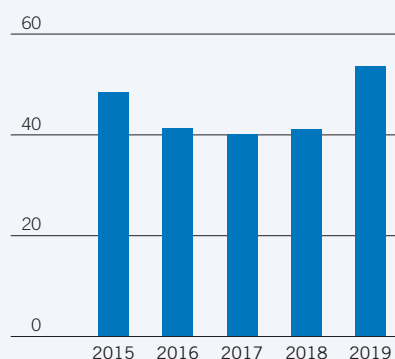
(Billions of yen)



* Non-controlling interests are included.

Capital Expenditures

(Billions of yen)



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

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

NET SALES

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, the KOITO Group reported consolidated net sales of ¥826.2 billion, down 2.7% year on year, due to a decrease in the automobile production volume and the status change of Shanghai Koito.

EARNINGS

Although KOITO implemented rationalization in Japan and overseas, operating income was ¥101.5 billion, down 2.2% and recurring profit was ¥105.4 billion, down 2.3% year on year. 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.

RESULTS BY GEOGRAPHICAL SEGMENT

JAPAN

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

NORTH AMERICA

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

CHINA

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

ASIA

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

EUROPE

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

OTHER REGIONS

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

FINANCIAL POSITION

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

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

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

CASH FLOWS

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

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

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

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

CAPITAL EXPENDITURES

Capital expenditures totaled ¥54.0 billion. Outlays were centered on investing in the overseas business of the automotive lighting equipment segment, primarily in a new factory and machinery, equipment and tools for adapting to new products and model changes. The breakdown of capital expenditures for the fiscal year under review, excluding consumption tax, is as follows.

Capital expenditures in Japan totaled ¥21.8 billion: ¥9.3 billion in North America, ¥8.6 billion in China, ¥7.7 billion in Asia, ¥1.5 billion in Europe, and ¥4.7 billion in other regions.

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

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

MANAGEMENT POLICIES AND PRESSING ISSUES

(1) MANAGEMENT POLICIES

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

(2) MANAGEMENT STRATEGIES

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

Strategies for taking KOITO forward are as follows:

- ① To address the automobile industry's expansion of globally optimal production systems, the KOITO Group will work to enhance its system to respond to the 5 major regions of the world (Japan, North America, Europe, China and Asia). To this end, the Group will further reinforce the product development, manufacturing and sales functions of its overseas bases, among other measures.
- ② The KOITO Group strives to respond to the future changes in the mobility, such as connectivity, autonomous driving, sharing, and electric vehicles, and to develop cutting-edge technologies that stay ahead of customers and market needs, and commercialize products at the earliest opportunity. Moreover, we will bring attractive products to market in a timely manner.

- ③ The KOITO Group aims to pursue the highest quality and safety standards, while advancing the protection of the environment and strengthening compliance.
- ④ The KOITO Group plans to further reinforce its profit structure and operations by securing and effectively allocating resources.

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

(3) OBJECTIVE INDICATORS FOR JUDGING ACHIEVEMENT IN MANAGEMENT GOALS

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

(4) KEY ISSUES IN BUSINESS AND FINANCIAL TERMS

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

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

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

In the U.S. and Canada, plaintiffs 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 a company which should fulfill its social responsibility and to continue as a company that is trusted by all stakeholders, and will make efforts to comply with corporate ethics and restore trust.

(5) BASIC POLICIES ON CONTROL OF THE COMPANY

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

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

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

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

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

BUSINESS RISK FACTORS

Among the factors related to KOITO Group's operating results, share price and financial position, the following factors may have a significant impact on the decisions on investors. Forward-looking statements in this annual report are based on the management's judgment as of March 31, 2019.

(1) ECONOMIC CONDITIONS

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

(2) LEGAL REGULATIONS

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

(3) EXCHANGE RATE MOVEMENTS

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

(4) POTENTIAL RISKS OF EXPANDING OVERSEAS

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

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

(5) PRODUCT DEFECTS

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

(6) CHANGES IN RAW MATERIAL PRICES

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

(7) NATURAL DISASTERS, ETC.

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

(8) OTHER RISKS

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

CONSOLIDATED BALANCE SHEETS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

At March 31,	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 41,050	¥ 97,993	\$ 882,899
Trade notes and accounts receivable	129,484	131,472	1,184,539
Less: Allowance for doubtful accounts	(503)	(517)	(4,658)
	128,981	130,955	1,179,881
Inventories	62,293	66,632	600,342
Prepaid expenses and other current assets	243,500	217,989	1,964,041
Total current assets	475,825	513,569	4,627,164
Property, plant and equipment, at cost:			
Buildings and structures	99,377	108,633	978,763
Machinery, equipment and tools	305,305	332,988	3,000,162
Less: Accumulated depreciation	(302,352)	(320,002)	(2,883,160)
	102,329	121,619	1,095,765
Land	15,687	16,430	148,031
Construction in progress	15,918	20,718	186,665
Property, plant and equipment, net	133,935	158,769	1,430,480
Investments and other assets:			
Investment securities	49,707	43,963	396,098
Long-term loans	113	116	1,045
Deferred tax assets (Note 8)	8,400	13,621	122,722
Asset for retirement benefits (Note 7)	—	2,401	21,632
Other assets	4,360	6,024	54,275
Less: Allowance for doubtful accounts	(287)	(291)	(2,621)
Total investments and other assets	62,294	65,836	593,170
Total assets	¥ 672,055	¥ 738,175	\$ 6,650,824

At March 31,	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
LIABILITIES AND EQUITY			
Current liabilities:			
Trade notes and accounts payable	¥102,975	¥105,895	\$ 954,094
Short-term loans (Note 6)	15,845	23,507	211,793
Income taxes payable	18,286	5,691	51,274
Accrued expenses and other current liabilities	39,985	48,172	434,021
Total current liabilities	177,092	183,265	1,651,184
Long-term liabilities:			
Long-term debt (Note 6)	13,083	8,975	80,863
Liability for retirement benefits (Note 7)	24,974	27,977	252,067
Other long-term liabilities	12,096	14,392	129,669
Total long-term liabilities	50,154	51,345	462,609
Equity:			
Shareholders' equity:			
Common stock	14,270	14,270	128,570
320,000,000 shares authorized and 160,789,436 shares issued at March 31, 2018 and 2019			
Capital surplus	16,716	16,759	150,995
Retained earnings	350,903	407,725	3,673,529
Treasury stock, at cost:			
58,106 shares in 2018 and 58,220 shares in 2019	(54)	(55)	(495)
Total shareholders' equity	381,836	438,700	3,952,608
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	23,969	19,857	178,908
Foreign currency transaction adjustments	3,902	3,473	31,291
Retirement benefits liability adjustments	394	(694)	(6,252)
Total accumulated other comprehensive income	28,266	22,636	203,946
Subscription rights to shares	245	245	2,207
Non-controlling interests	34,460	41,981	378,241
Total equity	444,808	503,564	4,537,021
Total liabilities and equity	¥672,055	¥738,175	\$6,650,824

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
For the years ended March 31,			
Net sales (Note 10)	¥848,868	¥826,257	\$7,444,427
Cost of sales	692,264	678,738	6,115,307
Gross profit	156,604	147,518	1,329,110
Selling, general and administrative expenses	52,819	45,984	414,307
Operating income (Note 10)	103,785	101,534	914,803
Other income (expenses):			
Interest income	1,038	1,313	11,829
Interest expenses	(821)	(837)	(7,541)
Loss on sale and disposal of property, plant and equipment	(413)	(806)	(7,261)
Gain on sales of investments in capital of subsidiaries and associates	14,643	—	—
Technical advisory fee	3,298	—	—
Other, net	2,183	3,234	29,137
Income before income taxes	123,712	104,439	940,976
Income taxes	31,480	23,545	212,136
Net income	92,232	80,893	728,831
Attributable to			
Owners of the parent	83,397	72,895	656,770
Non-controlling interests	8,834	7,998	72,060
Other comprehensive income:			
Valuation difference on available-for-sale securities	2,597	(3,987)	(35,922)
Foreign currency transaction adjustments	(712)	(321)	(2,892)
Retirement benefits liability adjustments	882	(876)	(7,892)
Total other comprehensive income	2,766	(5,186)	(46,724)
Comprehensive income	¥ 94,999	¥ 75,707	\$ 682,106
Attributable to:			
Owners of the parent	¥ 85,721	¥ 67,265	\$ 606,045
Non-controlling interests	9,277	8,442	76,060
	Yen		U.S. dollars
	2018	2019	2019
Per share information:			
Basic net income	¥ 518.90	¥ 453.52	\$ 4.08
Cash dividends	96.00	92.00	0.82
Average number of shares during the year (thousands of shares)	160,719	160,731	

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
KOITO MANUFACTURING CO., LTD. shareholders' equity			
Common stock:			
Beginning balance	¥ 14,270	¥ 14,270	\$ 128,570
Ending balance	¥ 14,270	¥ 14,270	\$ 128,570
Capital surplus:			
Beginning balance	¥ 17,107	¥ 16,716	\$ 150,608
Change in ownership interest due to purchase of treasury stock by consolidated subsidiaries	(0)	(0)	(0)
Disposal of treasury stock	174	—	—
Change in parent's ownership interest due to transactions with non-controlling interests	(564)	43	387
Ending balance	¥ 16,716	¥ 16,759	\$ 150,995
Retained earnings:			
Beginning balance	¥278,755	¥350,903	\$3,161,573
Net income attributable to owners of the parent	83,397	72,895	656,770
Deductions:			
Cash dividends	(11,249)	(16,073)	(144,814)
Ending balance	¥350,903	¥407,725	\$3,673,529
Treasury stock:			
Beginning balance	¥ (87)	¥ (54)	\$ (486)
Purchase of treasury stock	(2)	(0)	(0)
Disposal of treasury stock	34	—	—
Ending balance	¥ (54)	¥ (55)	\$ (495)
Total shareholders' equity	¥381,836	¥438,700	\$3,952,608
Total accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	¥ 23,969	¥ 19,857	\$ 178,908
Foreign currency transaction adjustments	3,902	3,473	31,291
Retirement benefits liability adjustments	394	(694)	(6,252)
	¥ 28,266	¥ 22,636	\$ 203,946
Subscription rights to shares	¥ 245	¥ 245	\$ 2,207
Non-controlling interests	¥ 34,460	¥ 41,981	\$ 378,241
Total equity	¥444,808	¥503,564	\$4,537,021

CONSOLIDATED STATEMENTS OF CASH FLOWS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash flows from operating activities:			
Net income attributable to owners of the parent	¥ 83,397	¥ 72,895	\$ 656,770
Adjustments to reconcile net income attributable to owners of the parent to net cash provided by operating activities:			
Depreciation	32,287	32,060	288,854
Net income attributable to non-controlling interests	8,834	7,998	72,060
Increase (decrease) in provision for allowance for doubtful accounts . . .	(344)	21	189
Increase (decrease) in liability for retirement benefits	(867)	(1,093)	(9,847)
Loss on sale and disposal of property plant and equipment, net	362	514	4,631
Gain on sales of investments in capital of subsidiaries and associates . . .	(14,643)	–	–
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	(4,619)	(1,879)	(16,929)
Inventories	(6,601)	(5,185)	(46,715)
Prepaid expenses and others	248	(4,116)	(37,084)
Trade notes and accounts payable	(4,855)	3,178	28,633
Accrued expenses and other current liabilities	660	6,476	58,347
Others, net	934	(14,203)	(127,966)
Net cash provided by operating activities	94,793	96,666	870,943
Cash flows from investing activities:			
Decrease (increase) in time deposits and other due over three months, net . . .	(51,379)	30,234	272,402
Purchase of marketable and investment securities	(57)	(928)	(8,361)
Proceeds from sale of marketable and investment securities	38	0	0
Proceeds from sale of investments in capital of subsidiaries and associates . . .	25,636	–	–
Acquisition of property, plant, and equipment	(41,116)	(53,781)	(484,557)
Proceeds from sale of property, plant and equipment	131	1,281	11,541
Decrease (increase) in long-term loans	4	1	9
Others, net	(517)	(2,713)	(24,443)
Net cash used in investing activities	(67,260)	(25,906)	(233,408)
Cash flows from financing activities:			
Increase in short-term loans	704	5,650	50,905
Decrease in long-term debt	(230)	(1,749)	(15,758)
Purchase of treasury stock	(2)	(0)	(0)
Proceeds from exercise of share options	0	–	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,325)	–	–
Proceeds from share issuance to non-controlling shareholders	–	1,337	12,046
Cash dividends	(15,780)	(18,301)	(164,888)
Net cash used in financing activities	(17,633)	(13,063)	(117,695)
Effect of exchange rate change on cash and cash equivalents	1,275	(753)	(6,784)
Change in cash and cash equivalents	11,175	56,942	513,037
Cash and cash equivalents at beginning of the year	39,500	41,050	369,853
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(9,624)	–	–
Cash and cash equivalents at end of the year	¥ 41,050	¥ 97,993	\$ 882,899

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation

The accompanying consolidated financial statements of KOITO MANUFACTURING CO., LTD. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain aspects as to application and disclosure requirements from the International Financial Reporting Standards.

The accounts of foreign subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile due to immateriality.

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

2. Summary of significant accounting policies

- (1) **The accompanying consolidated financial statements for the years ended March 31, 2018 and 2019 include the accounts for the Company and the 29 subsidiaries listed below:**

Names of consolidated subsidiaries for the year ended March 31, 2019	Equity ownership percentage (*) %
KOITO KYUSHU LIMITED	100
Koito Transport Co., Ltd.	100
Aoitec Co., Ltd.	98
Shizuokadenso Co., Ltd.	100
Nissei Industries Co., Ltd.	62
Fujieda Auto Lighting Co., Ltd.	100
Shizuoka Wire Harness Co., Ltd.	100
Haibara Machine and Tools Co., Ltd.	100
Shizuoka Kanagata Co., Ltd.	40
Koito Insurance Services Co., Ltd.	100
KI HOLDINGS CO., LTD.	50
KOITO ELECTRIC INDUSTRIES, LTD.	100
Minatsu, Ltd.	100
Okayama Industry Co., Ltd.	51
North American Lighting, Inc.	100
North American Lighting Mexico, S.A. de C.V.	90
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	95
Koito Europe Limited	100
Koito Czech s.r.o.	100
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	100
Hubei Koito Automotive Lamp Co., Ltd.	100
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.	100
THAI KOITO COMPANY LIMITED	62
PT. INDONESIA KOITO	90
Ta Yih Industrial Co., Ltd.	33
INDIA JAPAN LIGHTING PRIVATE LIMITED	70
KOITO MALAYSIA SDN. BHD.	90
KPS N.A., INC.	100
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	50

(*) represents ownership at March 31, 2019 and includes shares owned through consolidated subsidiaries.

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

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

Investments in one affiliate (owned 20% to 50%) are accounted for by the equity method.

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

(3) Translation of foreign currency financial statements

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

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

(4) Inventories

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

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

(5) Securities

Securities are valued by type of security as follows:

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

For investment in an investment partnership, the Company's interest in the partnership equity is recorded as "investment securities" of the investment and other assets, and the Company's interest in the net profit earned or loss incurred by the investment partnership is recorded as income or loss.

(6) Property, plant and equipment and depreciation

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

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

(7) Liability for retirement benefits

Liability for retirement benefits has been provided based on the estimated amounts of retirement benefit obligations and fair value of plan assets at the end of the fiscal year.

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

The Company and certain consolidated subsidiaries have defined benefit plans and defined contribution plans.

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

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

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

(8) Income taxes

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

(9) Appropriation of retained earnings

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

(10) Research and development costs

Research and development costs are charged to income as incurred.

(11) Per share information

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

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

(12) Cash equivalents

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

(13) Consumption tax

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

(14) Derivative transactions

The Company and a certain consolidated subsidiary utilize foreign exchange forward contracts and interest rate swap agreements as hedges. The hedge transactions are only utilized on foreign exchange forward transactions and interest rate swap transactions when the transactions are fixed to hedge any risk anticipated from these transactions and to fix the cash flows value resulting from future transactions denominated in foreign currencies and loans bearing interest.

3. Accounting standard and guidance issued but not yet adopted

Accounting Standard for Revenue Recognition

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

(a) Outline

International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) has developed the comprehensive Accounting Standard for Revenue Recognition and issued the “Revenue from Contracts with Customers” (IFRS 15, issued by IASB and Topic 606 issued by FASB) on May 2014.

IFRS 15 became applicable from the fiscal year beginning on or after January 1, 2018, and Topic 606 from the fiscal year beginning after December 15, 2017.

ASBJ developed a comprehensive Accounting Standard for Revenue Recognition and issued it with implementation guidance.

ASBJ’s basic policy in developing the accounting standard for revenue recognition was to establish accounting standards as a starting point to adopt basic principles of IFRS 15 from the viewpoint of comparability of financial statements, which is one of benefits of maintaining consistency with IFRS 15.

If the items for which special attention for the Japanese accounting practice has been occurred, alternative treatment may be added to it to the extent that do not harm the comparability of financial statements.

(b) Date of application

The accounting standard and guidance will be applied effective from the beginning of the fiscal year ending March 31, 2022.

(c) Effect of applying revised standard and guidance

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

4. Change of the presentation method

Changes due to Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, revised on February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019. Accordingly, “Deferred tax assets” is presented in “Investments and other assets,” “Deferred tax liabilities” is presented in “Long-term liabilities,” and certain changes are made to Note 8. Income taxes.

As a result, “Deferred tax assets” of “Current assets” decreased by ¥5,466 million (\$49,247 thousand), “Deferred tax assets” of “Investments and other assets” increased by ¥4,598 million (\$41,427 thousand), and “Deferred tax liabilities” of “Long-term liabilities” decreased by ¥868 million (\$7,820 thousand).

Further, total assets decreased by ¥868 million (\$7,820 thousand) due to offsetting deferred tax assets and deferred tax liabilities for the same taxpayer.

In addition, certain information stated in note 8 (excluding total amount of valuation allowance) and note 9 of explanatory notes to the “Accounting Standard for Tax Effect Accounting” as stipulated in Paragraphs 3 through 5 of the Partial Amendments to Tax Effect Accounting is added to Note 8. Income taxes. However, information pertaining to the year ended March 31, 2018 is not presented in accordance with the transitional treatment prescribed in Paragraph 7 of the Partial Amendments to Tax Effect Accounting.

5. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥110.99 = US\$1, the approximate rate of exchange at March 31, 2019, has been used. This translation should not be construed as a representation that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

6. Short-term loans and long-term debt

At March 31, 2018 and 2019, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Loans, principally from banks:			
To the Company	¥ –	¥ –	\$ –
To consolidated subsidiaries	15,845	23,507	211,793
Total	¥15,845	¥23,507	\$211,793

At March 31, 2018 and 2019, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Loans, principally from banks:			
To the Company	¥ –	¥ –	\$ –
To consolidated subsidiaries	13,083	8,975	80,863
Total	¥13,083	¥8,975	\$80,863

7. Employees' retirement benefits

The reconciliation between the beginning balance and the ending balance of retirement benefit obligations at March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Retirement benefit obligations at April 1, 2018 and 2019	¥52,731	¥54,347	\$489,656
Service cost	2,550	2,835	25,542
Interest cost	147	148	1,333
Actuarial differences	160	572	5,153
Retirement benefits paid	(2,475)	(2,623)	(23,632)
Transfer amount due to change from the simplified method to the principle method	1,231	–	–
Other	1	–	–
Retirement benefit obligations at March 31, 2018 and 2019	¥54,347	¥55,281	\$498,071

The reconciliation between the beginning balance and the ending balance of plan assets at March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Plan assets at April 1, 2018 and 2019	¥25,892	¥29,373	\$264,645
Expected return on plan assets	740	802	7,225
Actuarial differences	1,359	(353)	(3,180)
Contributions by the Company	1,527	1,228	11,064
Retirement benefits paid	(1,377)	(1,345)	(12,118)
Transfer amount due to change from the simplified method to the principle method	1,231	–	–
Plan assets at March 31, 2018 and 2019	¥29,373	¥29,706	\$267,645

The reconciliation between the ending balance of projected benefit obligations and plan assets at March 31, 2018 and 2019 and liability for retirement benefits and asset for retirement benefits recorded in the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded retirement benefit obligations	¥ 31,877	¥ 31,933	\$ 287,710
Plan assets	(29,373)	(29,706)	(267,645)
	2,503	2,227	20,064
Unfunded retirement benefit obligations	22,470	23,348	210,361
Net liability (asset) for retirement benefits at March 31, 2018 and 2019	¥ 24,974	¥ 25,575	\$ 230,426
Liability for retirement benefits	¥ 24,974	¥ 27,977	\$ 252,067
Asset for retirement benefits	—	(2,401)	(21,632)
Net liability (asset) for retirement benefits at March 31, 2018 and 2019	¥ 24,974	¥ 25,575	\$ 230,426

The components of retirement benefit costs for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥2,550	¥2,835	\$25,542
Interest cost	147	148	1,333
Expected return on plan assets	(740)	(802)	(7,225)
Amortization of actuarial differences	(190)	(759)	(6,838)
Other	(13)	(13)	(117)
Total	¥1,754	¥1,409	\$12,694

Retirement benefits liability adjustments included in other comprehensive income (before income tax) for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Actuarial differences	¥1,009	¥(1,685)	\$(15,181)

Retirement benefits liability adjustments included in accumulated other comprehensive income (before income tax) at March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized actuarial differences	¥816	¥(869)	\$(7,829)

Plan assets at March 31, 2018 and 2019:

The components of plan assets as a percentage of total plan assets at March 31, 2018 and 2019 were as follows:

	2018	2019
Stocks	38%	36%
Bonds	37%	38%
General accounts of life insurance company	17%	18%
Alternative investment	7%	7%
Cash on hand and in banks, and other	1%	1%
Total	100%	100%

Defined contribution plans:

The amount to be contributed to defined contribution plans for the years ended March 31, 2018 and 2019 were ¥2,445 million and ¥2,650 million (\$23,876 thousand), respectively.

8. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 31% and 31% for the years ended March 31, 2018 and 2019, respectively.

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

(a) The significant components of deferred tax assets and liabilities at March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Excess accrued bonus	¥ 1,543	¥ 1,644	\$ 14,812
Excess liability for retirement benefits	7,347	7,808	70,348
Disallowed retirement allowance to directors	441	460	4,144
Loss on revaluation of investment securities	4,618	4,618	41,607
Reserve for customer complaints	779	825	7,433
Reserve for product warranties	2,517	2,454	22,110
Excess allowance for doubtful account	131	159	1,432
Provision for loss related to antitrust law	24	25	225
Tax loss carry-forward	11,670	10,043	90,485
Others	5,282	6,336	57,086
Gross deferred tax assets	34,356	34,377	309,730
Valuation allowance for tax loss carry-forward	—	(9,494)	(85,539)
Valuation allowance for deductible temporary differences	—	(6,336)	(57,086)
Total valuation allowance	(17,527)	(15,830)	(142,625)
Net deferred tax assets	¥ 16,829	¥ 18,546	\$ 167,096
Deferred tax liabilities:			
Depreciation	¥ (1,089)	¥ (1,591)	\$ (14,334)
Reserve for reduction entry of replacement assets	(387)	(438)	(3,946)
Valuation difference on available-for-sale securities	(11,013)	(8,443)	(76,069)
Retained earnings of subsidiaries	(437)	(921)	(8,298)
Others	—	(59)	(531)
Total deferred tax liabilities	(12,928)	(11,453)	(103,189)
Net deferred tax assets (liabilities)	¥ 3,900	¥ 7,092	\$ 63,897

(b) The expiration of tax loss carry-forward and the resulting net deferred tax assets

	Millions of yen						Total
	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	
Tax loss carry-forward (*)	¥ 2,632	¥ 1,287	¥ 847	¥ 1,041	¥ 197	¥ 4,038	¥10,043
Valuation allowance for tax loss carry-forward	(2,197)	(1,236)	(784)	(1,041)	(197)	(4,038)	(9,494)
Net deferred tax assets for tax loss carry-forward	¥ 435	¥ 51	¥ 62	¥ —	¥ —	¥ —	¥ 549

	Thousands of U.S. dollars						Total
	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	
Tax loss carry-forward (*) . . .	\$ 23,713	\$ 11,595	\$ 7,631	\$ 9,379	\$ 1,774	\$ 36,381	\$ 90,485
Valuation allowance for tax loss carry-forward	(19,794)	(11,136)	(7,063)	(9,379)	(1,774)	(36,381)	(85,539)
Net deferred tax assets for tax loss carry-forward	\$ 3,919	\$ 459	\$ 558	\$ –	\$ –	\$ –	\$ 4,946

(*) Tax loss carry-forward is computed by multiplying by the statutory tax rate.

(c) A reconciliation between the effective tax rate and the statutory tax rate for the years ended March 31, 2018 and 2019 was as follows:

	2018	2019
Statutory tax rate	30.9 %	30.6 %
Difference in tax rates applied by foreign subsidiaries	(4.7)%	(5.5)%
Tax credit	–	(1.3)%
Other	(0.7)%	(1.3)%
Effective tax rate	<u>25.5 %</u>	<u>22.5 %</u>

9. Business combination

Transaction under common control, etc.

Acquisition of additional shares of subsidiaries

① (1) Outline of transaction

- (a) Name of the company subject to the business combination and description of the business

Name of the company subject to the business combination

NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.

Description of the business

Manufacturing and marketing of automotive lighting equipment

- (b) Date of the business combination

May 30, 2018

- (c) Legal form of the business combination

Third-party allotment to the Group and third parties other than the Group

- (d) Name of the company after the business combination

There is no change.

- (e) Other matters related to the business combination

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

With this transaction, the percentage of ownership interest of the company owned by the Company group reached 95%.

(2) Outline of accounting treatment

This transaction was accounted for as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

(3) Change in ownership interest in connection with transactions with non-controlling interests

- (a) Major reason for changes in capital surplus

The change in ownership interest by the third-party allotment to the Group and third parties other than the Group

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

¥35 million (\$315 thousand)

② (1) Outline of transaction

(a) Name of the company subject to the business combination and description of the business

Name of the company subject to the business combination

KOITO MALAYSIA SDN. BHD.

Description of the business

Manufacturing and marketing of automotive lighting equipment

(b) Date of the business combination

July 30, 2018

(c) Legal form of the business combination

Third-party allotment to the Company and third parties other than the Company

(d) Name of company after the business combination

There is no change.

(e) Other matters related to the business combination

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

With this transaction, the percentage of ownership interest of the company owned by the Company reached 90%.

(2) Outline of accounting treatment

This transaction was accounted for as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

(3) Change in ownership interest in connection with transactions with non-controlling interests

(a) Major reason for changes in capital surplus

The change in ownership interest by the third-party allotment to the Company and third parties other than the Company

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

¥8 million (\$72 thousand)

10. Segment information

Reporting segment information

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

	Millions of yen								
	Japan	North America	China	Asia	Europe	Other regions	Total	Adjustments	Consolidated
For the year ended March 31, 2019									
Sales:									
Sales to outside customers	¥384,651	¥200,337	¥ 93,732	¥106,392	¥38,567	¥ 2,576	¥826,257	¥ –	¥826,257
Intersegment sales and transfers	27,504	105	7,373	5,634	188	9	40,815	(40,815)	–
Total	412,156	200,442	101,106	112,027	38,755	2,585	867,073	(40,815)	826,257
Segment income	57,073	16,867	12,859	11,772	3,447	(1,587)	100,432	1,101	101,534
Segment assets	293,642	100,837	84,899	90,988	27,057	8,556	605,982	132,192	738,175
Others:									
Depreciation and amortization . . .	15,497	6,727	3,643	4,554	1,210	344	31,978	82	32,060
Increase in property, plant and equipment and intangible assets	21,864	9,356	8,696	7,795	1,586	4,753	54,053	–	54,053

	Thousands of U.S. dollars								
	Japan	North America	China	Asia	Europe	Other regions	Total	Adjustments	Consolidated
For the year ended March 31, 2019									
Sales:									
Sales to outside customers	\$3,465,636	\$1,805,000	\$844,508	\$ 958,572	\$347,481	\$ 23,209	\$7,444,427	\$ –	\$7,444,427
Intersegment sales and transfers	247,806	946	66,429	50,761	1,693	81	367,735	(367,735)	–
Total	3,713,451	1,805,946	910,946	1,009,343	349,175	23,290	7,812,172	(367,735)	7,444,427
Segment income	514,217	151,968	115,857	106,063	31,056	(14,298)	904,874	9,919	914,803
Segment assets	2,645,661	908,523	764,924	819,785	243,778	77,088	5,459,789	1,191,026	6,650,824
Others:									
Depreciation and amortization . . .	139,625	60,609	32,822	41,030	10,901	3,099	288,116	738	288,854
Increase in property, plant and equipment and intangible assets	196,990	84,295	78,349	70,231	14,289	42,823	487,007	–	487,007

11. Subsequent events

Tender Offer for KI HOLDINGS CO., LTD.

At the Board of Directors meeting held on April 23, 2019, as a part of a transaction aiming to make KI HOLDINGS CO., LTD., a consolidated subsidiary of the Company (the Second Section of the Tokyo Stock Exchange, Inc., the security code No. 6747; the “Target Company”) a wholly-owned subsidiary, the Company resolved to purchase all common shares of the Target Company (except for common stock of the Target Company already held by the Company and the treasury stock held by the Target Company) through a tender offer (the “Tender Offer”).

① Outline of the Target Company (As of March 31, 2019)

- | | |
|--------------------------------------|--|
| (1) Name | KI HOLDINGS CO., LTD. |
| (2) Location | 100, Maedacho Totsuka-ku, Yokohama-shi, Kanagawa |
| (3) Name and title of representative | President and CEO Tsuneo Yamaguchi |

(4) Description of business activities

Business related to transportation equipment, electrical equipment, and housing environment

(5) Paid-in capital ¥9,214 million (\$83,016 thousand)

(6) Date of incorporation September 22, 1947

② Outline of the Tender Offer

The Company owns 20,794,485 shares of common stock of the Target Company that are listed on the Second Section of the Tokyo Stock Exchange Inc., (Ownership ratio: 50.19% rounded to the nearest two decimal places; same in the following calculations of percentages) and the Target Company is a consolidated subsidiary of the Company.

The minimum number of shares to be purchased through the Tender Offer will be 6,825,600 shares (Ownership Ratio: 16.48%), if the total number of shares certificates, etc., that are offered for sale in response to the Tender Offer (the “Tendered Share Certificates”) are less than the minimum number of shares to be purchased, all of the Tendered Share Certificates will not be purchased. On the other hand, there is no maximum number of shares to be purchased, therefore, if the total number of the Tendered Share Certificates is more than the minimum number of shares to be purchased, all of the Tendered Share Certificates will be purchased.

In spite of satisfaction of the closing conditions of the Tender Offer, if the Company cannot purchase all or part of the shares of the Target Company, the Company plans to conduct a series of procedures after the Tender Offer to purchase all shares of the Target Company and make the Target Company the Company’s wholly-owned subsidiary.

(1) Number of share certificates, etc., scheduled to be purchased

Number of shares to be purchased 20,635,466 shares

Minimum number of shares to be purchased 6,825,600 shares

Maximum number of shares to be purchased – shares

(Note) There is no maximum number of shares to be purchased, therefore, the number of shares to be purchased is stated as the maximum number of the Target Company shares that the Company will purchase through the Tender Offer (20,635,466 shares). The number of shares to be purchased is calculated by deducting both the number of the treasury stock held by the Target Company (157,110 shares) and the number of the Target Company shares held by the Company (20,794,485 shares) as of March 31, 2019 from the total number of issued shares (41,587,061 shares) as of the same date.

(2) Tender offer period

April 24, 2019 to June 12, 2019 (30 business days)

(3) Tender offer price

¥455 (\$4.09) per share of common stock

(4) Purchase price

¥9,389,137,030 (\$84,594,441.21)

(Note) The purchase price is calculated by multiplying the number of shares to be purchased in the Tender Offer (20,635,466 shares) by the tender offer price (¥455 (\$4.09)).

(5) Commencement date of settlement

June 19, 2019

The Tender Offer was completed on June 12, 2019 and the Company purchased 17,474,465 shares of the Target Company’s common stock. As a result, the number of voting rights pertaining to the Target Company shares owned by the Company is 382,689 (ownership ratio; 92.37%).

At the Board of Directors meeting held on June 27, 2019, the Company resolved that the Company will demand all of the Target Company’s shareholders to sell all of the shares held by those shareholders because the Company became to own more than 90% of the Target Company shares as a result of closure of the Tender Offer.

INDEPENDENT AUDITOR'S REPORT

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

(Report on the Consolidated Financial Statements)

We have audited the accompanying consolidated financial statements of KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and the consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (all expressed in Japanese yen).

(Management's Responsibility for the Consolidated Financial Statements)

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

(Auditor's Responsibility)

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

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

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

(Opinion)

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries as at March 31, 2019, and their financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

(Emphasis of Matter)

As disclosed in Note 11. Subsequent events, at the Board of Directors meeting held on April 23, 2019, KOITO MANUFACTURING CO., LTD. resolved to purchase all common shares of KI HOLDINGS CO., LTD., its consolidated subsidiary through a tender offer as a part of a transaction aiming to make it a wholly-owned subsidiary and the tender offer was completed on June 12, 2019. Further, at the Board of Directors meeting held on June 27, 2019, KOITO MANUFACTURING CO., LTD. resolved to make a demand for sale of the shares.

Our opinion is not qualified in respect of this matter.

(Convenience Translation)

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note. 5 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

ARK LLC

ARK LLC

Tokyo, Japan
August 1, 2019

CORPORATE INFORMATION

As of March 31, 2019

KOITO MANUFACTURING CO., LTD.

Head office: 4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan

Founded: April 1, 1915

Incorporated: April 1, 1936

Capital: ¥14,270 million

Employees: 24,608 (Consolidated)
4,378 (Non-consolidated)

Common stock:

Authorized: 320,000,000 shares

Issued: 160,789,436 shares

Number of shareholders: 5,117

Principal shareholders:

TOYOTA MOTOR CORPORATION
The Master Trust Bank of Japan, Ltd. (Trust account)
Japan Trustee Services Bank, Ltd. (Trust account)
Sumitomo Mitsui Banking Corporation
Nippon Life Insurance Company
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT
MUFG Bank, Ltd.
The Dai-ichi Life Insurance Company, Limited
DENSO CORPORATION
STATE STREET BANK AND TRUST COMPANY 505223

Shareholder Registry Administrator

Account management institution: Mitsubishi UFJ Trust and Banking Corporation

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

For further information, please contact:

KOITO MANUFACTURING CO., LTD.
4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan
Phone: 81-3-3443-7111
Facsimile: 81-3-3447-1520
Or via our website at: <https://www.koito.co.jp/english>

CORPORATE DIRECTORY

HEAD OFFICE

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

INTERNATIONAL OPERATIONS HEADQUARTERS

Administration Dept.—International Ops.

Phone: 81-54-345-4237
Facsimile: 81-54-345-4959

Asia Operations

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

China Operations

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

American Dept.—North American Region

Phone: 81-54-345-2923
Facsimile: 81-54-345-4959

American Dept.—Latin American Region

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

European Operations

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

PLANTS

Shizuoka Plant (Shizuoka Pref.)

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

Haibara Plant (Shizuoka Pref.)

Sagara Plant (Shizuoka Pref.)

Fujikawa Tooling Plant (Shizuoka Pref.)

LABORATORY

Laboratory (Shizuoka Pref.)

PARTS CENTER

Koito Parts Center (Shizuoka Pref.)

DOMESTIC BUSINESS NETWORK

Sapporo Branch (Hokkaido)

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

Kitakanto Branch (Tochigi Pref.)

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

Tokyo Branch (Tokyo)

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

Toyota Branch (Aichi Pref.)

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

Osaka Branch (Osaka Pref.)

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

Hiroshima Branch (Hiroshima Pref.)

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

Sapporo Sales Office (Hokkaido)

Sendai Sales Office (Miyagi Pref.)

Kitakanto Sales Office (Tochigi Pref.)

Ota Sales Office (Gunma Pref.)

Tokyo Sales Office (Tokyo)

Atsugi Sales Office (Kanagawa Pref.)

Shizuoka Sales Office (Shizuoka Pref.)

Nagoya Sales Office (Aichi Pref.)

Osaka Sales Office (Osaka Pref.)

Fukuoka Sales Office (Fukuoka Pref.)

OVERSEAS REPRESENTATIVE OFFICES

Detroit Office (U.S.A.)

c/o North American Lighting, Inc.
36600 Corporate Drive Farmington Hills,
Michigan 48331, U.S.A.
Phone: 1-248-553-6408
Facsimile: 1-248-553-6454

Seattle Office (U.S.A.)

c/o Sojitz Corporation of America Columbia Center,
Suite 1160, 701 5th Avenue,
Seattle, Washington 98104, U.S.A.
Phone: 1-206-386-5624
Facsimile: 1-206-386-5640

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

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

GLOBAL NETWORK

OVERSEAS SUBSIDIARIES AND AFFILIATES

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

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

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

Av. Santiago Poniente No. 109,
Parque Industrial Colinas de San Luis Colonia
Ciudad Satélite, San Luis Potosí, S.L.P.
C.P.78423, Mexico
Phone: 52-444-804-2300

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

Avenida Comendador Camillo Júlio, nº500, Jardim
Ibiti do Paço, no município de Sorocaba, Estado
de São Paulo, CEP 18086-000, Brasil
Phone: 55-15-3141-4300
Facsimile: 55-15-3141-4332

Koito Europe Limited (KEL / U.K.)

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

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

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

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

No. B01, Transnational Industry Park,
Yuexi Village, Shilou Town, Panyu District,
Guangzhou City, Guangdong 511447,
People's Republic of China
Phone: 86-20-3930-7000
Facsimile: 86-20-3930-7020

Hubei Koito Automotive Lamp Co., Ltd. (Hubei Koito / China)

No.1 Wenchang Road, Xiaogan National Hi-Tech
Development Zone, Xiaogan City, Hubei 432100,
People's Republic of China
Phone: 86-712-210-8700
Facsimile: 86-712-210-8710

FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.

(FUZHOU KOITO TAYIH / China)

South East Motor Zone, Qingkou, Minhou,
Fujian 350119, People's Republic of China
Phone: 86-591-2276-5266
Facsimile: 86-591-2276-7466

THAI KOITO COMPANY LIMITED (THAI KOITO / Thailand)

370 Moo 17 Tambol Bangsaothong
Amphur Bangsaothong,
Samutprakarn 10570, Thailand
Phone: 66-2-706-7900
Facsimile: 66-2-315-3281

PT. INDONESIA KOITO (INDONESIA KOITO / Indonesia)

Kawasan Industri Indotaisei Sektor 1A Blok P-3,
Kalihurip-Cikampek, Karawang,
Jawa Barat, 41373, Indonesia
Phone: 62-264-837-1088
Facsimile: 62-264-837-1075

Ta Yih Industrial Co., Ltd. (Ta Yih Industrial / Taiwan)

No.11 Shin-Sin Rd., An-Ping Industrial District,
Tainan 702, Taiwan, Republic of China
Phone: 886-6-261-5151
Facsimile: 886-6-264-4614

INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL / India)

No.1, Puduchatram, (VIA) Thirumazhisai, Tiruvallur
High Road, Chennai, Tamil Nadu 600-124, India
Phone: 91-44-3910-6246
Facsimile: 91-44-3910-6106

KOITO MALAYSIA SDN. BHD. (KOITO MALAYSIA / Malaysia)

PT 12630 Jalan Techvalley 4/2,
Kawasan Perindustrian Sendayan Techvalley,
Bandar Sri Sendayan, 71950 Seremban,
Negeri Sembilan Darul Khusus, Malaysia
Phone: 60-6-666-2800
Facsimile: 60-6-666-2809

BrightWay Vision Ltd.

(BWV / Israel)

Hat Nahum 7 St., Tirat Carmel 3508506, Israel
Phone: 972-4-646-9900

KPS N.A., INC.

(KPS / U.S.A.)

149 Wheeler Ave., Pleasantville, NY 10570, U.S.A.
Phone: 1-914-747-8035
Facsimile: 1-914-747-8038

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

Industrial Park, Yaoguan Town, Wujin District,
Changzhou City, Jiangsu 213011,
People's Republic of China
Phone: 86-519-8837-6007
Facsimile: 86-519-8837-6006

DOMESTIC SUBSIDIARIES AND AFFILIATES

KOITO KYUSHU LIMITED (Saga Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

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

Business lines: Transportation services
and logistics

Aoitec Co., Ltd. (Shizuoka Pref.)

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

Shizuokadenso Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

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

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

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

Business lines: Manufacturing and marketing of
automotive lighting equipment

Shizuoka Wire Harness Co., Ltd.

(Shizuoka Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

Haibara Machine and Tools Co., Ltd.

(Shizuoka Pref.)

Business lines: Manufacturing and marketing of
resin metal molds

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

Business lines: Manufacturing and marketing of
resin metal molds

Koito Insurance Services Co., Ltd. (Tokyo)

Business lines: Insurance agent

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

Business lines: Manufacturing and marketing of
resin metal molds

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

Business lines: Service businesses

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

Business lines: Manufacturing and marketing of
seats for aircraft

KOITO ELECTRIC INDUSTRIES, LTD.

(Shizuoka Pref.)

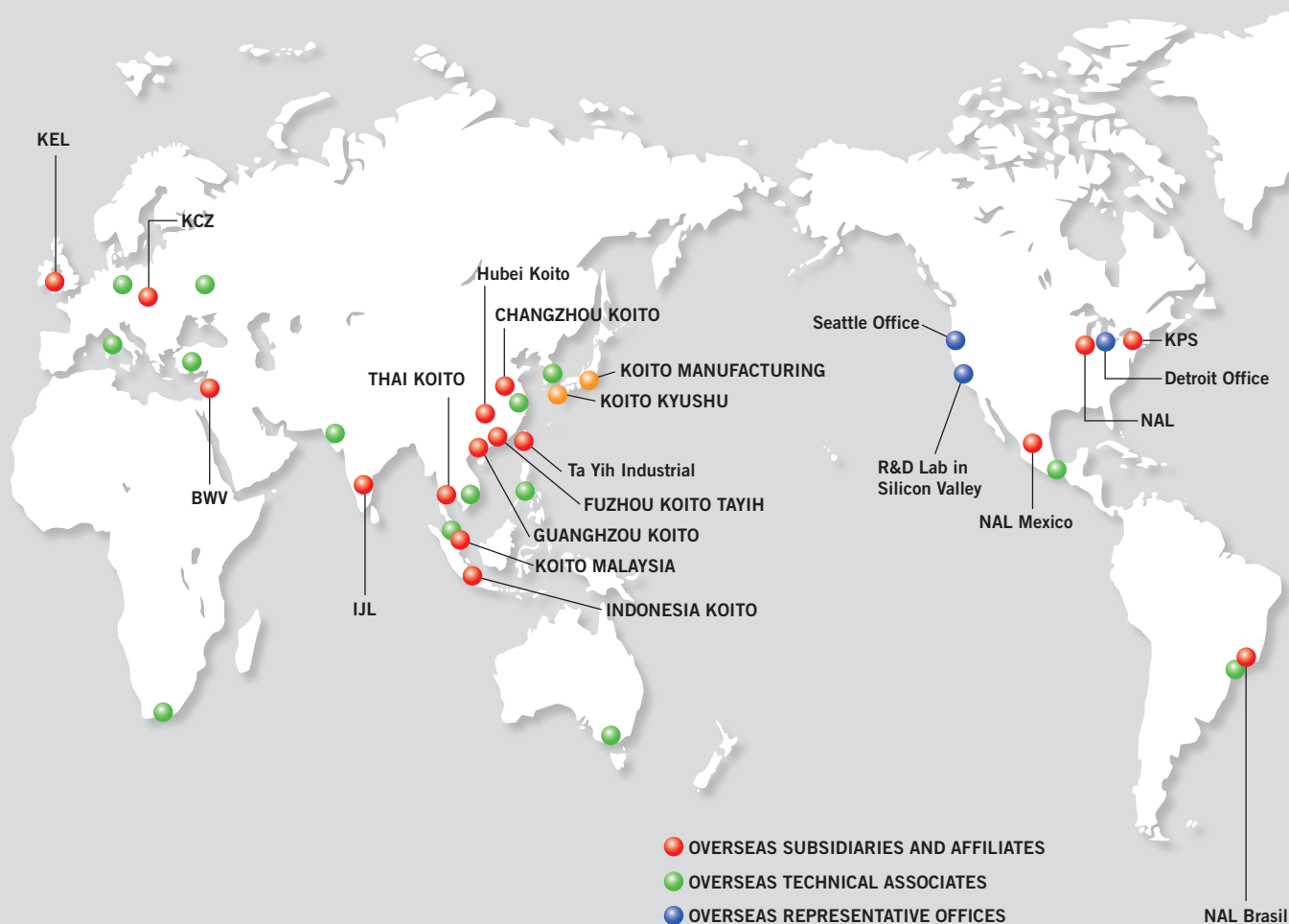
Business lines: Manufacturing and marketing of
railroad car control equipment, road traffic
signals and traffic control systems, and seats for
railroad cars, etc.

Minatsu, Ltd. (Kanagawa Pref.)

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

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

Business lines: Manufacturing and
marketing of railroad car seats



OVERSEAS TECHNICAL ASSOCIATES

North American Lighting, Inc. (U.S.A.)
 KPS N.A., INC. (U.S.A.)
 North American Lighting Mexico, S.A. de C.V. (Mexico)
 Hella Automotive Mexico S.A. de C.V. (Mexico)
 NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda. (Brazil)
 Industrias Arteb S.A. (Brazil)
 Koito Europe Limited (U.K.)
 Koito Czech s.r.o. (Czech Republic)
 HELLA GmbH & Co. KGaA (Germany)
 FARBA AYDINLATMA SİSTEMLERİ ANONİM ŞİRKETİ (Turkey)
 Automotive Lighting Italia S.p.A. (Italy)

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

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



KOITO MANUFACTURING CO., LTD.

