

This document has been translated from the Japanese original. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

June 10, 2020

To our shareholders:

Hiroshi Mihara
President

KOITO MANUFACTURING CO., LTD.

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

NOTICE OF THE 120TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 120th Ordinary General Meeting of Shareholders of KOITO MANUFACTURING CO., LTD. (the “Company”), which will be held as described below. However, in consideration of the impact of the novel coronavirus pandemic, we would like you to refrain from attending this year’s General Meeting of Shareholders regardless of your health status. You may exercise your voting rights by either of the following methods. Please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights.

Exercising Voting Rights

[For those attending the meeting]

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

[For those exercising voting rights by mail]

Please use the enclosed voting form to indicate your approval or disapproval and return it so it reaches us by 5:00 p.m., Thursday, June 25, 2020 (Japan Standard Time), the day before the Ordinary General Meeting of Shareholders.

[For those exercising voting rights by the Internet]

Please access the voting website (<https://evote.tr.mufg.jp/>) to submit votes of approval or disapproval. Votes can be submitted until 5:00 p.m., Thursday, June 25, 2020 (Japan Standard Time).

Meeting Details

1. **Date and time:** Friday, June 26, 2020 at 10:00 a.m. (Japan Standard Time)
*Reception desk opens at 9:00 a.m.
2. **Venue:** Shinagawa Prince Hotel, Main Tower 24th floor, Crystal 24
4-10-30, Takanawa, Minato-ku, Tokyo

3. Agenda of the General Meeting of Shareholders:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 120th Term (from April 1, 2019 to March 31, 2020), as well as the results of audit of the Consolidated Financial Statements by the Independent Auditors and the Audit and Supervisory Board.
2. Financial Statements for the 120th Term (from April 1, 2019 to March 31, 2020)

Items to be resolved:

Proposal 1: Dividends of surplus

Proposal 2: Election of three (3) Audit and Supervisory Board Member

Reference Documents for the General Meeting of Shareholders

Proposal 1: Dividends of surplus

KOITO's policy is to continuously pay stable dividends to shareholders based on the comprehensive evaluation of our present business results, business climate, etc. However, in consideration of the deterioration of our business results and continuous severe impact on our business climate caused by the novel coronavirus pandemic, we sincerely regret to announce that we have decided to pay ¥20 of year-end dividend per share.

Accordingly, the full year dividend, including the interim dividend, is scheduled to be ¥72.

Matters related to year-end dividend

1. Type of dividend property:

Cash

2. Allocation of dividend property and total amount thereof

¥20 per common share of the Company

Total amount: ¥3,214,680,920

3. Effective date of distribution of dividends of surplus

June 29, 2020

Proposal 2: Election of three (3) Audit and Supervisory Board Members

The tenure of the incumbent three (3) Audit and Supervisory Board Members will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company proposes the election of three (3) Audit and Supervisory Board Members.

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

The candidates for Audit and Supervisory Board Members are as follows:

No. 1	Mitsuo Kikuchi (born on April 2, 1945)	Up for re-election
Number of shares of the Company held: 24,100 shares	Career history, position and important positions concurrently held	
	April 1968	Joined the Company
	April 1995	General Manager, Production Control Department
	June 1999	Director
	June 2005	Managing Director
	June 2006	Senior Managing Director
	June 2009	Executive Vice President
	June 2013	Standing Audit and Supervisory Board Member (present position)
	Reasons for nomination as candidate for Audit and Supervisory Board Member	
	Since joining the Company, Mr. Kikuchi has acquired extensive business experience through serving as the Head of Sales Headquarters, Deputy Head of Production Headquarters and in other positions. He has also been involved in various management matters of the Company as a Director.	
	The Company proposes his re-election as an Audit and Supervisory Board Member for the purpose of using his knowledge and experience to strengthen the Company's auditing activities.	
	There is no particular business or other relationship between the candidate and the Company.	

No.2

Yohei Kawaguchi (born on May 9, 1951)

Up for re-election

Number of shares
of the Company held:
14,800 shares

Career history, position and important positions concurrently held

April 1974	Joined the Company
April 2002	General Manager of Purchasing Department
June 2003	Director
June 2006	Managing Director
June 2012	Managing Corporate Officer
June 2013	Senior Managing Director
June 2017	Standing Audit and Supervisory Board Member (present position)

Reasons for nomination as candidate Audit and Supervisory Board Member

Since joining the Company, Mr. Yohei Kawaguchi has acquired extensive business experience through serving as Head of Sales Headquarters and in other positions. He has also been involved in various management matters of the Company as a Director.

The Company proposes his re-election as an Audit and Supervisory Board Member for the purpose of using his knowledge and experience to strengthen the Company's auditing activities.

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

No.3

Yukinobu Suzuki (born on June 16, 1946)

Up for re-election
Outside
Independent executive

Number of shares
of the Company held:
0 shares

Career history, position and important positions concurrently held

April 1965	Joined Sendai Regional Taxation Bureau
July 1990	Assistant Director, Large Enterprise Examination Division, Large Enterprise Examination and Criminal Investigation Department, National Tax Agency
July 1995	Deputy District Director, Hachioji Tax Office
December 1995	Acquired qualification as certified tax accountant
July 2005	Director-General, Takamatsu National Tax Tribunal
July 2009	Adviser (part time), the Company
January 2010	Audit and Supervisory Board Member, Koito Insurance Services Co., Ltd. (present position)
June 2016	Outside Audit and Supervisory Board Member, the Company (present position)

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

Mr. Yukinobu Suzuki is a certified tax accountant. The Company proposes his re-election as an Outside Audit and Supervisory Board Member for the purpose of using his knowledge and experience to strengthen the Company's auditing activities.

During the period from July 2009 to June 2016, he served as part-time Adviser for the Company. However, the annual amount of his advisory fees was less than ¥4 million, and currently there is no advisory agreement existing between him and the Company. Therefore, there is no risk of a conflict of interest with general shareholders and Mr. Suzuki's independence is unaffected.

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

Notes:

1. Mr. Suzuki is a candidate for Outside Audit and Supervisory Board Member.
2. Matters concerning the candidate for Outside Audit and Supervisory Board Member are as follows.
 - (1) The Company has submitted a notice to the Tokyo Stock Exchange that Mr. Suzuki has been designated as an independent executive as provided for by the aforementioned exchange. If his re-election is approved, the Company plans for his appointment as an independent executive to continue.
 - (2) Reason for determining that the candidate can properly perform the duties of an Outside Audit and Supervisory Board Member.

Mr. Suzuki has never been directly involved with a company's management other than being an outside executive. However, he has sufficient knowledge as an expert in finance and accounting to oversee management as certified tax accountant. As a result, the Company believes that Mr. Suzuki can perform the duties of an Outside Audit and Supervisory Board Member properly.

- (3) Mr. Suzuki is currently an Audit and Supervisory Board Member of Koito Insurance Services Co., Ltd., which is the Company's subsidiary (specified related business operator).
- (4) At the conclusion of this meeting, Mr. Suzuki will reach four years of tenure as an Outside Audit and Supervisory Board Member.
- (5) Liability limitation agreements with Outside Audit and Supervisory Board Members

To enable Outside Audit and Supervisory Board Members to perform their duties as expected, the current Articles of Incorporation provide for agreements that limit the liability of Outside Audit and Supervisory Board Members for matters specified by laws and regulations concerning liability in Article 423, paragraph 1 of the Companies Act and in accordance with Article 427, paragraph 1 of this act. These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations.

Mr. Suzuki, an Outside Audit and Supervisory Board Members candidate has established the agreement with the Company. If Mr. Suzuki is re-elected, the Company plans to renew the agreement with him.

(Accompanying documents) **BUSINESS REPORT** (from April 1, 2019 to March 31, 2020)

1. Matters related to the KOITO Group

1) Performance and results of business activities

During the period under review, the Japanese economy showed a trend of moderate recovery in the first half of the fiscal 2020 due to an increase in capital investment. In the second half of the fiscal year, however, economic growth slowed sharply due to a decrease in consumer spending caused by the consumption tax increase and stagnation of corporate activities caused by the novel coronavirus pandemic.

Globally, economic activity stagnated in various regions due to the trade dispute between the U.S. and China, the political turmoil of Brexit, geopolitical risks, and spread of the COVID-19 infections. As a result, global economic growth slowed down as a whole.

In the Japanese auto industry, the production volume decreased year on year for both domestic and export vehicles. The global automobile production volume decreased year on year due to the decreased production volume in North America, China, Asia, Europe, ASEAN countries and India.

In this climate, despite an increase in new orders in the mainstay automotive lighting equipment segment and a shift in automobile lamps to LED, the KOITO Group's net sales for the fiscal 2020 decreased 3.1% year on year to ¥800.9 billion due to a decrease in the global automobile production volume.

Results by geographical segment are outlined as follows:

Japan	Despite the decrease in domestic automobile production volume, sales in Japan remained flat year on year to ¥383.6 billion due to an increase in new orders and a shift in automobile lamps to LED.	Composition of sales 47.9%
North America	Sales in North America decreased 9.2% year on year to ¥181.9 billion due to a decrease in automobile production volume and the effect of currency exchange.	Composition of sales 22.7%
China	Despite a shift in automobile lamps to LED and an increase in new orders, sales in China remained flat year on year to ¥93.6 billion due to a decrease in automobile production volume caused by the novel coronavirus pandemic and the effect of currency exchange.	Composition of sales 11.7%
Asia	Despite a shift in automobile lamps to LED and an increase in new orders, sales in Asia decreased 4.4% year on year to ¥101.7 billion due to a decrease in automobile production volume.	Composition of sales 12.7%
Europe	Sales in Europe decreased 9.1% year on year to ¥35.0 billion due to a decrease in automobile production volume and the effect of currency exchange.	Composition of sales 4.4%
Other regions	KOITO's subsidiary, NAL Brasil commenced operations in May 2018. Sales in the region were ¥4.7 billion.	Composition of sales 0.6%

On the earnings front, although the Company implemented rationalization in Japan and overseas, operating income decreased 18.8% year on year to ¥82.4 billion, recurring profit decreased 19.2% year on year to ¥85.2 billion, and profit attributable to owners of parent decreased 20.4% year on year to ¥58.0 billion. This was attributable to a decrease in sales caused by a decrease in automobile production volume and increased R&D expenses, depreciation cost for capital investment to meet new orders.

2) Capital expenditures

Capital expenditures totaled ¥56.7 billion. Outlays were centered on the automotive lighting equipment segment, primarily in assembly lines, molds and buildings & structures for adapting to new products and model changes both Japan and overseas.

3) Financing

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

4) Key issues

Putting the highest priority on the safety of customers, business partners, employees and their families, KOITO Group implements various measures based on requests from the government and local governments for the purposes of preventing the spread of the novel coronavirus pandemic. While there is a great impact on the world's and Japanese economy, in order to minimize the impact on business of KOITO Group, and to maintain and continue business activities, KOITO Group will continue to reinforce its mutually complementary supply network and its supply chain, and to promote telework, etc. Further, KOITO Group will continue efforts to achieve higher earnings through strengthening and thoroughly implementing cost-cutting measures such as work productivity and streamlining.

In order to deal with worldwide trends in the automobile industry, as a global supplier, the KOITO Group is working to restructure and reinforce its management framework, establish development, production and sales systems. In addition, the Group is working to enhance internal control over corporate activities. To accomplish this, the Group is striving to improve management practices by developing innovative new technologies and products that anticipate market and customer needs, and preserving the environment, as well as boosting productivity, implementing cost-cutting measures, promoting quality improvement activities and strengthening the corporate structure.

On March 22, 2013, the Company 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. In the U.S. and Canada, plaintiffs have filed lawsuits against the Company and its U.S. subsidiary, and are seeking payment for damages they claim to have incurred. For both lawsuits, a settlement has been reached on some of the cases, and the Company is awaiting approvals by the court. As for other lawsuits, the Company will continue reviewing the details of the statement of claim and deal with this matter in an appropriate manner.

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

The Company asks shareholders for your continued understanding and support.

5) Changes in assets and profit (loss)

	million yen (except per share amounts)			
	117th Term	118th Term	119th Term	120th Term
	April 1, 2016 –	April 1, 2017 –	April 1, 2018 –	April 1, 2019 –
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Net sales	841,456	848,868	826,257	800,928
Profit attributable to owners of parent	56,692	83,397	72,895	58,022
Net income per share (yen)	352.80	518.90	453.52	360.99
Total assets	658,341	672,055	738,175	729,715
Net assets	381,000	444,808	503,564	513,524

Notes:

1. Net sales do not include consumption taxes.
2. Net income per share is based on the average number of shares issued in each fiscal year after deducting treasury stock.

6) Significant subsidiaries

i. Significant subsidiaries

1) Domestic subsidiaries

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

Note: KI HOLDINGS CO., LTD. became a wholly-owned subsidiary of the Company on August 1, 2019 through a tender offer and demand for sale of the shares made by the Company, and it subsequently ceased to exist as a result of an absorption-type merger with the Company as the surviving company on April 1, 2020. Percentages in parentheses represent the equity ownership percentage for subsidiaries and are included in the total.

2) Overseas subsidiaries

Company name	Capital	Equity ownership percentage	Description of principal businesses
North America			
North American Lighting, Inc.	130,000 thousands of U.S. dollars	100.0%	Manufacturing and marketing of automotive lighting equipment
North American Lighting Mexico, S.A. de C.V.	750 millions of Mexican peso	90.0% (30.0%)	Manufacturing and marketing of automotive lighting equipment
Europe			
Koito Europe Limited	65,000 thousands of Sterling pound	100.0%	Manufacturing and marketing of automotive lighting equipment
Koito Czech s.r.o.	1,000 millions of Czech koruna	100.0%	Manufacturing and marketing of automotive lighting equipment
China			
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	4,000 million yen	100.0%	Manufacturing and marketing of automotive lighting equipment
Hubei Koito Automotive Lamp Co., Ltd.	5,000 million yen	100.0%	Manufacturing and marketing of automotive lighting equipment
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.	9,000 thousands of U.S. dollars	100.0% (49.0%)	Manufacturing and marketing of automotive lighting equipment
Asia			
THAI KOITO COMPANY LIMITED	365,200 thousands of Thai baht	61.8%	Manufacturing and marketing of automotive lighting equipment
PT. INDONESIA KOITO	60,000 thousands of U.S. dollars	90.0%	Manufacturing and marketing of automotive lighting equipment
Ta Yih Industrial Co., Ltd.	762,300 thousands of New Taiwan dollar	32.5%	Manufacturing and marketing of automotive lighting equipment
INDIA JAPAN LIGHTING PRIVATE LIMITED	4,099 millions of Indian rupee	100.0%	Manufacturing and marketing of automotive lighting equipment
KOITO MALAYSIA SDN. BHD.	200 millions of Malaysian ringgit	90.0%	Manufacturing and marketing of automotive lighting equipment
South America			
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	303,000 thousands of Brazilian Real	95.0% (20.0%)	Manufacturing and marketing of automotive lighting equipment
KI HOLDINGS Group			
KPS N.A., INC.	400 thousands of U.S. dollars	100.0% (100.0%)	Manufacturing and marketing of railroad car electric components
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	200 million yen	50.0% (50.0%)	Manufacturing and marketing of railroad car electric components

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

ii. Technology alliances

The Company has technology alliances primarily with the following companies.

1) Agreements to provide technological support

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

2) Agreements to receive technological support

Company name	Country
PTI Technologies Inc.	USA

7) Description of principal businesses (as of March 31, 2020)

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

8) Main offices and plants (as of March 31, 2020)

i. The Company

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

ii. Subsidiaries

1) Domestic subsidiaries

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

2) Overseas subsidiaries

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

9) Employees (as of March 31, 2020)

Number of employees	Change from previous fiscal year
24,769	+161

10) Principal lenders (as of March 31, 2020)

Lender	Outstanding amount of loan (million yen)
Sumitomo Mitsui Banking Corporation	12,830
MUFG Bank, Ltd.	11,125
Mizuho Bank, Ltd.	4,230

11) Acquisition of shares of other company and implementation of absorption-type merger

The Company acquired the common shares of KI HOLDINGS CO., LTD., which had been a consolidated subsidiary of the Company, through a tender offer and demand for sale of shares made by the Company, and on August 1, 2019, it made that company a wholly-owned subsidiary.

Then, pursuant with a resolution passed by the extraordinary Board of Directors on January 30, 2020, and an absorption-type merger agreement was entered into between the two companies whereby KI HOLDINGS CO., LTD. would be the company that ceases to exist and the Company would be the surviving company. Then, on April 1, 2020, that company was absorbed by absorption-type merger.

2. Shares (as of March 31, 2020)

1) Total number of shares authorized to be issued	320,000,000 shares
2) Total number of shares issued	160,789,436 shares
3) Number of shareholders	9,092

4) Principal shareholders

Shareholders	Number of shares held (thousand shares)	Ratio of shares held (%)
TOYOTA MOTOR CORPORATION	32,158	20.0
The Master Trust Bank of Japan, Ltd. (Trust account)	8,911	5.5
Japan Trustee Services Bank, Ltd. (Trust account)	5,823	3.6
Sumitomo Mitsui Banking Corporation	5,442	3.4
Nippon Life Insurance Company	5,382	3.3
MUFG Bank, Ltd.	5,154	3.2
STATE STREET BANK AND TRUST COMPANY 505223	4,255	2.6
The Dai-ichi Life Insurance Company, Limited	4,000	2.5
SSBTC CLIENT OMNIBUS ACCOUNT	2,947	1.8
Aioi Nissay Dowa Insurance Co.,Ltd.	2,851	1.8

Note: Ratio of shares held is calculated by deducting treasury stock (55,390 shares).

<Reference>

Distribution by owners

Financial institution	35.9%
Foreign corporation, etc.	30.5%
Other domestic corporation	28.4%
Individual, etc.	4.2%
Financial instruments business operator (brokerage house)	1.0%

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

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

Name	First Issue of Subscription Rights to Shares (Stock compensation-type stock options)
Date of issuance resolution	June 26, 2015
Holders	11 Directors (except Outside Directors)
Number of subscription rights to shares	320
Type and number of shares subject to subscription rights to shares	Common shares 32,000 shares
Amount to be paid upon exercise of subscription rights to shares	One (1) yen per share
Exercise period of subscription rights to shares	July 30, 2015 - July 29, 2045
Primary condition for exercise of subscription rights to shares	Once an individual is no longer the Company's Director or Corporate Officer, any subscription rights to shares held can be exercised only during the 10-day period starting on the next day following the day the Company's position ended.

4. Company's executives

1) Directors and Audit and Supervisory Board Members (as of March 31, 2020)

Position	Name	In charge of/Important positions concurrently held
Chairman	Masahiro Otake	
President	Hiroshi Mihara	
Executive Vice President	Koichi Sakakibara	Personnel Department General Affairs Department, Shizuoka Quality Assurance Department
Executive Vice President	Kenji Arima	Engineering Headquarters Mobility Strategy Department Research & Development Department Intellectual Property Department
Senior Managing Director	Masami Uchiyama	Production Headquarters Shizuoka Plant Haibara Plant Logistics Department Safety Environment Department Production Control Department Electronics Products Production Department Director, KI HOLDINGS CO., LTD.
Senior Managing Director	Michiaki Kato	Sales Headquarters International Operations Headquarters
Senior Managing Director	Hideharu Konagaya	Finance & Accounting Headquarters Purchasing Department Auditor, KI HOLDINGS CO., LTD.
Senior Managing Director	Katsuyuki Kusakawa	Engineering Headquarters Corporate Planning Department Compliance Department Cost Administration Department Engineering Department Mobility Strategy Department
Director and Senior Adviser	Takashi Ohtake	
Director and Managing Corporate Officer	Hideo Yamamoto	General Affairs Department Information System Department Internal Audit Department
Director and Managing Corporate Officer	Jun Toyota	International Operations Headquarters
Director and Managing Corporate Officer	Takayuki Katsuda	Engineering Headquarters Project Management Department System Product Development Department Shizuoka 1st Design Department Toyota Design Department Mobility Strategy Department
Director (Outside) (Independent executive)	Haruya Uehara	Senior Adviser, Mitsubishi UFJ Trust and Banking Corporation External Director, Audit and Supervisory Committee Member, NIKON CORPORATION

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

Notes:

1. Director Haruya Uehara and Director Kingo Sakurai are Outside Directors.
2. Audit and Supervisory Board Members Yukinobu Suzuki and Hiroshi Kimeda are Outside Audit and Supervisory Board Members.
3. Audit and Supervisory Board Member Yukinobu Suzuki is a certified tax accountant who has considerable expertise in the fields of finance and accounting.
4. A notice has been submitted to the Tokyo Stock Exchange that Director Haruya Uehara, Director Kingo Sakurai, Audit and Supervisory Board Member Yukinobu Suzuki and Audit and Supervisory Board Member Hiroshi Kimeda are designated as independent executive in accordance with the regulations of this exchange.
5. On the basis of the stipulations of Article 427, paragraph 1 of the Companies Act, the Company and its Outside Directors and its Outside Audit and Supervisory Board Members have concluded an agreement limiting restitution liability for Article 423, paragraph 1 of the same act. These agreements limit the monetary liability of these individuals to the minimum liability amount specified by laws and regulations.

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

	Number of persons paid	Amount paid (million yen)
For Directors	15	1,196
For Audit and Supervisory Board Members	4	103
Total	19	1,299

Notes:

1. The above table includes one retired Director at the conclusion of the 119th Ordinary General Meeting of Shareholders held on June 27, 2019.
2. Aggregate remuneration for the Outside Directors and Outside Audit and Supervisory Board Members, a total of four individuals, was ¥55 million.
3. The Company abolished its Directors' and Audit and Supervisory Board Members' executive retirement bonuses payment system at the conclusion of the 112th Ordinary General Meeting of Shareholders held on June 28, 2012. The Company also decided to grant executive retirement bonuses, at the time of the retirement of each person involved, to cover the period in post up to the abolition of the system to Directors and Audit and Supervisory Board Members continuing in post subsequent to the conclusion of the aforementioned General Meeting of Shareholders.
On the basis of this decision, an executive retirement bonus of ¥56 million was paid to one retired Director. These amounts included ¥42 million for one Director, which were transferred from provision for Directors' retirement benefits included in the total remuneration, etc. to executives in the business report for past years.
4. Besides the above, one Outside Audit and Supervisory Board Member receives executives' remuneration of ¥0 million from Koito Insurance Services Co., Ltd., a subsidiary of the Company.

3) Outside executives

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

Director Haruya Uehara is a Senior Adviser of Mitsubishi UFJ Trust and Banking Corporation and an External Director (Audit and Supervisory Committee Member) of NIKON CORPORATION.

Audit and Supervisory Board Member Yukinobu Suzuki is an Audit and Supervisory Board Member of Koito Insurance Services Co., Ltd., which is a subsidiary of the Company.

The Company has a business relationship related to insurance agency services with Koito Insurance Services Co., Ltd.

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

- ii. Major activities during the fiscal year ended March 2020

	Name	Attendance at the Board of Directors Meetings	Attendance at the Audit and Supervisory Board Meetings	Major activities
Outside Director	Haruya Uehara	All 13 meetings (100.0%)	—	Haruya Uehara provided opinions and other information based on his knowledge and experience concerning corporate management. In this role, he verified the adequacy and appropriateness of decisions by the Board of Directors and provided other advice and ideas.
Outside Director	Kingo Sakurai	All 13 meetings (100.0%)	—	Kingo Sakurai provided opinions and other information based on his knowledge and experience concerning accounting as a Certified public accountant. In this role, he verified the adequacy and appropriateness of decisions by the Board of Directors and provided other advice and ideas.

	Name	Attendance at the Board of Directors Meetings	Attendance at the Audit and Supervisory Board Meetings	Major activities
Outside Audit and Supervisory Board Member	Yukinobu Suzuki	All 13 meetings (100.0%)	All 8 meetings (100.0%)	Yukinobu Suzuki provided opinions primarily by using his financial and tax practice expertise and performed other activities for verifying the adequacy and appropriateness of decisions by the Board of Directors, etc. and offering other advice and ideas.
Outside Audit and Supervisory Board Member	Hiroshi Kimeda	12 of the 13 meetings (92.3%)	All 8 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.

5. Independent Auditors

1) Name of Independent Auditors

ARK LLC.

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

2) Remuneration, etc. to the Independent Auditors

	Amount paid (million yen)
1. Amount of remuneration, etc. paid by the Company	51
2. Total amount of money and other property benefits paid by the Company and its subsidiaries	65

Notes:

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

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

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

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

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

6. System for ensuring appropriate business execution

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1) Compliance system

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

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

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

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

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

2) System concerning the execution of duties by Directors

At the Company, based on the Company's regulations, management decisions and supervision are conducted by the Board of Directors, the execution of duties is conducted by Directors and Corporate Officers, and the execution of duties is audited by Audit and Supervisory Board Members. The Board of Directors, which comprises 14 Directors (including 2 Outside Directors), in principle meets once per month and is attended by Directors and Audit and Supervisory Board Members. It reports on progress in the execution of duties and makes decisions on important matters.

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

3) Risk management system

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

4) System for management of Group companies

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

5) System concerning Audit and Supervisory Board Members

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

8. Basic policy concerning corporate control

1) Explanation of basic policy

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

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

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

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

2) Initiative to enhance corporate value

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

Strategies for taking KOITO forward are as follows:

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

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

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

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

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

FINANCIAL STATEMENTS, ETC.

Consolidated Balance Sheets

(¥ millions)

	Fiscal 2019 As of March 31, 2019	Fiscal 2020 As of March 31, 2020
Assets		
Current assets:		
Cash and time deposits	287,803	271,774
Trade notes and accounts receivable	118,116	107,872
Electronically recorded monetary claims-operating	13,355	12,816
Inventories	66,632	65,544
Other current assets	28,179	34,505
Allowance for doubtful accounts	(517)	(362)
Total current assets	513,569	492,150
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	45,599	49,552
Machinery and transportation equipment (net)	60,475	66,417
Fixtures, equipment and tools (net)	15,545	17,050
Land	16,430	16,028
Construction in progress	20,718	21,033
Total property, plant and equipment	158,769	170,082
Intangible fixed assets	3,183	3,193
Investments and other assets:		
Investment securities	43,963	45,701
Claims provable in bankruptcy, claims provable in rehabilitation and other	60	59
Deferred income tax assets	13,621	14,711
Net defined assets for retirement benefits	2,401	1,599
Other investments	2,897	2,504
Allowance for doubtful accounts	(291)	(288)
Total investments and other assets	62,652	64,288
Total non-current assets	224,605	237,564
Total assets	738,175	729,715

Note: Yen in millions, round down

(¥ millions)

	Fiscal 2019 As of March 31, 2019	Fiscal 2020 As of March 31, 2020
Liabilities		
Current liabilities:		
Trade notes and accounts payable	93,816	85,737
Electronically recorded monetary obligations-operating	12,079	8,692
Short-term loans	23,507	29,171
Accrued expenses	24,222	21,073
Income taxes payable	5,691	7,147
Allowance for employees' bonuses	5,455	5,332
Reserve for product warranties	2,584	2,517
Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	83	—
Allowance for expenses for damages	—	91
Allowance for environmental strategies	—	40
Other current liabilities	15,826	13,888
Total current liabilities	183,265	173,690
Non-current liabilities:		
Long-term debt	8,975	355
Deferred income tax liabilities	6,529	6,221
Allowance for directors' and corporate auditors' retirement benefits	478	266
Reserve for product warranties	5,437	5,796
Allowance for environmental strategies	206	4
Net defined liability for retirement benefits	27,977	28,027
Other non-current liabilities	1,741	1,827
Total non-current liabilities	51,345	42,500
Total liabilities	234,611	216,190
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	16,759	13,373
Retained earnings	407,725	449,031
Treasury common stock, at cost	(55)	(53)
Total shareholders' equity	438,700	476,622
Accumulated other comprehensive income:		
Valuation adjustment on marketable securities	19,857	14,822
Translation adjustments	3,473	(9,333)
Adjustments in defined benefit plans	(694)	(1,608)
Total accumulated other comprehensive income	22,636	3,880
Subscription rights to shares	245	231
Non-controlling interests	41,981	32,789
Total net assets	503,564	513,524
Total liabilities and net assets	738,175	729,715

Note: Yen in millions, round down

Consolidated Statements of Income

(¥ millions)

	Fiscal 2019 April 1, 2018 to March 31, 2019	Fiscal 2020 April 1, 2019 to March 31, 2020
Net sales	826,257	800,928
Cost of sales	678,738	672,890
Gross profit	147,518	128,038
Selling, general and administrative expenses:		
Selling expenses	14,720	13,502
General and administrative expenses	31,263	32,124
Total selling, general and administrative expenses	45,984	45,626
Operating income	101,534	82,411
Non-operating income:		
Interest income	1,313	1,724
Dividends	1,349	1,274
Royalty income, other	679	597
Equity in earnings of affiliates	1	—
Foreign exchange gains	363	—
Other non-operating income	1,598	1,692
Total non-operating income	5,306	5,289
Non-operating expenses:		
Interest expenses	837	870
Shares of loss of entities accounted for using equity method	—	350
Foreign exchange losses	—	814
Loss on revision of retirement benefit plan	174	—
Other non-operating expenses	334	401
Total non-operating expenses	1,346	2,436
Recurring profit	105,494	85,264
Extraordinary gains:		
Gain on sales of property and equipment	291	25
Gain on sales of investment securities	—	27
Insurance payments received	212	—
Total extraordinary gains	504	52
Extraordinary losses:		
Loss on sale and disposal of property and equipment	806	700
Loss on valuation of investment securities	—	14
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	—	324
Loss on extinguishment of tie-in shares	—	127
Allowance for expenses for damages	—	91
Loss on provision for environmental measures	484	—
Loss on valuation of inventories	268	—
Total extraordinary losses	1,559	1,258
Income before income taxes	104,439	84,058
Income taxes	23,834	21,252
Income tax adjustment	(288)	717
Total income taxes	23,545	21,970
Net income	80,893	62,087
(Breakdown)		
Profit attributable to owners of parent	72,895	58,022
Profit attributable to non-controlling interests	7,998	4,065

Note: Yen in millions, round down

Consolidated Statements of Changes in Shareholders' Equity

Fiscal 2020 (April 1, 2019 to March 31, 2020)

(¥ millions)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	14,270	16,759	407,725	(55)	438,700
Changes during fiscal year					
Dividends from retained earnings	—	—	(16,716)	—	(16,716)
Profit attributable to owners of parent	—	—	58,022	—	58,022
Purchases of treasury stock	—	—	—	(0)	(0)
Disposal of treasury stock	—	11	—	2	13
Changes of equity interest in consolidated subsidiaries	—	(0)	—	—	(0)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	(3,396)	—	—	(3,396)
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—
Total changes during fiscal year	—	(3,385)	41,306	1	37,922
Balance at fiscal year-end	14,270	13,373	449,031	(53)	476,622

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation adjustment on marketable securities	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	19,857	3,473	(694)	22,636	245	41,981	503,564
Changes during fiscal year							
Dividends from retained earnings	—	—	—	—	—	—	(16,716)
Profit attributable to owners of parent	—	—	—	—	—	—	58,022
Purchases of treasury stock	—	—	—	—	—	—	(0)
Disposal of treasury stock	—	—	—	—	—	—	13
Changes of equity interest in consolidated subsidiaries	—	—	—	—	—	—	(0)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	(3,396)
Changes in items other than shareholders' equity during fiscal year (net)	(5,034)	(12,807)	(913)	(18,755)	(13)	(9,192)	(27,961)
Total changes during fiscal year	(5,034)	(12,807)	(913)	(18,755)	(13)	(9,192)	9,960
Balance at fiscal year-end	14,822	(9,333)	(1,608)	3,880	231	32,789	513,524

Note: Yen in millions, round down

Notes to consolidated financial statements

1. Basis of preparation for consolidated financial statements

(1) Scope of consolidation

i. Consolidated subsidiaries

Number of consolidated subsidiaries: 29

Names of primary consolidated subsidiaries:

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

North American Lighting, Inc. and others 15 overseas subsidiaries

ii. Non-consolidated subsidiaries

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

Reason for exclusion from the scope of consolidation:

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

(2) Application of the equity method

i. Equity-method affiliates

Number of affiliates to which the equity method was applied: 2 companies

Company name: Takeda Suntech Co., Ltd., Brightway Vision Ltd.

Effective the fiscal year under review, the Company has included Brightway Vision Ltd.as an affiliate to which the equity method is applied because of the acquisition of shares of that company.

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

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

Reason for not applying the equity method:

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

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

The fiscal year of KI HOLDINGS CO., LTD., KOITO ELECTRIC INDUSTRIES, LTD., KOITO KYUSHU LIMITED, Koito Transport Co., Ltd., Minatsu, Ltd., Okayama Industry Co. Ltd., and INDIA JAPAN LIGHTING PRIVATE LIMITED ends on March 31.

For other consolidated subsidiaries (22 companies including Aoitec Co., Ltd.), the Company made consolidated financial statements based on provisional statements of accounts as of March 31.

Previously, as the fiscal year-end dates for KI HOLDINGS CO., LTD., KOITO ELECTRIC INDUSTRIES, LTD., and Minatsu, Ltd. were all September 30, the Company used financial statements based on provisional calculations as of the consolidated closing date for those companies when preparing the consolidated financial statements. However, effective the fiscal

year under review, the fiscal year-end dates of those companies were changed to March 31, making them the same as the consolidated closing date. The impact of this change on consolidated financial statements was immaterial.

(4) Accounting policy

i. Valuation basis and methods for significant assets

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

With market value

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

Without market value

Cost method based on the moving-average method

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

- d. Derivatives: Market value method
- e. Money trusts for investments: Market value method
- f. Inventories:

The Company and its consolidated subsidiaries in Japan state inventories principally at cost as determined by the weighted average method (book values of inventories are lowered in accordance with declines in profitability). Foreign consolidated subsidiaries state inventories at the lower of cost or market as determined by the moving-average method.

ii. Depreciation and amortization method for principal assets

- a. Property, plant and equipment (excluding leased assets):

The Company and its consolidated subsidiaries in Japan compute depreciation with the declining-balance method and foreign consolidated subsidiaries use the straight-line method.

However, consolidated subsidiaries in Japan use the straight-line method for buildings (excluding attached facilities) that were acquired on or after April 1, 1998, and facilities attached to buildings and structures that were acquired on or after April 1, 2016.

- b. Intangible fixed assets (excluding leased assets):

The Company and its consolidated subsidiaries in Japan compute depreciation with the straight-line method and foreign consolidated subsidiaries use the straight-line method in accordance with the accounting standards of the countries where they are located.

- c. Leased assets: Leased assets under finance lease transactions that do not transfer ownership
Leased assets are depreciated with the straight-line method with the lease term regarded as the useful life and a residual value of zero.
- iii. Significant allowances
 - a. Allowance for doubtful accounts:
The allowance for doubtful accounts for the Company and its consolidated subsidiaries in Japan is calculated by using the actual loss ratio for ordinary receivables and recording an estimate of the amount that cannot be recovered for specific doubtful receivables after determining the likelihood of collection. Foreign consolidated subsidiaries primarily record estimated amounts that cannot be recovered for specific receivables.
 - b. Allowance for employees' bonuses:
The allowance for employees' bonuses for the Company and some of its consolidated subsidiaries in Japan is the estimated amount of bonuses to be paid to employees based on their services provided during the fiscal year.
 - c. Reserve for product warranties:
Reserve for product warranty for the Company and some of its consolidated subsidiaries is the estimated amount of expenses associated with product warranties in accordance with the designated standards.
 - d. Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade:
To prepare for the payment of loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the amount deemed as necessary is recognized by estimating a loss that may be borne in the future.
 - e. Allowance for directors' and corporate auditors' retirement benefits:
Some consolidated subsidiaries in Japan recorded the amount of required payments at the end of the fiscal year in accordance with the benefit rules, to cover the payment of executive retirement bonuses paid at the time of retirement.
 - f. Allowance for environmental strategies:
The allowance for environmental strategies is the estimated amount of expenses for environmental measures at the Company and its consolidated subsidiaries in Japan.
 - g. Allowance for expenses for damages
To prepare for payment of damage compensation, an estimated amount payable is recorded.
- iv. Standard for conversions into yen of major assets and liabilities denominated in foreign currencies
Foreign currency-denominated assets and liabilities are converted into yen using the exchange rate at the end of the fiscal year and any differences are recorded as gains or losses.
At foreign consolidated subsidiaries, assets and liabilities are converted into yen using the exchange rate at the end of the fiscal year and income and expenses are converted into yen

using the average fiscal year exchange rate. Differences are included in translation adjustments and non-controlling interests, which are part of net assets.

v. Principal methods of hedge accounting

a. Methods of hedge accounting:

The Company recognized profits or losses or appraisal differences associated with hedged items at the time of hedge and allocated them to the fiscal year under review.

b. Hedging instruments and hedged items:

Items to be hedged are exchange rate fluctuation risks in transactions denominated in foreign currencies and interest rate fluctuation risks in loans payable at fixed or floating interest rates. The Company adopts foreign exchange contracts to hedge exchange rate fluctuation risks and interest rate swap agreements to hedge interest rate fluctuation risks.

c. Hedging policy:

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

d. Hedge effectiveness evaluation methods:

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

vi. Amortization method and amortization period for goodwill:

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

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

vii. Other basis of preparation for consolidated financial statements

a. Accounting method associated with retirement benefits:

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

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

b. Treatment of consumption tax:

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

2. Change in presentation

(Consolidated balance sheets)

“Net defined assets for retirement benefits,” which had been included in “Other investments” under “Investments and other assets” in the previous fiscal year, is stated separately due to the increased materiality from the fiscal year under review. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

Accordingly, ¥2,401 million that was presented as “Other investments” under “Investments and other assets” in the consolidated statement of income for the previous fiscal year has been reclassified as “Net defined assets for retirement benefits.”

3. Notes to consolidated balance sheet

(1) Assets pledged as collateral

Machinery and equipment	¥178 million
Total	¥178 million

The above assets are used for collateral for short-term loans worth ¥135 million and long-term debt worth ¥43 million.

(2) Accumulated depreciation of property, plant and equipment: ¥332,530 million

(3) Contingent liabilities

Litigations

In Canada, plaintiffs have filed lawsuits against the Company and its consolidated subsidiary, North American Lighting, Inc., seeking payment for damages they claim to have incurred from alleged coordination concerning transactions for automotive lighting equipment. In the U.S., similar lawsuits have been filed. In each of those regions, for some of the lawsuits, the Company and its consolidated subsidiary have reached a settlement with the plaintiffs and are currently waiting for court approval of the settlement agreement.

(4) Export discount bills ¥846 million

(Change in presentation)

Export discount bills (¥21 million in the previous fiscal year) was presented from the fiscal year under review because its monetary significance increased.

4. Notes to consolidated statement of changes in equity

(1) Total number of shares issued

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

(2) Type and number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	(thousand shares) Number of shares at the end of the current fiscal year
Common shares	58	0	3	55

Notes:

1. The increase in the number of treasury stock is due to the Company's purchase of fractional shares less than one unit.
2. The decrease in the number of treasury stock is due to the exercise of stock options.

(3) Dividends of surplus

i. Cash dividends

- a. Matters concerning dividends based on resolutions at the 119th General Meeting of Shareholders (June 27, 2019)

Type of shares	Common shares
Aggregate dividends	¥8,358 million
Dividend per share	¥52
Record date	March 31, 2019
Effective date	June 28, 2019

- b. Matters concerning dividends based on resolutions at the Board of Directors Meeting (October 28, 2019)

Type of shares	Common shares
Aggregate dividends	¥8,358 million
Dividend per share	¥52
Record date	September 30, 2019
Effective date	December 5, 2019

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

The Company plans to present a proposal on that dividend as follows for resolution at the 120th General Meeting of Shareholders to be held on June 26, 2020.

Type of shares	Common shares
Aggregate dividends	¥3,214 million
Funds for the dividend	Retained earnings
Dividend per share	¥20
Record date	March 31, 2020
Effective date	June 29, 2020

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

Common shares	50,000 shares
---------------	---------------

5. Notes to financial instruments

(1) Financial instruments

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

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

(2) Market value of financial instruments

The following table shows amounts recognized on the consolidated balance sheet, market values, and the differences between them on March 31, 2020.

	Balance sheet amount (*1)	Fair value (*1)	Difference
			(million yen)
1. Cash and time deposits	271,774	271,774	—
2. Trade notes and accounts receivable	107,872	107,872	—
3. Electronically recorded monetary claims- operating	12,816	12,816	—
4. Investment securities	34,273	34,273	—
5. Claims provable in bankruptcy, claims provable in rehabilitation and other	59		
Allowance for doubtful accounts (*2)	(59)		
	—	—	—
6. Trade notes and accounts payable	[85,737]	[85,737]	—
7. Electronically recorded monetary obligations- operating	[8,692]	[8,692]	—
8. Short-term loans (*3)	[19,727]	[19,727]	—
9. Accrued expenses	[21,073]	[21,073]	—
10. Income taxes payable	[7,147]	[7,147]	—
11. Long-term debt (*3)	[9,799]	[9,799]	—

(*1) Liabilities are shown in square brackets.

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

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

Notes:

Fair value measurement of financial instruments and matters related to securities

1. Cash and time deposits

2. Trade notes and accounts receivable

3. Electronically recorded monetary claims-operating

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

4. Investment securities

The fair values of investment securities are measured at quoted market prices of the stock exchange, and those of debt securities are measured at quoted market prices of the stock exchange or those provided by counterparty financial institutions. As unlisted shares (¥10,017 million reported on the consolidated balance sheet) and investments in investment limited partnership (¥1,410 million reported on the consolidated balance sheet) had no market prices, it was very difficult to measure their fair values, so the Company did not include those shares in this category.

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

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

6. Trade notes and accounts payable

7. Electronically recorded monetary obligations-operating

8. Short-term loans

9. Accrued expenses

10. Income taxes payable

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

11. Long-term debt

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

6. Notes to per share information

(1) Net assets per share ¥2,989.43

(2) Net income per share ¥360.99

7. Notes concerning significant subsequent events

(The impact of the spread of novel coronavirus disease (COVID-19) infections)

The global spread of COVID-19 infections is expected to impact the operations and business results of the Group in FY2020 onward. However, at this point in time it is difficult to rationally estimate that effect.

(Absorption-type merger of a consolidated subsidiary)

As of April 1, 2020, the Company merged with and absorbed KI HOLDINGS CO., LTD., a wholly owned subsidiary of the Company, pursuant to a resolution by the extraordinary meeting of the Board of Directors held on January 30, 2020.

(1) Overview of transaction

- i. Name of combined company and contents of the business
Name of combined company KI HOLDINGS CO., LTD.
Contents of the business Manufacturing and marketing seats for aircraft, and other businesses
- ii. Date of business combination
April 1, 2020
- iii. Legal form of business combination
Absorption-type merger with the Company as the surviving company and KI HOLDINGS CO., LTD. as the disappearing company
- iv. Name of company after the combination
KOITO MANUFACTURING CO., LTD.
- v. Other matters concerning the summary of transaction
The purpose is to conduct further rationalization of the management structure, among others.

(2) Account processing summary

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

Non-consolidated Balance Sheets

(¥ millions)

	Fiscal 2019 As of March 31, 2019	Fiscal 2020 As of March 31, 2020
Assets		
Current assets:		
Cash and time deposits	188,097	178,200
Notes receivable	603	641
Electronically recorded monetary claims-operating	12,302	11,406
Accounts receivable-trade	54,829	47,591
Finished products	7,058	7,258
Work in progress	1,264	1,058
Raw materials and supplies	8,393	6,746
Accrued income	5,651	5,762
Other current assets	339	267
Less: Allowance for doubtful receivables	(259)	(241)
Total current assets	278,280	258,691
Non-current assets:		
Property, plant and equipment:		
Buildings (net)	7,217	8,066
Structures (net)	544	857
Machinery (net)	4,778	7,229
Transportation equipment (net)	195	217
Fixtures, equipment and tools (net)	3,225	4,293
Land	4,652	4,652
Construction in progress	352	2,943
Total property, plant and equipment	20,967	28,259
Intangible fixed assets:		
Telephone subscription rights	37	37
Other intangible fixed assets	1,537	1,828
Total intangible fixed assets	1,574	1,866
Investments and other assets:		
Investment securities	21,850	22,395
Shares of affiliated companies	59,734	83,788
Bonds of affiliated companies	1,650	—
Investments in affiliated companies	26,333	26,333
Long-term loans of affiliated companies	1,700	—
Claims provable in bankruptcy, claims provable in rehabilitation and other	60	59
Deferred income tax assets	6,641	7,899
Other investments	1,162	876
Less: Allowance for doubtful accounts	(164)	(163)
Total investments and other assets	118,968	141,189
Total non-current assets	141,510	171,315
Total assets	419,791	430,006

Note: Yen in millions, round down

(¥ millions)

	Fiscal 2019 As of March 31, 2019	Fiscal 2020 As of March 31, 2020
Liabilities		
Current liabilities:		
Notes and accounts payable	61,431	57,908
Electronically recorded monetary obligations-operating	3,851	3,538
Accrued amount payable	3,205	3,352
Accrued expenses	6,538	7,526
Income taxes payable	3,687	2,354
Allowance for employees' bonuses	3,712	3,511
Reserve for product warranties	2,584	2,232
Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	83	—
Other current liabilities	1,004	971
Total current liabilities	86,098	81,397
Non-current liabilities:		
Allowance for retirement benefits	16,661	15,939
Allowance for losses on overseas investments	7,000	2,016
Reserve for product warranties	5,437	5,400
Allowance for environmental strategies	29	4
Other non-current liabilities	1,005	937
Total non-current liabilities	30,132	24,297
Total liabilities	116,231	105,694
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital		
Capital reserve	17,107	17,107
Other additional paid-in capital	174	185
Total additional paid-in capital	17,282	17,293
Retained earnings		
Profit reserve	3,567	3,567
Other retained earnings		
Reserve for reductions of asset costs	973	955
Other reserve	100,000	100,000
Retained earnings brought forward	148,818	173,764
Total retained earnings	253,359	278,287
Treasury common stock, at cost	(55)	(53)
Total shareholders' equity	284,857	309,798
Revaluations and translation adjustments:		
Valuation adjustment on marketable securities	18,457	14,281
Total revaluations and translation adjustments	18,457	14,281
Subscription rights to shares	245	231
Total net assets	303,560	324,311
Total liabilities and net assets	419,791	430,006

Note: Yen in millions, round down

Non-consolidated Statements of Income

(¥ millions)

	Fiscal 2019 April 1, 2018 to March 31, 2019	Fiscal 2020 April 1, 2019 to March 31, 2020
Net sales	364,104	356,505
Cost of sales	301,398	305,736
Gross profit	62,705	50,769
Selling, general and administrative expenses:		
Selling expenses	10,627	10,741
General and administrative expenses	13,731	14,454
Total selling, general and administrative expenses	24,359	25,195
Operating income	38,346	25,574
Non-operating income:		
Interest income	283	380
Dividend income	10,098	12,302
Royalty income, other	7,252	8,298
Rent income	55	55
Miscellaneous income	734	284
Total non-operating income	18,425	21,322
Non-operating expenses:		
Foreign exchange losses	—	101
Miscellaneous expenses	119	81
Total non-operating expenses	119	183
Recurring profit	56,652	46,713
Extraordinary gains:		
Gain on sale of fixed assets	270	28
Gain on sale of investment securities	—	23
Gain on reversing allowance for overseas investment	—	4,984
Total extraordinary gains	270	5,036
Extraordinary losses:		
Loss on sale and disposal of fixed assets	474	496
Loss on valuation of investment securities	—	14
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	—	324
Loss on provision for environmental measures	484	—
Total extraordinary losses	958	835
Income before income taxes	55,963	50,914
Income taxes	11,024	9,229
Income tax adjustment	806	41
Total income taxes	11,831	9,270
Net income	44,132	41,644

Note: Yen in millions, round down

Non-Consolidated Statements of Changes in Shareholders' Equity

Fiscal 2020 (April 1, 2019 to March 31, 2020)

(¥ millions)

	Shareholders' equity								
	Common stock	Additional paid-in capital				Retained earnings			
		Legal capital surplus	Other additional paid-in capital	Total additional paid-in capital	Retained earnings	Other retained earnings			Total retained earnings
						Reserve for reduction of asset costs	General reserve	Retained earnings brought forward	
Balance at beginning of year	14,270	17,107	174	17,282	3,567	973	100,000	148,818	253,359
Changes during fiscal year									
Reversal of reserve for reduction of asset costs	–	–	–	–	–	(18)	–	18	–
Dividends from retained earnings	–	–	–	–	–	–	–	(16,716)	(16,716)
Profit	–	–	–	–	–	–	–	41,644	41,644
Purchases of treasury stock	–	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	11	11	–	–	–	–	–
Changes in items other than shareholders' equity during fiscal year (net)	–	–	–	–	–	–	–	–	–
Total changes during fiscal year	–	–	11	11	–	(18)	–	24,946	24,927
Balance at fiscal year-end	14,270	17,107	185	17,293	3,567	955	100,000	173,764	278,287

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to share	Total net assets
	Treasury stock	Total shareholders' equity	Valuation adjustment on investment securities	Total valuation and Translation adjustments		
Balance at beginning of year	(55)	284,857	18,457	18,457	245	303,560
Changes during fiscal year						
Reversal of reserve for reduction of asset costs	–	–	–	–	–	–
Dividends from retained earnings	–	(16,716)	–	–	–	(16,716)
Profit	–	41,644	–	–	–	41,644
Purchases of treasury stock	(0)	(0)	–	–	–	(0)
Disposal of treasury stock	2	13	–	–	–	13
Changes in items other than shareholders' equity during fiscal year (net)	–	–	(4,175)	(4,175)	(13)	(4,189)
Total changes during fiscal year	1	24,941	(4,175)	(4,175)	(13)	20,751
Balance at fiscal year-end	(53)	309,798	14,281	14,281	231	324,311

Note: Yen in millions, round down

Notes to financial statements

1. Significant accounting policies

(1) Valuation basis and methods for securities

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

ii. Other securities:

With market value

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

Without market value

Cost method based on the moving-average method

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

(2) Valuation basis and methods for derivatives and others

i. Derivatives: Market value method

ii. Money trusts for investments: Market value method

(3) Valuation basis and methods for inventories

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

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

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

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

Buildings and structures: 7-50 years

Machinery and equipment and vehicles: 3-7 years

Fixtures, equipment and tools: 2-20 years

ii. Intangible fixed assets

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

Other intangible assets: Straight-line method

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

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

(6) Allowances

i. Allowance for doubtful accounts

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

ii. Allowance for employees' bonuses

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

iii. Reserve for product warranties

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

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

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

v. Allowance for retirement benefits

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

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

vi. Allowance for losses on overseas investments

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

vii. Allowance for environmental strategies

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

(7) Method of hedge accounting

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

(8) Other basis of preparation for financial statements

i. Accounting standard for retirement benefits

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

ii. Treatment of consumption tax

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

2. Notes to balance sheet

(1) Accumulated depreciation of property, plant and equipment: ¥99,846 million

(2) Contingent liabilities

i. Guarantee liabilities

The Company guarantees following loans obtained by affiliates.

NAL do Brasil Indústria e Comércio de Componentes
de Iluminação Ltda. ¥3,141 million

INDIA JAPAN LIGHTING PRIVATE LIMITED ¥2,920 million

Koito Europe Limited ¥1,999 million

Total ¥8,060 million

ii. Litigations

In Canada, plaintiffs have filed lawsuits against the Company seeking payment for damages they claim to have incurred from alleged coordination concerning transactions for automotive lighting equipment. In the U.S., similar lawsuits have been filed. In each of those regions, for some of the lawsuits, the Company has reached a settlement with the plaintiffs and is currently waiting for court approval of the settlement agreement.

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

i. Short-term credits ¥32,186 million

ii. Short-term debits ¥23,827 million

(4) Export discount bills ¥846 million

Export discount bills (¥21 million in the previous fiscal year) was presented from the fiscal year under review because its monetary significance increased.

3. Note to statement of income

Transactions with affiliates

i. Net sales ¥199,024 million

ii. Purchase of goods ¥205,513 million

iii. Transactions excluding business transaction ¥19,593 million

4. Note to statement of changes in equity

Type and number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	(thousand shares)	
				Number of shares at the end of the current fiscal year	
Common shares	58	0	3	55	

Notes:

1. The increase in the number of treasury stock is due to the Company's purchase of fractional shares less than one unit.
2. The decrease in the number of treasury stock is due to the exercise of stock options.

5. Note to tax effect accounting

Major causes of deferred income tax assets are allowance for retirement benefits and loss on sale of investment securities, while the primary reason for recording deferred income tax liabilities is valuation adjustment on marketable securities.

6. Notes to transactions with related parties

(1) Parent companies and major corporate shareholders

Relationship	Company name	Location	Capital or investments (million yen)	Description of businesses or job	Voting rights held	Relationship with related parties		Description of transactions	Transaction amount (million yen)	Account	Ending balance (million yen)
						Interlocking of officers	Business relationships				
Other affiliate	TOYOTA MOTOR CORPORATION	Toyota city, Aichi prefecture	635,401	Manufacturing and marketing of motor vehicles and automobile parts, marketing of industrial vehicles, manufacturing and marketing of houses, and others	(Owned) Directly held 20%	-	Marketing of automotive lighting equipment	Marketing of automotive lighting equipment	177,180	Electronically recorded monetary claims-operating	6,001
										Accounts receivable-trade	16,706
								Receipt of materials	6,556	Notes and accounts payable	1,200

(2) Subsidiaries

Relationship	Company name	Location	Capital or investments	Description of businesses or job	Voting rights holding	Relationship with related parties		Description of transactions	Transaction amount (million yen)	Account	Ending balance (million yen)
						Interlocking of officers	Business relationships				
Consolidated subsidiary	KOITO KYUSHU LIMITED	Saga City, Saga Prefecture	3,000 million yen	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 100%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	79,079	Notes and accounts payable	12,180
								Supply of materials	31,877	Accrued income	771
Consolidated subsidiary	Aoitec Co., Ltd.	Hamamatsu City, Shizuoka Prefecture	100 million yen	Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery	(Ownership) Directly holding 98%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	33,758	Notes and accounts payable	2,780
Consolidated subsidiary	Shizuokadensho Co., Ltd.	Shizuoka City, Shizuoka Prefecture	76 million yen	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 65%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	38,751	Notes and accounts payable	2,083
								Supply of materials	30,978	Accrued income	931
Consolidated subsidiary	Koito Europe Limited	Droitwich City, Worcestershire U.K.	65,000 thousand Sterling pounds	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 100%	There are concurrent services of officers	Manufacturing and marketing of the company's products mainly in the U.K. There is a technological support agreement	Debt guarantee	1,999	-	-
Consolidated subsidiary	INDIA JAPAN LIGHTING PRIVATE LIMITED	Tamil Nadu, India	4,099 million Indian rupees	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 100%	There are concurrent services of officers	Manufacturing and marketing of the company's products mainly in India There is a technological support agreement	Underwriting of capital increase	11,729	-	-
								Debt guarantee	2,920	-	-
Consolidated subsidiary	NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	San Paulo, Brazil	303,000 thousand Brazilian reals	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 75%	-	Manufacturing and marketing of the company's products mainly in Brazil There is a technological support agreement	Debt guarantee	3,141	-	-

Notes:

- Of the amounts above, the "Transaction amount" does not include consumption tax and the "Ending balance" includes consumption tax.
- The terms and conditions of the above transactions and their decision policy
As in general transactions, the Company takes market prices and total costs into consideration in determining the transactions.
- The Company provides guarantees for loans from financial institutions and receives guarantee fees decided through consultation.
- The underwriting value of capital increases by third-party allotment is determined through discussions that give consideration to third-party investigation results.

7. Notes to per share information

(1) Net assets per share	¥2,016.25
(2) Net income per share	¥259.09

8. Notes concerning significant subsequent events

(The impact of the spread of novel coronavirus disease (COVID-19) infections)

The global spread of COVID-19 infections is expected to impact the operations and business results of the Company in FY2020 onward. However, at this point in time it is difficult to rationally estimate that effect.

(Absorption-type merger of a consolidated subsidiary)

As of April 1, 2020, the Company merged with and absorbed KI HOLDINGS CO., LTD., a wholly owned subsidiary of the Company, pursuant to a resolution by the extraordinary meeting of the Board of Directors held on January 30, 2020.

The details are as provided in “Notes concerning significant subsequent events” of the notes to consolidated financial statements.

Independent Auditor's Report

May 25, 2020

The Board of Directors
KOITO MANUFACTURING CO., LTD.

ARK LLC
Tokyo Head Office

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

Daiki Matsuura (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements of KOITO MANUFACTURING CO., LTD., which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and the notes to consolidated financial statements applicable to the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2020 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company Groups in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Highlighted matters

The global spread of the novel coronavirus is expected to have an impact on the operations and earnings, etc. of the Company Groups from fiscal 2020 onward, as described in the notes concerning significant subsequent events; however, it is difficult at present to rationally estimate this impact.

This matter does not affect our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting standards

generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interests in the Company and its consolidated subsidiaries, which should be stated in compliance with the Certified Public Accountants Act.

Independent Auditor's Report

May 25, 2020

The Board of Directors
KOITO MANUFACTURING CO., LTD.

ARK LLC
Tokyo Head Office

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

Daiki Matsuura (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 436, paragraph 2, Item 1 of the Companies Act, we have audited the financial statements of KOITO MANUFACTURING CO., LTD. (“the Company”), which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders’ equity and the notes to financial statements, and the supporting schedules (“Financial Statements and Others”) applicable to the 120th business year from April 1, 2019 through March 31, 2020.

In our opinion, the Financial Statements and Others referred to above present fairly, in all material respects, the financial position and results of operations, applicable to the business year ended March 31, 2020 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements and Others section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements and Others in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Highlighted matters

1. The global spread of the novel coronavirus is expected to have an impact on the operations and earnings, etc. of the Company from fiscal 2020 onward, as described in the notes concerning significant subsequent events; however, it is difficult at present to rationally estimate this impact.
2. As described in the notes concerning significant subsequent events, the Company absorbed its wholly- owned subsidiary KI HOLDINGS CO., LTD. by merger on April 1, 2020.

This matter does not affect our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the Financial Statements and Others in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the Financial Statements and Others that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements and Others, management is responsible for assessing whether it is appropriate to prepare the Financial Statements and Others with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and Others

Our responsibilities are to obtain reasonable assurance about whether the Financial Statements and Others as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the Financial Statements and Others based on our audit from an independent point of view.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these Financial Statements and Others.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the Financial Statements and Others, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the Financial Statements and Others with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the Financial Statements and Others or, if the notes to the Financial Statements and Others on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Financial Statements and Others. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the Financial Statements and Others and notes to the Financial Statements and Others are in accordance with accounting standards

generally accepted in Japan, as well as evaluate the presentation, structure, and content of the Financial Statements and Others, including the related notes thereto, and whether the Financial Statements and Others fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interests in the Company, which should be stated in compliance with the Certified Public Accountants Act.

AUDIT REPORT

Regarding the execution of Directors' duties during the 120th business year from April 1, 2019 to March 31, 2020, we, the Audit and Supervisory Board of KOITO MANUFACTURING CO., LTD. ("the Company"), hereby submits its audit report, which has been prepared through discussions based on the audit reports prepared by the respective Audit and Supervisory Board Members.

1. Method and details of audit

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

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

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

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

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

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

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

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

2. Results of audit

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

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

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

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

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

(2) Results of audit of consolidated financial statements

In our opinion, the audit method and audit results received from the Independent Auditor ARK LLC. are appropriate.

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

In our opinion, the audit method and audit results received from the Independent Auditor ARK LLC. are appropriate.

May 27, 2020

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

Standing Audit and Supervisory Board Member
Mitsuo Kikuchi (Seal)

Standing Audit and Supervisory Board Member
Yohei Kawaguchi (Seal)

Outside Audit and Supervisory Board Member
Yukinobu Suzuki (Seal)

Outside Audit and Supervisory Board Member
Hiroshi Kimeda (Seal)