



Koito

WORLDWIDE AUTOMOTIVE LIGHTING

2020 ANNUAL REPORT

Year ended March 31, 2020

KOITO MANUFACTURING CO., LTD.

PROFILE

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

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

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

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DISCLAIMER WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

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

TO OUR SHAREHOLDERS AND OTHER INVESTORS

During fiscal 2020, the period under review ended March 31, 2020, the automobile production volume in Japan decreased year on year for both domestic and export vehicles. The global automobile production volume decreased year on year due to the decreased production volumes in North America, China, Asia, Europe, ASEAN countries and India.

As for business performance, 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 and profit for fiscal 2020 decreased year on year due to a decrease in the global automobile production volume.

In order to increase sales of automotive lighting equipment in the medium- and long-term perspective, the KOITO Group is pursuing to reinforce its production capacity in the five major regions of the world (Japan, Americas, Europe, China, and Asia). Moreover, KOITO is strengthening its research and development capability to respond to the future changes in mobility, such as connectivity, autonomous driving, sharing, and electric vehicles.

As a "Global No. 1 Supplier," the KOITO Group will continue to strive to win orders, expand its production capacity,

enhance productivity, reinforce its mutually complementary supply network, establish business systems that can quickly respond to changes in business climate, and promote compliance and corporate governance to establish an even more reliable corporation.

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

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

September 2020



M. Otake

Masahiro Otake
Chairman and CEO

Hiroshi Mihara

Hiroshi Mihara
President and COO

FINANCIAL OVERVIEW AND MEDIUM-TERM OUTLOOK

Fiscal 2020 Results

During fiscal 2020, the period under review, the Japanese economy showed a trend of moderate recovery in the first half of 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 the 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 fiscal 2020 decreased 3.1% year on year to ¥800.9 billion due to a

decrease in the global automobile production volume. On the earnings front, although KOITO 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 and depreciation cost for capital investment to meet new orders.

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 KOITO paid ¥20 of year-end dividend per share, which is ¥32 lower than the previous fiscal year-end.

Accordingly, the full year dividend, including the interim dividend, was ¥72.

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



Masahiro Otake
Chairman and CEO

CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Millions of yen (except per share amounts)			Thousands of U.S. dollars (except per share amounts)
	2018	2019	2020	2020
Annual:				
Net sales	¥848,868	¥826,257	¥800,928	\$7,359,441
Operating income	103,785	101,534	82,411	757,245
Profit attributable to owners of parent	83,397	72,895	58,022	533,143
Per share (yen and U.S. dollars):				
Net income	¥ 518.90	¥ 453.52	¥ 360.99	\$ 3.31
Year-end:				
Total assets	¥672,055	¥738,175	¥729,715	\$6,705,090
Total equity	444,808	503,564	513,524	4,718,588

Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥108.83 = US\$1, the rate prevailing on March 31, 2020.

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

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

Outlook for Fiscal 2021

The business climate surrounding the KOITO Group is extremely challenging, as the Japanese and global economies are expected to show a significant recession due to sluggish consumer spending, deteriorating corporate earnings and employment situation caused by the expansion of the novel coronavirus pandemic, and the intensifying trade dispute between the U.S. and China.

In the automobile industry, global automobile production volume is expected to decrease significantly year on year due to sluggish demand for automobiles, and the impact of production suspension and production reduction in the first half of the fiscal year.

Regarding KOITO's business forecast for fiscal 2021, the year ending March 31, 2021, net sales are expected to decrease year on year, despite an increase in new orders and a shift in automobile lamps to LED in the mainstay automotive lighting equipment segment, due largely to the significant impact of the decrease in global automobile production volume.

On the earnings front, operating income, recurring profit, and profit attributable to owners of parent are all expected to decrease due mainly to a decrease in sales, the effect of currency exchange and an increase in depreciation cost.

In addition to strengthening its order-winning marketing activities, the KOITO Group will aggressively promote cost-cutting and other rationalization measures, and continue efforts to improve its business performance.

Hiroshi Mihara
President and COO



Medium-Term Outlook

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

We believe these medium- and long-term trends in the automobile industry will present considerable business opportunities for the KOITO Group. The Group currently conducts its businesses in its 32 companies located in 13 countries, and is working to strengthen production capability and enhance the corporate structure of each member company so as to achieve more competitiveness and profitability in line with globally optimized production requirements. KOITO is strengthening production systems and sales activities in regions where major global automakers are expanding production, hoping to win further orders. In Japan, KOITO is accelerating the optimization of business structures and efficient utilization of resources through plant realignment and rationalization of production lines.

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

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

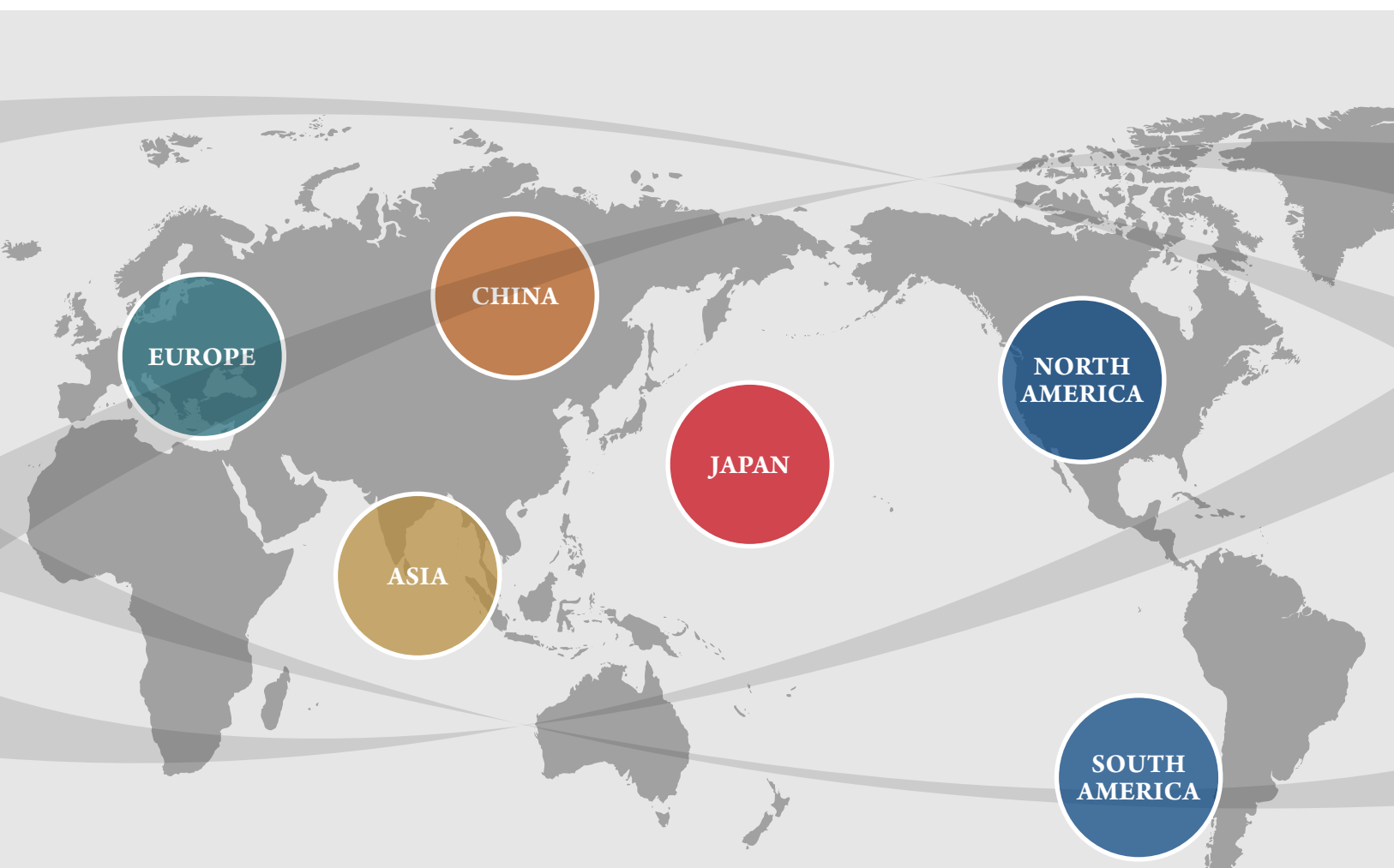
The KOITO Group is also conducting its businesses with other products and services: road traffic control systems, LED displays, electronic aircraft components and hydraulic equipment, LED headlamps and tail lamps, and seats for railroad cars such as the bullet train. We are striving to develop new products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

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



OUTLOOK FOR MEDIUM-TERM GLOBAL STRATEGIES

OUTLOOK FOR MEDIUM-TERM GLOBAL STRATEGIES

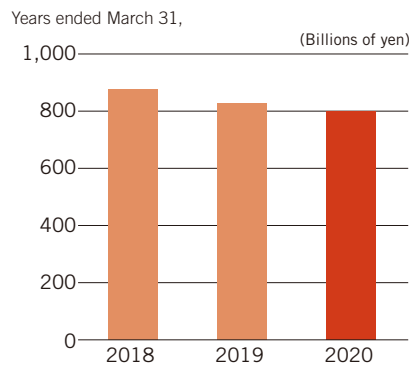


The KOITO Group is expanding its development, production and sales system in the five major regions of the world (Japan, Americas, Europe, China, and Asia) to respond to the globalization of the automobile industry.

KOITO's consolidated net sales for the fiscal year ended March 31, 2020 decreased year on year to ¥800.9 billion, due to a decrease in the global automobile production volume.

In addition to expanding sales by increasing market share, we will continue to work to improve medium- to long-term profitability by providing high-value products such as LED headlamps and the ADB in various regions.

CONSOLIDATED NET SALES



JAPAN

In fiscal 2020, Japan's automobile production decreased year on year to the 9.40 million unit level, both for domestic and export vehicles.

KOITO MANUFACTURING CO., LTD.

Despite the increase in new orders and a shift in automobile lamps to LED, net sales of KOITO MANUFACTURING for fiscal 2020 decreased 2.1% year on year to ¥356.5 billion.

On the earnings front, although KOITO implemented rationalization, operating income decreased 33.3% year on year to ¥25.5 billion, recurring profit decreased 17.5% to ¥46.7 billion, and net income decreased 5.6% to ¥41.6 billion, due to a decrease in sales, increased R&D expenses and depreciation cost for capital investment to meet new orders.

KOITO made total capital expenditures of ¥15.4 billion primarily

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

Japanese automobile production is projected to decrease due to sluggish sales and a shift away from exports to manufacturing overseas. KOITO will work to expand sales of new products and to increase market share for high-value products such as LED headlamps and the ADB, while working to achieve profitability by enhancing productivity.



KOITO MANUFACTURING Shizuoka Plant



KOITO MANUFACTURING Haibara Plant



KOITO MANUFACTURING Sagara Plant

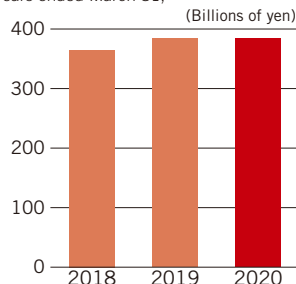


KOITO MANUFACTURING Fujikawa Tooling Plant

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.

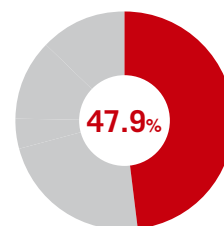
NET SALES [Japan]

Years ended March 31,



SHARE OF SALES [Japan]

Year ended March 31, 2020



KOITO KYUSHU LIMITED

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



KOITO KYUSHU Head Office and Plant

Non-automotive Electrical Equipment Business

In the non-automotive electrical equipment business, KOITO ELECTRIC INDUSTRIES, LTD. and other subsidiaries manufacture and sell control systems and seats for railroad cars, equipment for information, traffic systems and others.

For fiscal 2020, net sales in the non-automotive electrical equipment business increased year on year due to steady sales of seats for railroad cars and equipment for information systems.

KI HOLDINGS CO., LTD. became a wholly-owned subsidiary of KOITO MANUFACTURING on August 1, 2019 through a tender offer and demand for sale of the shares made by KOITO MANUFACTURING, and it subsequently ceased to exist as a result of an absorption-type merger with KOITO MANUFACTURING as the surviving company on April 1, 2020.



KOITO ELECTRIC INDUSTRIES Head Office and Fuji Nagaizumi Plant

NORTH AMERICA

In fiscal 2020, automobile production in North America decreased year on year to the 16.30 million unit level.

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

United States

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

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

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



NAL Head Office (Paris)



NAL Paris Plant



NAL Flora Plant



NAL Salem Plant



NAL Alabama Plant



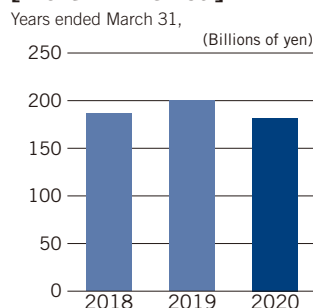
NAL Indiana Tooling Plant



NAL Technical Center

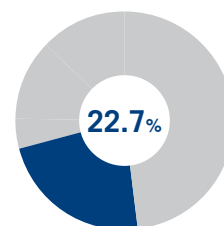
In fiscal 2020, sales in North America decreased 9.2% year on year to ¥181.9 billion due to a decrease in automobile production volume and the effect of currency exchange.

NET SALES [North America]



SHARE OF SALES [North America]

Year ended March 31, 2020



Mexico

North American Lighting Mexico, S.A. de C.V. (NAL Mexico), which commenced its operations in September 2014, responds to the expanding automotive production in Mexico.



NAL Mexico

SOUTH AMERICA

Brazil

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

In fiscal 2020, sales in South America were ¥4.7 billion.



NAL Brasil

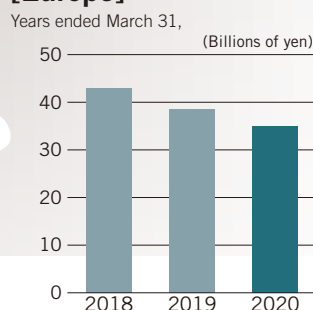
EUROPE

Automobile production in Europe decreased from the previous fiscal year to 15.10 million units in fiscal 2020.

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

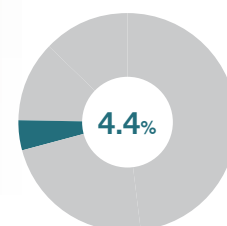
Sales in Europe decreased 9.1% year on year to ¥35.0 billion due to a decrease in automobile production volume and the effect of currency exchange.

NET SALES [Europe]



SHARE OF SALES [Europe]

Year ended March 31, 2020



United Kingdom

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



KEL

Czech Republic

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

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



KCZ



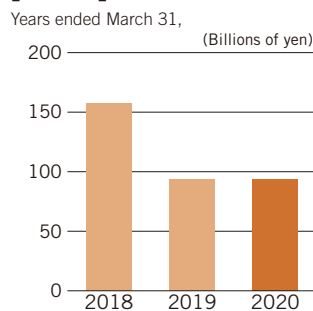
KCZ Technical Section

CHINA

Automobile production in China decreased to the 22.80 million unit level in fiscal 2020 due to the impact of the novel coronavirus pandemic.

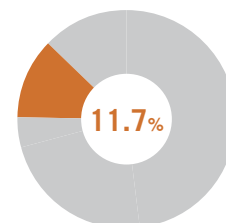
Despite a shift in automobile lamps to LED and an increase in new orders, sales in fiscal 2020 in China remained flat year on year at ¥93.6 billion due to a decrease in automobile production volume caused by the novel coronavirus pandemic and the effect of currency exchange.

NET SALES [China]



SHARE OF SALES [China]

Year ended March 31, 2020



KOITO has been developing its automotive lighting equipment business in China through 3 companies: GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (GUANGZHOU KOITO), Hubei Koito Automotive Lamp Co., Ltd. (Hubei Koito), and FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (FUZHOU KOITO TAYIH). In

November 2018, KOITO expanded its plant in FUZHOU KOITO TAYIH to respond to increasing orders from Chinese automobile manufacturers.

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



GUANGZHOU KOITO



GUANGZHOU KOITO Technical Section



Hubei Koito



FUZHOU KOITO TAYIH

ASIA

In fiscal 2020, compared to the previous year, Asian automobile production volume decreased in India and Thailand.

In Asia, KOITO's business is conducted in Thailand, Indonesia, Taiwan, and India.

Furthermore, in November 2019, KOITO MALAYSIA SDN. BHD. (KOITO MALAYSIA) commenced operations.

Thailand

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

Plant and Prachinburi Plant.

Furthermore, KOITO is strengthening its development systems in the Asia region led by THAI KOITO Technical Center.



THAI KOITO Bangplee Plant



THAI KOITO Prachinburi Plant



THAI KOITO Technical Center

Indonesia

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



INDONESIA KOITO

Taiwan

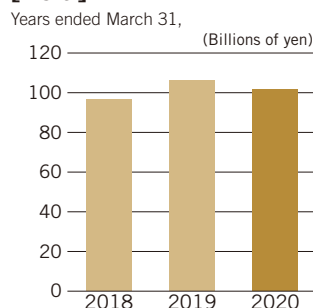
In Taiwan, operations are conducted by Ta Yih Industrial Co., Ltd. (Ta Yih Industrial), in which KOITO took an equity interest in 1988.



Ta Yih Industrial

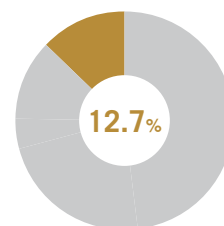
Despite a shift in automobile lamps to LED and an increase in new orders, sales in Asia decreased 4.4% year on year to ¥101.7 billion due to a decrease in automobile production volume.

NET SALES [Asia]



SHARE OF SALES [Asia]

Year ended March 31, 2020



India

In India, where the automotive industry is expected to grow in the long-term, KOITO is conducting business through INDIA JAPAN

LIGHTING PRIVATE LIMITED (IJL). IJL manufactures automotive lighting equipment in 2 plants: Chennai Plant and Bawal Plant.



IJL Chennai Plant



IJL Bawal Plant

Malaysia

In Malaysia, which is the third largest automotive production country in the ASEAN region, the KOITO Group established KOITO MALAYSIA SDN. BHD. (KOITO MALAYSIA) in October 2017. KOITO MALAYSIA commenced operations in November 2019.



KOITO MALAYSIA

RESEARCH AND DEVELOPMENT

The KOITO Group makes full use of electronics and other cutting-edge technologies, and conducts R&D activities to develop unique systems and multi-functional products to improve safety. Under the theme of “Eco-friendly Manufacturing for People and the Earth,” in each R&D process, KOITO pursues developing and manufacturing activities that put people and the environment first.

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

Center in North America, KCZ Technical Section in Europe, GUANGZHOU KOITO Technical Section in China, and THAI KOITO Technical Center in Asia. As of March 31, 2020, the number of personnel engaged in the KOITO Group's R&D activities stood at 3,131.

In fiscal 2020, R&D expenditure totaled ¥36.1 billion (4.5% of consolidated net sales): ¥22.2 billion in Japan and ¥13.8 billion in North America, China, Asia and Europe.



KCZ Technical Section



KOITO MANUFACTURING
Technical Center



NAL Technical Center



THAI KOITO Technical Center



GUANGZHOU KOITO Technical Section

Our Efforts toward Future Changes in the Automotive Industry

To promote the development of next-generation lamps and R&D for Advanced Driver Assistance Systems (ADAS) and autonomous driving, KOITO has established an R&D Lab in Silicon Valley, U.S.A. where R&D bases gather from all over the world. The establishment has allowed us to further gather information on cutting-edge technologies by collaboration between the KOITO MANUFACTURING Technical Center, NAL Technical Center, and R&D Lab in Silicon Valley. Besides, in Israel, KOITO acquired shares of BrightWay Vision (BWV) and is gathering information about venture companies through overseas funds.

Moreover, in sensor fields, KOITO is strengthening and accelerating development of next-generation products for early commercialization. We are conducting R&D with venture companies and universities in Japan and overseas.

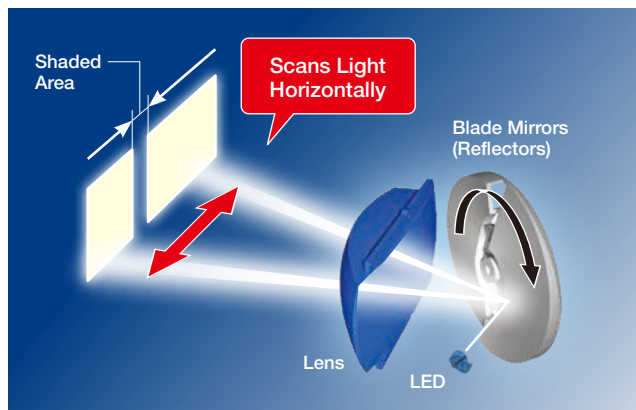


R&D Lab in Silicon Valley

Development and Commercialization of BladeScan™ ADB

To prevent traffic accidents at night, KOITO has developed and started mass-producing “BladeScan™ ADB (Adaptive Driving Beam),” the world’s first headlamp system in August 2019. By turning on/off LEDs in line with the rotation of blade mirrors, BladeScan™ ADB ensures high-resolution light distribution. The system ensures wide visibility for drivers while avoiding glare to oncoming vehicles or vehicles ahead, and helps to detect crossing pedestrians early, thus contributing to safe nighttime driving.

Moreover, KOITO is working to develop the next-generation ADB system, “Dual-View Machine Vision,” which supports drivers’ visibility and detection functions of sensors or cameras by ensuring high-resolution light distribution and real-time lighting control.

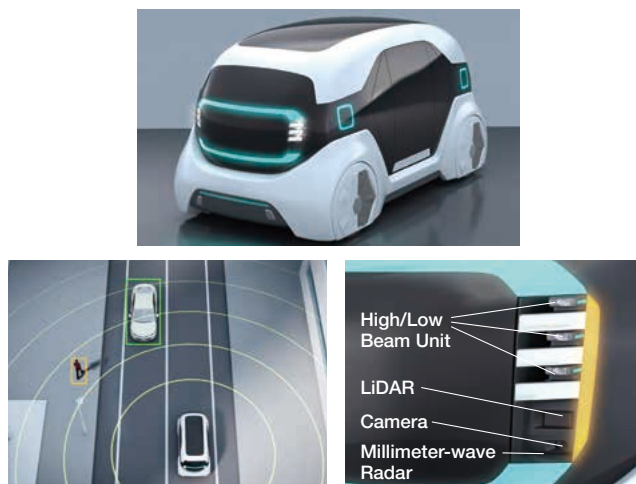


Development of Various Sensors

Among various sensors, LiDAR is expected to be one of the sensors that can measure distance with high accuracy. In 2020, KOITO acquired shares of Cepton Technologies, Inc., a U.S. company, and is now conducting R&D for LiDAR with worldwide venture companies.

As for cameras, KOITO invested in BWV, an Israeli startup company, which is developing the Forward Monitoring System. The system is superior at night imaging and is less susceptible to weather conditions.

We are accelerating the development of high-performance and highly reliable LiDARs and cameras for mass production, and combining our automotive lighting technology to commercialize next-generation lamps.



Development of Communication Lamps

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

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



ESG ACTIVITIES

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

for People and the Earth."

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

KOITO Group Corporate Behavior Charter

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

Environmental Activities

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

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

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

Environmental Policy

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

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

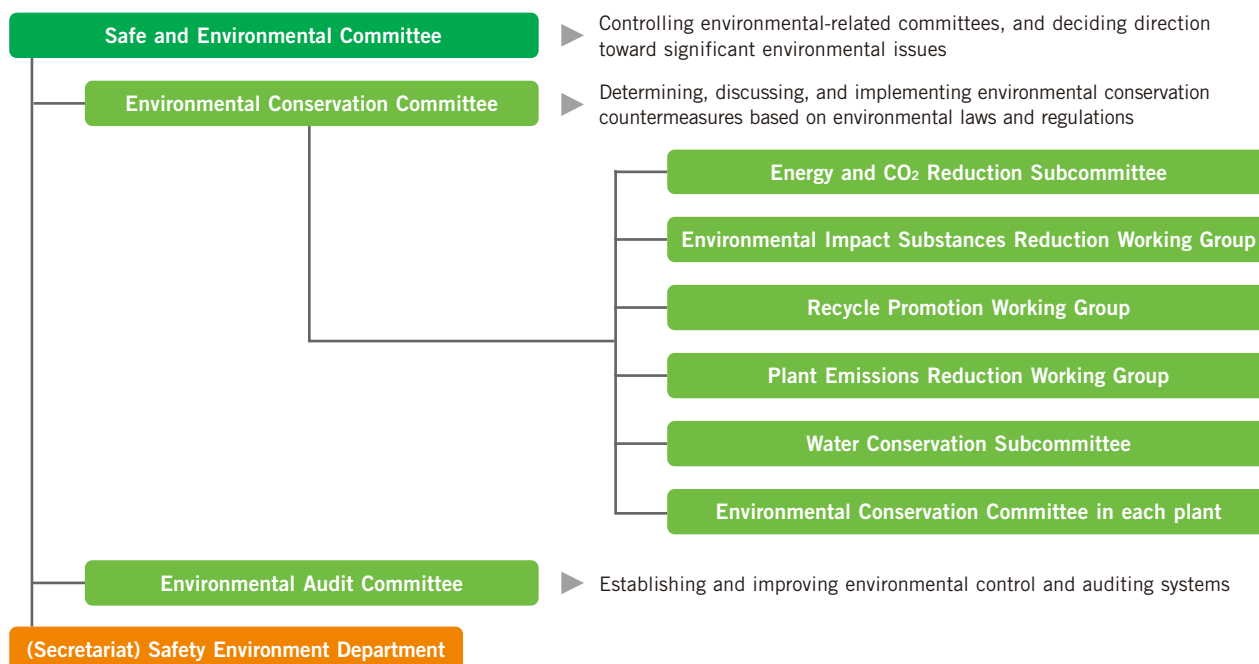
Revised on April 2017

(1) KOITO's Organization for Environmental Activities

KOITO convenes the monthly Safe and Environmental Committee chaired by a Director to supervise environmental activities of the entire Group and to discuss and make decisions on important environmental issues and environmental conservation measures to be implemented under environmental laws and regulations.

Subcommittees and working groups, such as the Energy and

CO₂ Reduction Subcommittee, Environmental Impact Substance Reduction Working Group, and Recycle Promotion Working Group, which were established to address specific environmental issues, are implementing specific activities. These activities are reported to the Safe and Environmental Committee, which follows up on progress and discussing various actions.



(2) Establishment of Environmental Management System

The KOITO Group is building the environmental management system for the entire Group. We are working to acquire ISO14001 and other environmental certificates primarily at our manufacturing sites. As of the end of March 2020, a total of 23 companies out of 27 eligible for certification, including KOITO MANUFACTURING, have acquired

environmental certificates: 12 in Japan and 11 overseas.

The KOITO Group also recommends major suppliers to acquire certificates, such as ISO14001 and EcoAction 21, in order to reinforce environmental management and conservation throughout the entire supply chain.

ESG ACTIVITIES

(3) Environmental Goals and Performance

KOITO places “the prevention of global warming and the reduction of CO₂ emissions,” “the reduction of environmental impact substances” and “resource recycling” as the most important issues of its environmental conservation activities. In addition, with the aim of minimizing environmental impact, we have incorporated the concept of eliminating waste into all our environmental activities. This concept has been cultivated over years by KOITO’s environmental activities. Moreover, we are expanding this activity throughout the KOITO Group companies.

The KOITO Group has set quantitative goals for individual indexes to implement its basic environmental approach of

“Eco-friendly Manufacturing for People and the Earth.” We set quantitative goals for various indicators in order to implement activities effectively in accordance with our environmental policy. The Safe and Environmental Committee and others are supervising the progress of environmental conservation activities and evaluating the status of goal achievement.

KOITO is now working to achieve the midterm goal (midterm priorities) that started in fiscal 2017 (year ended March 2017) and is to be completed in fiscal 2021 (year ending March 2021), and it is engaging in various activities to achieve short-term goals, which are designed to check the status of achievement each year.

Environmental Management Plan and Results

Environmental objectives		Priority efforts and performance in FY 2020			Main approaches from FY 2016 to 2020
		Priority	Target	Result	
Measures to alleviate climate change	Contribution to low-carbon society	Reduction of CO ₂ from production	CO ₂ emissions intensity: 11% reduction from FY 2016 (amount of CO ₂ emissions: 63,300 t-CO ₂)	12.6% reduction from FY 2016 (amount of CO ₂ emissions: 64,300 t-CO ₂)	1. Reduction of energy use and CO ₂ emissions in production activities · CO ₂ intensity in FY 2021: 13% reduction from FY 2016 2. Reduction of energy use and CO ₂ emissions in logistics · Energy usage per unit: 1% reduction per year 3. Reduction of environmental impact substances in the product life cycle
		Reduction of CO ₂ from logistics	Energy usage per unit: 1% reduction per year	13% reduction from FY 2016	
Resource and water circulation	Development of recycle-oriented society	Reduction of the amount of waste	Waste generated per unit: 17% reduction from FY 2016	21% reduction from FY 2016	1. Development of recycle-oriented society · Reduction of wastes and effective utilization of resources in production Waste generated per unit in FY 2021: 18% reduction from FY 2016 2. Minimization of water impact · Reduction of water consumption Water usage per unit in FY 2021: 3% reduction from FY 2016 · Improvement of wastewater quality management
		Reduction of water consumption	Water usage per unit: 8.5% reduction from FY 2016	20% reduction from FY 2016	
Management and reduction of chemical substances	Reduction of substances of concern	Reduction of VOC emissions	VOC emissions: Less than the amount in FY 2016 (315 tons) Target for FY 2020: 299 tons or less	272 tons (13% reduction from FY 2016)	1. Reduction of environmental impact substances in production activities · Amount of VOC emissions: Keep it below the amount in FY 2011 (setting reduction goal for each year) 2. Thorough management of environmental impact substances in products
Enrichment of environmental management	Reinforcement of Group environmental activities	Promotion of the reinforcement of consolidated environmental activities	Reinforcement of environmental risk management Thorough environmental compliance	Identification of potential risks and reinforcement of preventive measures (Identification of and response to near miss incidents)	1. Reinforcement of the environmental management of the Group · Promotion of the reinforcement of consolidated management · Promotion of environmental activities with business partners (suppliers) · Proactive disclosure of environmental information and enrichment of communication · Reinforcement of environmental education 2. Development of society in harmony with nature · Promotion of biodiversity and nature conservation activities
		Promotion of environmental efforts collaborating with suppliers	Promotion of autonomous environmental activities, Improvement of environmental performance	Identification of management status through information sharing and on-site inspections and promotion of improvement	
		Disclosure of environmental information and enhancement of communication	Global distribution of environmental information Promotion of mutual understanding with local societies	Disclosure of information including that of the Group Hosting round-table sessions with local communities	
		Reinforcement of environmental education	Ensuring compliance, Promotion of employee education and awareness-raising activities	Reevaluation of manager, supervisor, or new employee education Education for contractors such as construction workers working on the premises	
	Development of society in harmony with nature	Promotion of biodiversity and nature conservation activities	Promotion of activities at individual offices and regions Promotion of biodiversity conservation activities	Cooperation with regional organizations and participation in activities with them Reinforcement of activities to prevent global warming and effectively use resources	

Social Activities

Under our corporate message, “Lighting for Your Safety,” the KOITO Group, as a leading automotive manufacturer, is committed to creating new value sought by customers. Moreover, we will

continue to contribute to the development of the automotive industry and of society through providing safe, reliable, and trustworthy products and services.



(1) Initiatives for Safety and the Environment in the Automotive Society

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

① Development of Light Sources

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

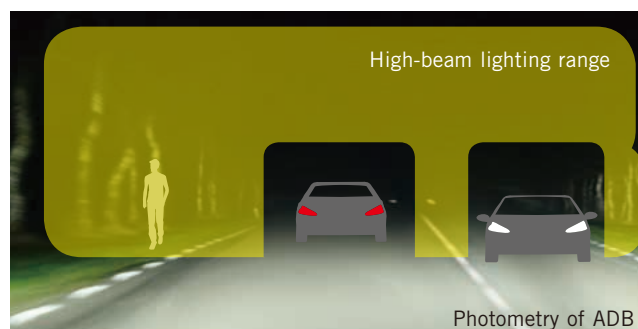
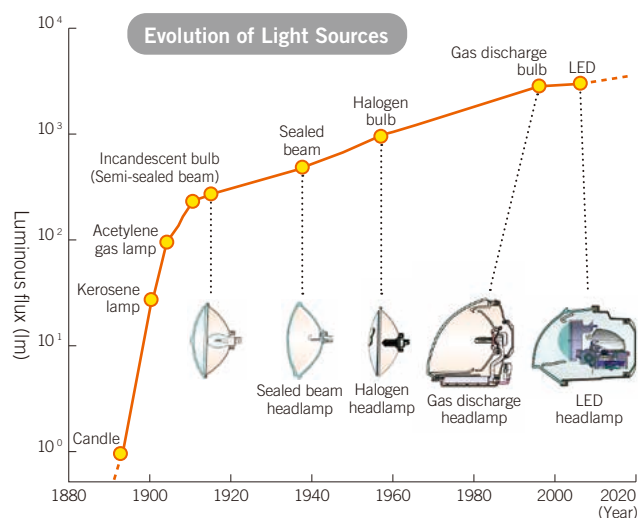
KOITO's current mainstay products, LED headlamps, contribute to ensuring drivers' visibility at night by their brightness, instant lighting, and white color which is close to sunlight. Moreover, our energy efficient and lightweight LED headlamps contribute to improving the fuel efficiency of vehicles and to reduce CO₂ emissions.

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

② Development of Adaptive Driving Beam (ADB)

KOITO has developed a headlamp system called ADB that ensures wide visibility for drivers by enabling driving with high beams all the time while avoiding glare to oncoming vehicles or vehicles ahead.

In addition, KOITO is conducting research and development activities to further improve safety during nighttime driving by realizing ADB with finer light distribution.



ESG ACTIVITIES

(2) Initiatives for Quality and Product Safety

The KOITO Group declares that we gain customer satisfaction and trust by developing and offering safe and high-quality products and services in the KOITO Group Corporate Behavior Charter and strives to create products with a customer-first attitude to maintain and further improve quality.

In regard to the Quality Management System (QMS), 18 Group companies, including 11 overseas subsidiaries, have acquired ISO 9001 or IATF16949, an international certificate of the automotive industry. The KOITO Group is thus using its management system to maintain and supervise the quality level in all kinds of departments, from development to production.

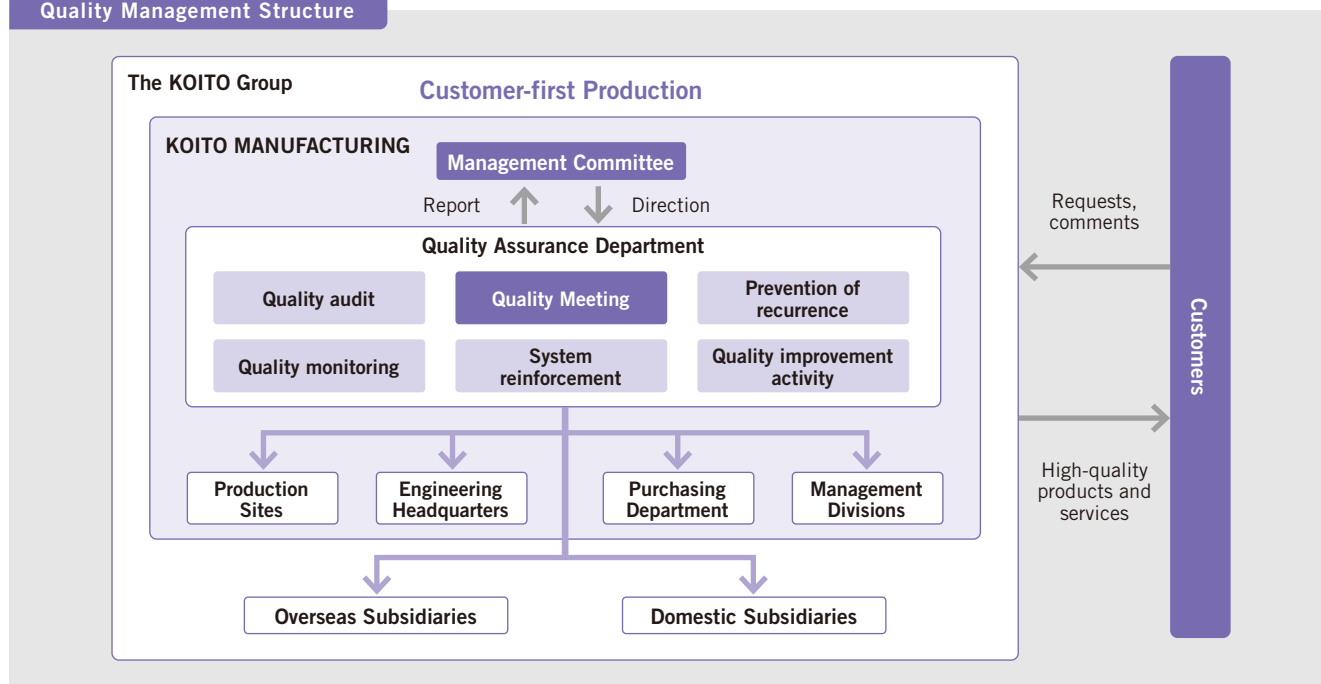
“Internal Quality Audits” with the Quality Assurance Manager as the chair are conducted at least once every year to make decisions on the quality management aspects and to monitor the quality management status of the entire KOITO Group. The Internal Quality

Audit Office with qualified internal quality auditors as the main members is carrying out specific activities.

The progress of these activities is reported to the Managing Committee and the Board of Directors by Directors or Corporate Officer who are in charge of the Quality Assurance Department to reinforce the management system through monitoring by the management. KOITO is going to further reinforce the establishment of the quality assurance system by building a global system to perform quality tests and evaluations. KOITO is building a system to find the causes of any defects found and implement prevention measures in case any defects are found through quality tests and evaluations.

KOITO will continue quality assurance activities to meet the situations in various countries or regions and will keep contributing to the realization of a sustainable society through maintenance and improvement of product quality.

Quality Management Structure



(3) Human Resource Management

KOITO believes that human resource development is the force to drive corporate growth. With the keywords of “communication and collaboration,” KOITO encourages individual employees to share their knowledge, experience, findings, and problem awareness through various means to build energetic worksites where every member can work on tackling problems.

KOITO is also building a systematic education and training system with an expanded range and curriculum for employees to acquire technical knowledge and skills, as well as logical thinking

and various methods of expression. At the same time, achievement evaluation systems are being reorganized so that individual employees can experience growth and become motivated to take on new challenges.

The goal is to accelerate the growth of the KOITO Group, such as renewing various human resource systems to effectively use diversified human resources, including women and senior employees, and to improve the work-life balance.

(4) Respect for Human Rights

One of the management philosophies of KOITO is “stepping forward to realize our employees’ dreams.” Also, respect for humanity means to respect the personality, diversity, and uniqueness of employees and is advocated as one of the ten principles of the KOITO Group Corporate Behavior Charter.

KOITO is promoting initiatives to foster employee’s awareness of respect for human rights. As part of our compliance education, we provide employees with training on specific issues, such as respect

for human rights and harassment.

KOITO aims to continue being a company that is trusted within the international society by communicating with employees, suppliers, and local communities and respecting the human rights of all stakeholders.

As a member of society, the KOITO Group strives to carry out corporate activities that would contribute to the coexistence and mutual prosperity with them.

(5) Supply Chain Management

KOITO believes that it is important to fulfill its social responsibility throughout the entire supply chain to practice “Eco-friendly Manufacturing for People and the Earth” through all business activities. Therefore, KOITO has established the Procurement Policy to respond to social demands and expectations and deliver high-quality service to our customers while cooperating with suppliers.

The Procurement Policy consists of the reinforcement of activities to quickly establish the lowest cost and optimal specifications with suppliers and the enhancement of reliability based on the elimination of quality problems, CSR practices, and risk management.

KOITO is also describing expectations on the cost, quality, and the elimination of industrial accidents to individual suppliers to achieve goals together.

KOITO is aiming to realize a sustainable society through the entire supply chain while cherishing the close relationships with its suppliers in the production process.

① Reinforcement of CSR in the Supply Chain

KOITO helps its suppliers to understand our CSR activities through procurement policy briefing sessions and other opportunities in addition to providing advice at all times.

KOITO's CSR activities

- (1) Measures based on the “Guideline for the Right Transaction of the Automobile Industry”
- (2) Continuous investigation on the inclusion of environmental impact substances
- (3) Continuous annual investigation on conflict minerals
- (4) Thorough compliance with laws and regulations concerning human rights and labor
- (5) Thorough implementation of compliance issues in general

As for suppliers and business partners who conduct business with the KOITO Group, we ask them to implement environmental and social measures to realize a sustainable supply chain.

[Environmental requests]

- Acquire external environmental certifications such as ISO14001 and EcoAction 21
- Ban the use of certain materials under the RoHS Directive
- Ensure transparency on substances under the REACH Directive
- Ensure traceability of nanomaterials contained in products
- Formulate environmental policies covering the automobile industry’s key challenges

[Social requests]

- Abolish child labor, forced labor and discrimination
- Promote occupational safety and health
- Secure decent wages and working hours
- Prevent other inhuman behaviors
- Conduct responsible procurement of minerals

② Measures on Conflict Minerals

KOITO avoids the use of conflict minerals along with its suppliers by conducting regular annual investigations on conflict minerals not to assist human rights violations and environmental destruction and to fulfill its social responsibility throughout the supply chain. When starting business with a new business partner, we carefully examine the results of conflict mineral investigations and consider the feasibility of conducting such transactions.

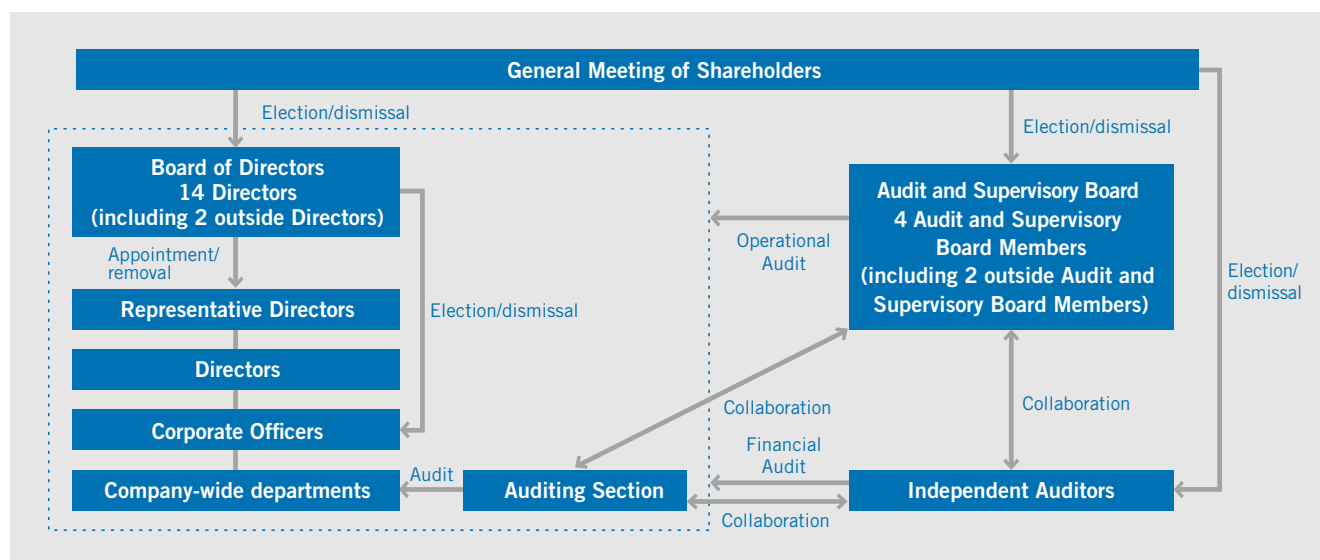
ESG ACTIVITIES

Corporate Governance

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

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

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



① Overview of the Corporate Governance Structure

1. Board of Directors

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

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

The governance is being reinforced, such as that a new activity requires the approval of the Managing Committee and then the Board of Directors before starting.

2. Audit and Supervisory Board

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

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

② Status of Establishment of the Internal Control System

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

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

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

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

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

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

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, KOITO's Directors, corporate officers and employees will receive education and training on risk management.

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

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

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

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

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

- a. 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.
- b. 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.
- c. 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.

- d. 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, independence from Directors, and the viability of instruction in the event corporate auditors request such employees to assist in the execution of their duties

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

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

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

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

Moreover, each Audit and Supervisory Board Member shall exercise their own discretion in reporting the findings from such reports to the Audit and Supervisory Board. Meanwhile, the Company's organization and systems will be developed and enhanced to rigorously prevent the unfair treatment of Directors, Corporate Officers and employees for reporting to the Audit and Supervisory Board Members.

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

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

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

The Audit and Supervisory Board Member shall exchange opinions periodically, or as need be with Directors, corporate officers, independent auditors, and the Internal Audit Department, among others.

ESG ACTIVITIES

③ Status of Outside Officers

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

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

He is elected primarily to supervise the business performance from the viewpoint of finance and accounting.

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

KOITO's policy is to appoint an outside Director or Auditors with effective independence in accordance with the independence requirements set forth in the Corporation Act and the independence standards set forth in the Independent Directors/Auditors System of the Tokyo Stock Exchange.

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.
	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.
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.
	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.

④ Status of Internal Audits, Audit and Supervisory Board Member Audits and Accounting Audits

Based on the annual audit plans, KOITO's Internal Audit Department, an independent organization, conducts audits of the operations of internal control over financial reporting, as well as audits of the legality and appropriateness of operations against company-wide departments and KOITO's subsidiaries. The departments and subsidiaries implement the necessary improvements to improve internal control.

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

The Audit and Supervisory Board comprises four Audit and

Supervisory Board Members, of whom two are outside Audit and Supervisory Board Members. The Audit and Supervisory Board discusses and establishes the annual activity policy, the division of each Audit and Supervisory Board member, and the annual audit plan. The audit is conducted based on the plan. Other than attending and expressing opinions at the Board of Directors, Audit and Supervisory Board Members audit the execution of Directors' duties and the legality and appropriateness of KOITO's decision-making based on their knowledge and experience in each specialized field. In addition to Audit and Supervisory Board Members' on-site audits and interviews with administrative divisions, Audit and Supervisory Board Members attend the audits performed by the independent

auditors and the Internal Audit Department. Audit and Supervisory Board Members strive to improve the effectiveness of audits by maintaining collaboration with relevant parties, including outside Directors by exchanging information as needed. Audit and Supervisory Board Members conduct audits described above and share their outline with outside Audit and Supervisory Board Members in a timely manner.

Outside Audit and Supervisory Board Members contribute to KOITO's management strategy planning and the enhancement of corporate governance. This is achieved through inquiries and comments made at liaison meetings with the Board of Directors, Audit and Supervisory Board, independent auditors and outside Directors, based on their knowledge in each specialized field as well as information from Audit and Supervisory Board Members. In addition, KOITO has established an Audit and Supervisory Board Member's Office so that independent staffs can assist Audit and Supervisory Board Members with their duties.

In fiscal 2020 (from April 30, 2019 to March 31, 2020), a total of 8 Audit and Supervisory Board were held, and all Audit and Supervisory Board Members, including outside Audit and Supervisory

Board Members, have attended all meetings. The main matters discussed by the Audit and Supervisory Board are evaluation, reappointment, and remuneration agreement with the independent auditors, legality or appropriateness of matters discussed in the Ordinary General Meeting of Shareholders, the deliberation and preparation of the audit report, and preparation of audit plan.

Mr. Yukinobu Suzuki, KOITO's outside Audit and Supervisory Board Member, has long served in an important position at the National Tax Agency, and is currently a certified tax accountant. He has financial and accounting knowledge to a certain degree.

KOITO's accounting auditor has been ARK LLC. since June 2009. The accounting audit is performed by certified public accountants, Junichi Yoshimura and Daiki Matsuura. Furthermore, certified public accountants and persons who passed the certified public accountant examination who belong to ARK LLC. assist the accounting audit.

KOITO establishes a policy on selecting audit corporations: appropriate size as an audit corporation, the expertise and independence required of accounting auditors, and a system to ensure the appropriateness of accounting audits.

⑤ Total Remuneration to Directors and Audit and Supervisory Board Members

At the 119th Ordinary General Meeting of Shareholders held on June 27, 2019, it was approved that an annual amount of Directors' remuneration of less than ¥1.5 billion would be paid. In addition, it was approved at the 115th Ordinary General Meeting of Shareholders held on June 26, 2015, that, apart from the amount of remuneration, etc. related to subscription rights as stock compensation-type stock options for Directors shall be no more than ¥200 million a year.

It was approved that the annual remuneration amount for Audit and Supervisory Board Members shall be less than ¥120 million at the 112th Ordinary General Meeting of Shareholders held on June 28, 2012.

The Directors' remuneration system consists of fixed remuneration and performance-linked remuneration. Based on the Company's internal standards on director's remuneration, the Company comprehensively determines the amount of remuneration by taking several factors into account: corporate performance, the amount of dividends to shareholders, remuneration amount of other companies,

the amount of employees' salaries, as well as the Director's management capabilities, achievements, and their contributions.

Fixed remuneration amount is calculated on the basis of the amount on each Director's size of role and their position, the upper and lower limit amount for each position, the status difference among each position, and the annual difference which are set for each position.

Performance-linked remuneration is evaluated and decided based on the belief that it is important to comprehensively consider the goals and achievements of each fiscal year's performance (net sales, profits, etc.) and each director's contribution.

The remuneration of each director has been determined by consultations among the representative directors based on the authorization of the Board of Directors.

As to outside Directors and Audit and Supervisory Board Members, only fixed remuneration is paid, and no performance-linked remuneration is paid.

	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 KOITO.

ESG ACTIVITIES

(2) Compliance

In the KOITO Group Corporate Behavior Charter, KOITO advocates to observe relevant laws and rules and conduct proper trade based on fair, transparent and free market competition, and in its global corporate activities, the KOITO Group not only observes international rules and local laws but also respects local culture and customs.

KOITO has formed the Compliance Committee chaired by the Chairman to improve compliance. The Compliance Committee establishes a Compliance Policy, supervises the appropriate operation of the corporate ethics consulting desk, and determines measures for preventing a recurrence in case important compliance issues occur.

Compliance managers and staff in charge are also appointed at the subsidiaries inside and outside Japan to keep track of the compliance status. KOITO is thereby engaged in compliance activities throughout the entire Group.

① Anti-corruption Initiatives

Based on the KOITO Group Corporate Behavior Charter, KOITO is promoting initiatives to prevent bribery and other compliance-related activities.

Through the “Anti-bribery Regulations” and internal education, KOITO is working to prevent corruption, such as bribery, extortion, fraud, embezzlement, money laundering, conflicts of interest, illegal financing to political parties, and the prohibition of facilitation payments.

The Anti-bribery Regulations stipulate that a notification shall be made to the Compliance Department with respect to the approval procedures for entertainment, etc. The amount of penalties imposed

in the event of violations is stipulated in our internal regulations.

There were no infringements in fiscal 2020.

② Prevention of Anti-competitive Practices

Through the “Anti-bribery Regulations” and internal education, KOITO is working to prevent anti-competitive practices, such as market-sharing, abuse of dominant position, dumping, and price-fixing.

KOITO conducts annual audits of organizations that have the risk of anti-competition practices. When discovering suspicious practices during internal audits, we conduct investigations and strive to clarify the truth.

The amount of penalties imposed in the event of violations is stipulated in our internal regulations.

There were no infringements in fiscal 2020.

③ Whistle-blowing System

KOITO has set corporate ethics consulting desks within the Company and outside (law office) as a place where employees can report and consult about violations of laws or regulations in business activities. Regarding the contents of the reports, we investigate and consider remedial measures as necessary and report them to the Compliance Committee.

The protection of whistle-blowers is ensured in the operation of the whistle-blowing system. Also, information with which whistle-blowers can be identified is put under strict management. KOITO also prohibits the dismissal of or disadvantageous treatment of whistle-blowers for the reason why they have reported to the corporate ethics consulting desk.

(3) Risk Management

KOITO enriches and reinforces general risk management to properly identify diversifying and complex risks, prevent risks from becoming materializing, and minimize damage in case a problem occurs.

Departments are assigned to risk management, including the implementation of measures to reduce and avoid risks and daily management. The Quality Assurance Department is assigned risks associated with the safety of products, the Procurement Department handles risks in the supply chain, and the Safety Environment Department handles risks of natural disasters. As such, each

department assesses relevant risks and implements preventive measures. Officers of assigned responsible departments act as the general managers. In addition, training on individual risks is provided to employees.

If risks become actual problems, the basic protocol is to report the incidents to the Board of Directors, the highest decision-making entity of the business administration, and such problems are swiftly and properly handled under the direction of the top administrators.

(4) Information Security

With the recognition of the importance of information security, KOITO ensures the protection of personal information and confidential information based on the Information Security Policy while implementing proper information security measures to realize safe and thorough management.

The KOITO Group's information security is managed by the Information System Department, along with General Affairs Department and Compliance Promotion Office. All Company computers and networks are monitored on a daily basis.

Furthermore, each department periodically checks for information security risks and implements a PDCA cycle to continuously improve security.

In order to reinforce our information security to protect information from cyberattacks, KOITO has established internal regulations based on its Information Security Policy and is implementing various cyber security measures. We are seeking to build a strategic information management system that not only appropriately manages confidential and personal information, but also manages and utilizes intellectual property and other intangible assets.

Information Security Policy

KOITO MANUFACTURING CO., LTD. ("KOITO") recognizes that the appropriate management of information is a critical management issue, and has formulated an "Information Security Policy" to gain the trust of customers and society at all times. KOITO intends, from now on, to comply with this Information Security Policy, maintaining and improving information security by protecting information assets from various threats and handling information appropriately.

Execution of Information Security Policy

1. Establishment of information security management system

KOITO has appointed a Chief Information Security Officer (CISO) and established an information security management system that enables prompt implementation of security information measures, to gain the trust from the society at all times. This management system shall be reviewed and improved regularly. With this CISO and management system, KOITO makes every possible effort to protect all information assets held by us and comply with laws, regulations, and other rules related to information security.

2. Development of internal information security-related rules

KOITO develops internal rules based on our Information Security Policy to have a clear policy for the handling of not only personal information but also all other information assets, and makes all employees and business partners fully aware of KOITO's strict measures against information leaks etc.

3. Implementation of appropriate information security measures

KOITO implements organizational, physical, technological, and personal security management measures so that information assets of KOITO are not subjected to unauthorized access, destruction, leakage, or alteration. These measures shall be adjusted and adapted to changes when technological and social needs arise.

4. Implementation of internal information security audits

KOITO regularly conducts internal information security audits to verify that security measures are functioning effectively in the course of business operations, in accordance with relevant laws and internal regulations and rules.

5. Enhancement of information security literacy

KOITO provides thorough security education/training to employees etc. so that all people dealing with our information assets perform their duties with information security literacy. KOITO also continues to provide its employees with education/training to respond to ever-changing circumstances.

April 1, 2020

(5) Intellectual Property Management

The KOITO Group places intellectual properties as the source of international competitiveness and develops business strategies as the integration of R&D strategies and intellectual property strategies. The KOITO Group is making efforts to reinforce and develop its intellectual property management system, which acquires intellectual property rights, concludes licensing contracts, and responds to the violation of rights, with KOITO at the center.

Given the importance of intellectual properties, the KOITO Group provides training on intellectual property rights through

job-rank-based education to increase the awareness of individual employees. In addition, KOITO has a patent research system available to all researchers and designers to avoid violating intellectual property rights of others and preventing future conflicts.

KOITO will continue to encourage activities to create intellectual properties and work to protect and utilize the intellectual property rights appropriately. At the same time, we will respect the intellectual property rights of others and strive to prevent infringements.

DIRECTORS, AUDIT AND SUPERVISORY BOARD MEMBERS AND CORPORATE OFFICERS



Chairman and CEO
Masahiro Otake



President and COO
Hiroshi Mihara



Executive Vice President
Koichi Sakakibara



Executive Vice President
Kenji Arima

■ Directors

Chairman and CEO

Masahiro Otake

President and COO

Hiroshi Mihara

Executive Vice President

Koichi Sakakibara

Kenji Arima

Senior Managing Director

Masami Uchiyama

Michiaki Kato

Hideharu Konagaya

Katsuyuki Kusakawa

Director and Senior Adviser

Takashi Ohtake

Director and Managing Corporate Officer

Hideo Yamamoto

Jun Toyota

Takayuki Katsuda

Director

Haruya Uehara

Kingo Sakurai

■ Audit and Supervisory Board Members

Standing Audit and Supervisory Board Member

Mitsuo Kikuchi

Yohei Kawaguchi

Audit and Supervisory Board Member

Yukinobu Suzuki

Hiroshi Kimeda

■ Corporate Officers

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

Managing Corporate Officer

Atsushi Inoue

Kiyoshi Sato

Masatoshi Yoneyama

Toshiyuki Katsumata

Corporate Officer

Koichi Toyoda

Mamoru Murakoshi

Masahiro Otake

Yuji Higashi

Hideki Ochiai

Masataka Choji

Kakuya Yamamoto

Kohei Yamasaki

Kirk Gadberry

Eisuke Shibata

Takahito Otake

Kazuhiro Aoshima

Masayasu Ito

Manabu Kobayashi

FINANCIAL SECTION

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TEN-YEAR SUMMARY

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

Consolidated	2011	2012	2013	2014
For the year:				
Net sales	¥428,977	¥430,929	¥472,843	¥597,502
Operating income	37,434	31,725	37,668	49,506
Income before income taxes	17,591	27,093	33,004	46,596
Income taxes	11,850	10,599	11,812	17,173
Net income	10,012	13,391	16,625	21,378
Amounts per share (yen and U.S. dollars):				
Net income	¥ 62.30	¥ 83.33	¥ 103.46	¥ 133.04
Cash dividends	19.00	19.00	22.00	26.00
At year-end:				
Working capital	¥ 58,015	¥ 65,554	¥ 81,705	¥108,550
Property, plant and equipment less accumulated depreciation	65,010	66,791	72,415	87,168
Total assets	338,760	363,273	418,087	483,093
Total equity	168,414	182,916	218,131	256,072

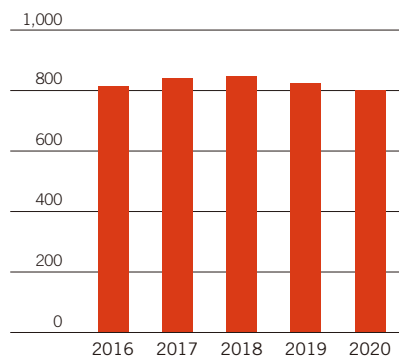
Notes: 1. Amounts in U.S. dollars are translated from yen, for convenience only, at the rate of ¥108.83 = US\$1, the rate prevailing on March 31, 2020.

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

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

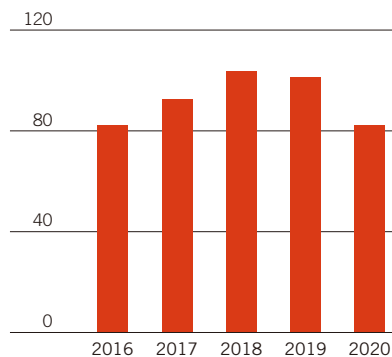
Net Sales

(Billions of yen)



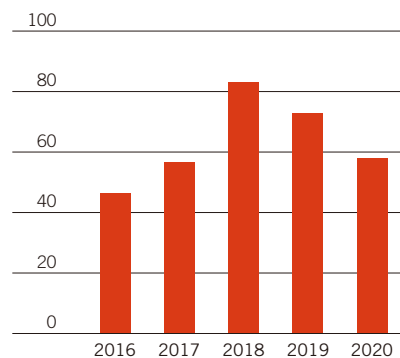
Operating Income

(Billions of yen)



Net Income

(Billions of yen)

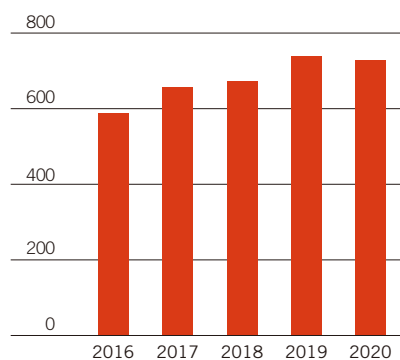


Millions of yen (except per share amounts)						Thousands of U.S. dollars (except per share amounts)
2015	2016	2017	2018	2019	2020	2020
¥706,470	¥813,477	¥841,456	¥848,868	¥826,257	¥800,928	\$7,359,441
64,155	82,218	92,523	103,785	101,534	82,411	757,245
63,895	74,708	91,614	123,712	104,439	84,058	772,378
19,017	22,422	26,201	31,480	23,545	21,970	201,874
36,060	46,303	56,692	83,397	72,895	58,022	533,143
¥ 224.41	¥ 288.15	¥ 352.80	¥ 518.90	¥ 453.52	¥ 360.99	\$ 3.31
40.00	36.00	54.00	96.00	92.00	72.00	0.66
¥144,795	¥189,769	¥237,891	¥298,732	¥332,283	¥313,333	\$2,879,105
115,285	115,109	117,509	102,329	121,619	133,019	1,222,264
575,268	588,683	658,341	672,055	738,175	729,715	6,705,090
316,826	329,671	381,000	444,808	503,564	513,524	4,718,588

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

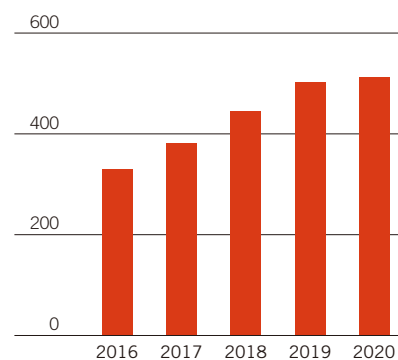
Total Assets

(Billions of yen)



Total Equity

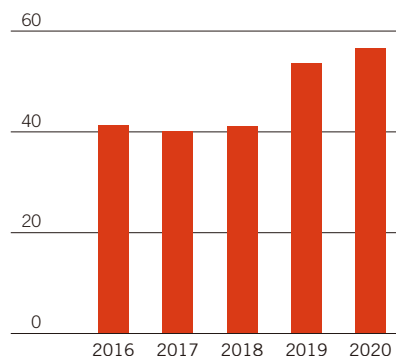
(Billions of yen)



* Non-controlling interests are included.

Capital Expenditures

(Billions of yen)



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

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

NET SALES

In the Japanese auto industry, the production volume 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 fiscal 2020 decreased 3.1% year on year to ¥800.9 billion due to a decrease in the global automobile production volume.

EARNINGS

Although KOITO 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.

RESULTS BY GEOGRAPHICAL SEGMENT

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.

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.

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.

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.

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.

OTHER REGIONS

KOITO's subsidiary, NAL Brasil commenced operations in May 2018. Sales in the region was ¥4.7 billion.

FINANCIAL POSITION

Total assets as of March 31, 2020 decreased ¥8.4 billion to ¥729.7 billion. This was mainly due to a decrease in cash and time deposits led by an increase in capital investment and investment in investee companies.

Total liabilities as of March 31, 2020 decreased ¥18.4 billion to ¥216.1 billion due to a decrease in account payable, and debt.

Net assets as of March 31, 2020 increased ¥9.9 billion to ¥513.5 billion due to an increase in retained earnings.

CASH FLOWS

Operating activities provided net cash of ¥84.9 billion after payment of taxes, mainly reflecting income before income taxes of ¥84.0 billion and depreciation of ¥36.0 billion.

Investing activities used net cash of ¥44.7 billion, mainly reflecting acquisition of property and equipment of ¥54.7 billion.

Financing activities used net cash of ¥32.0 billion, the result mainly of reflecting dividends paid of ¥19.1 billion.

As a result, cash and cash equivalents as of March 31, 2020 were ¥104.2 billion, ¥6.2 billion higher than on March 31, 2019.

The main cash requirements in the KOITO Group are material costs, personnel costs, research and development costs, and acquisition of property and equipment. We use internal funds and bank loans to meet these requirements. About bank loans, KOITO is investigating the necessary carefully, and is proceeding with necessary loan limit expansions and examinations in preparation for any unforeseen circumstances.

CAPITAL EXPENDITURES

Capital expenditures totaled ¥56.7 billion. Outlays were centered on rationalizing production, renewing equipment, improving product quality, and cost-cutting measures. The breakdown of capital expenditures for the fiscal year under review, excluding consumption tax, is as follows.

Capital expenditures were ¥24.8 billion in Japan, ¥10.2 billion in North America, ¥3.5 billion in China, ¥12.1 billion in Asia, ¥5.0 billion in Europe, and ¥0.9 billion in other regions.

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

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

MANAGEMENT POLICIES AND PRESSING ISSUES

(1) MANAGEMENT POLICIES

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

(2) MANAGEMENT STRATEGIES

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

Strategies for taking KOITO forward are as follows:

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

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

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

(3) OBJECTIVE INDICATORS FOR JUDGING ACHIEVEMENT IN MANAGEMENT GOALS

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

(4) FINANCIAL OVERVIEW

During the period under review, the Japanese economy showed a trend of moderate recovery in the first half of 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 the 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 fiscal 2020 decreased 3.1% year on year to ¥800.9 billion due to a decrease in the global automobile production volume.

(5) KEY ISSUES IN BUSINESS AND FINANCIAL TERMS

Putting the highest priority on the safety of customers, business partners, employees and their families, the 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 global and Japanese economies, in order to minimize the impact on the business of the KOITO Group, and to maintain and continue business activities, the KOITO Group will continue to reinforce its mutually complementary supply network and its supply chain, and to promote telework, etc. Further, the 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 and establish development, production and sales systems. In addition, the Group is working to enhance internal control over corporate activities. To accomplish this, the Group is striving to improve management practices by developing innovative new technologies and products that anticipate market and customer needs, and preserving the environment, as well as boosting productivity, implementing cost-cutting measures, promoting quality improvement activities and strengthening the corporate structure.

On March 22, 2013, KOITO received cease and desist orders and surcharge payment orders from the Japan Fair Trade Commission (JFTC), on suspicion of violating the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade concerning transactions for automotive lighting equipment. In the U.S. and Canada, plaintiffs have filed lawsuits against KOITO and its U.S. subsidiary,

and are seeking payment for damages they claim to have incurred. For both lawsuits, a settlement has been reached on some of the cases, and KOITO is awaiting approvals by the court. As for other lawsuits, KOITO will continue reviewing the details of the statement of claim and deal with this matter in an appropriate manner.

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

(6) BASIC POLICIES ON CONTROL OF THE COMPANY

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

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

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

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

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

BUSINESS RISK FACTORS

Among the factors related to the KOITO Group's operating results, share price and financial position, the following factors may have a significant impact on the decisions of investors. The KOITO Group will manage risks with recognition that these risks can become actual problems. If risks become actual problems, the KOITO Group will swiftly and properly handle them. Forward-looking statements in this annual report are based on the management's judgment as of March 31, 2020.

(1) ECONOMIC CONDITIONS

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

(2) LEGAL REGULATIONS

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

(3) EXCHANGE RATE MOVEMENTS

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

(4) POTENTIAL RISKS OF EXPANDING OVERSEAS

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

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

(5) PRODUCT DEFECTS

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

(6) CHANGES IN RAW MATERIAL PRICES

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

(7) NATURAL DISASTERS, ETC.

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

Due to the spread of the COVID-19 infections, some of our bases and customers had to suspend operations and reduce production volume. Regarding the future, our production and sales activities can be affected by the coronavirus infection, and it is difficult to estimate the impact on business performance at this point because we can't estimate the scale of infection or the convergence timing of its spread. As measures against the spread of infection, the KOITO Group is working to prevent both domestic and overseas business trips, prevent hygiene by wearing masks and disinfecting fingers, and promote web conferences and telework.

(8) OTHER RISKS

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

CONSOLIDATED BALANCE SHEETS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

At March 31,	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 97,993	¥ 104,202	\$ 957,474
Trade notes and accounts receivable	131,472	120,689	1,108,968
Less: Allowance for doubtful accounts	(517)	(362)	(3,326)
	130,955	120,326	1,105,632
Inventories	66,632	65,544	602,260
Prepaid expenses and other current assets	217,989	202,078	1,856,822
Total current assets	513,569	492,150	4,522,190
Property, plant and equipment, at cost:			
Buildings and structures	108,592	114,734	1,054,249
Machinery, equipment and tools	332,988	350,815	3,223,513
Less: Accumulated depreciation	(319,961)	(332,530)	(3,055,499)
	121,619	133,019	1,222,264
Land	16,430	16,028	147,275
Construction in progress	20,718	21,033	193,264
Property, plant and equipment, net	158,769	170,082	1,562,822
Investments and other assets:			
Investment securities	43,963	45,701	419,930
Long-term loans	116	3	27
Deferred tax assets (Note 8)	13,621	14,711	135,174
Asset for retirement benefits (Note 7)	2,401	1,599	14,692
Other assets	6,024	5,754	52,871
Less: Allowance for doubtful accounts	(291)	(288)	(2,646)
Total investments and other assets	65,836	67,482	620,067
Total assets	¥ 738,175	¥ 729,715	\$ 6,705,090

At March 31,	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
LIABILITIES AND EQUITY			
Current liabilities:			
Trade notes and accounts payable	¥105,895	¥ 94,429	\$ 867,674
Short-term loans (Note 6)	23,507	29,171	268,041
Income taxes payable	5,691	7,147	65,671
Accrued expenses and other current liabilities	48,172	42,942	394,578
Total current liabilities	183,265	173,690	1,595,975
Long-term liabilities:			
Long-term debt (Note 6)	8,975	355	3,261
Liability for retirement benefits (Note 7)	27,977	28,027	257,530
Other long-term liabilities	14,392	14,117	129,716
Total long-term liabilities	51,345	42,500	390,517
Equity:			
Shareholders' equity:			
Common stock	14,270	14,270	131,121
320,000,000 shares authorized and 160,789,436 shares issued at March 31, 2019 and 2020			
Capital surplus	16,759	13,373	122,879
Retained earnings	407,725	449,031	4,125,985
Treasury stock, at cost:			
58,220 shares in 2019 and 55,390 shares in 2020	(55)	(53)	(486)
Total shareholders' equity	438,700	476,622	4,379,509
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	19,857	14,822	136,194
Foreign currency transaction adjustments	3,473	(9,333)	(85,757)
Retirement benefits liability adjustments	(694)	(1,608)	(14,775)
Total accumulated other comprehensive income	22,636	3,880	35,651
Subscription rights to shares	245	231	2,122
Non-controlling interests	41,981	32,789	301,286
Total equity	503,564	513,524	4,718,588
Total liabilities and equity	¥738,175	¥729,715	\$6,705,090

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net sales (Note 10)	¥826,257	¥800,928	\$7,359,441
Cost of sales	678,738	672,890	6,182,945
Gross profit	147,518	128,038	1,176,495
Selling, general and administrative expenses	45,984	45,626	419,241
Operating income (Note 10)	101,534	82,411	757,245
Other income (expenses):			
Interest income	1,313	1,724	15,841
Interest expenses	(837)	(870)	(7,994)
Loss on sale and disposal of property, plant and equipment	(806)	(700)	(6,432)
Other, net	3,234	1,493	13,718
Income before income taxes	104,439	84,058	772,378
Income taxes	23,545	21,970	201,874
Net income	80,893	62,087	570,495
Attributable to:			
Owners of the parent	72,895	58,022	533,143
Non-controlling interests	7,998	4,065	37,351
Other comprehensive income:			
Valuation difference on available-for-sale securities	(3,987)	(5,198)	(47,762)
Foreign currency transaction adjustments	(321)	(14,723)	(135,284)
Retirement benefits liability adjustments	(876)	(907)	(8,334)
Share of other comprehensive income of entities accounted for using equity method	—	10	91
Total other comprehensive income	(5,186)	(20,819)	(191,298)
Comprehensive income	¥ 75,707	¥ 41,268	\$ 379,196
Attributable to:			
Owners of the parent	¥ 67,265	¥ 39,266	\$ 360,801
Non-controlling interests	8,442	2,001	18,386
	Yen		U.S. dollars
	2019	2020	2020
Per share information:			
Basic net income	¥ 453.52	¥ 360.99	\$ 3.31
Cash dividends	92.00	72.00	0.66
Average number of shares during the year (thousands of shares)	160,731	160,733	

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
KOITO MANUFACTURING CO., LTD. shareholders' equity			
Common stock:			
Beginning balance	¥ 14,270	¥ 14,270	\$ 131,121
Ending balance	¥ 14,270	¥ 14,270	\$ 131,121
Capital surplus:			
Beginning balance	¥ 16,716	¥ 16,759	\$ 153,992
Change in ownership interest due to purchase of treasury stock			
by consolidated subsidiaries	(0)	(0)	(0)
Disposal of treasury stock	–	11	101
Change in parent's ownership interest due to transactions with non-controlling interests	43	(3,396)	(31,204)
Ending balance	¥ 16,759	¥ 13,373	\$ 122,879
Retained earnings:			
Beginning balance	¥350,903	¥407,725	\$3,746,439
Net income attributable to owners of the parent	72,895	58,022	533,143
Deductions:			
Cash dividends	(16,073)	(16,716)	(153,597)
Ending balance	¥407,725	¥449,031	\$4,125,985
Treasury stock:			
Beginning balance	¥ (54)	¥ (55)	\$ (505)
Purchase of treasury stock	(0)	(0)	(0)
Disposal of treasury stock	–	2	18
Ending balance	¥ (55)	¥ (53)	\$ (486)
Total shareholders' equity	¥438,700	¥476,622	\$4,379,509
Total accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	¥ 19,857	¥ 14,822	\$ 136,194
Foreign currency transaction adjustments	3,473	(9,333)	(85,757)
Retirement benefits liability adjustments	(694)	(1,608)	(14,775)
	¥ 22,636	¥ 3,880	\$ 35,651
Subscription rights to shares	¥ 245	¥ 231	\$ 2,122
Non-controlling interests	¥ 41,981	¥ 32,789	\$ 301,286
Total equity	¥503,564	¥513,524	\$4,718,588

CONSOLIDATED STATEMENTS OF CASH FLOWS

KOITO MANUFACTURING CO., LTD. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash flows from operating activities:			
Net income attributable to owners of the parent	¥ 72,895	¥ 58,022	\$ 533,143
Adjustments to reconcile net income attributable to owners of the parent to net cash provided by operating activities:			
Depreciation	32,060	36,066	331,397
Net income attributable to non-controlling interests	7,998	4,065	37,351
Increase (decrease) in provision for allowance for doubtful accounts . . .	21	(143)	(1,313)
Increase (decrease) in liability for retirement benefits	(1,093)	(549)	(5,044)
Loss on sale and disposal of property plant and equipment, net	514	675	6,202
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	(1,879)	7,339	67,435
Inventories	(5,185)	(2,161)	(19,856)
Prepaid expenses and others	(4,116)	(7,275)	(66,847)
Trade notes and accounts payable	3,178	(8,621)	(79,215)
Accrued expenses and other current liabilities	6,476	(3,874)	(35,596)
Others, net	(14,203)	1,428	13,121
Net cash provided by operating activities	96,666	84,972	780,777
Cash flows from investing activities:			
Decrease (increase) in time deposits and other due over three months, net . . .	30,234	19,596	180,060
Purchase of marketable and investment securities	(928)	(6,088)	(55,940)
Proceeds from sale of marketable and investment securities	0	30	275
Purchase of shares of subsidiaries and associates	–	(2,668)	(24,515)
Acquisition of property, plant, and equipment	(53,781)	(54,796)	(503,500)
Proceeds from sale of property, plant and equipment	1,281	534	4,906
Decrease (increase) in loans	1	2	18
Others, net	(2,713)	(1,337)	(12,285)
Net cash used in investing activities	(25,906)	(44,728)	(410,989)
Cash flows from financing activities:			
Increase in short-term loans	5,650	1,481	13,608
Decrease in long-term debt	(1,749)	(2,627)	(24,138)
Purchase of treasury stock	(0)	(0)	(0)
Proceeds from exercise of share options	–	0	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(11,762)	(108,076)
Proceeds from share issuance to non-controlling shareholders	1,337	–	–
Cash dividends	(18,301)	(19,100)	(175,503)
Net cash used in financing activities	(13,063)	(32,010)	(294,128)
Effect of exchange rate change on cash and cash equivalents	(753)	(2,024)	(18,597)
Change in cash and cash equivalents	56,942	6,209	57,052
Cash and cash equivalents at beginning of the year	41,050	97,993	900,422
Cash and cash equivalents at end of the year	¥ 97,993	¥104,202	\$ 957,474

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation

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

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

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

2. Summary of significant accounting policies

(1) The accompanying consolidated financial statements for the years ended March 31, 2019 and 2020 include the accounts for the Company and the 29 subsidiaries listed below:

Names of consolidated subsidiaries for the year ended March 31, 2020	Equity ownership percentage (*) %
KOITO KYUSHU LIMITED	100
Koito Transport Co., Ltd.	100
Aoitec Co., Ltd.	98
Shizuokadenso Co., Ltd.	100
Nissei Industries Co., Ltd.	62
Fujieda Auto Lighting Co., Ltd.	100
Shizuoka Wire Harness Co., Ltd.	100
Haibara Machine and Tools Co., Ltd.	100
Shizuoka Kanagata Co., Ltd.	40
Koito Insurance Services Co., Ltd.	100
KI HOLDINGS CO., LTD.	100
KOITO ELECTRIC INDUSTRIES, LTD.	100
Minatsu, Ltd.	100
Okayama Industry Co., Ltd.	51
North American Lighting, Inc.	100
North American Lighting Mexico, S.A. de C.V.	90
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	95
Koito Europe Limited	100
Koito Czech s.r.o.	100
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	100
Hubei Koito Automotive Lamp Co., Ltd.	100
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.	100
THAI KOITO COMPANY LIMITED	62
PT. INDONESIA KOITO	90
Ta Yih Industrial Co., Ltd.	33
INDIA JAPAN LIGHTING PRIVATE LIMITED	100
KOITO MALAYSIA SDN. BHD.	90
KPS N.A., INC.	100
CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.	50

(*) represents ownership at March 31, 2020 and includes shares owned through consolidated subsidiaries.

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

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

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

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

(3) Translation of foreign currency financial statements

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

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

(4) Inventories

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

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

(5) Securities

Securities are valued by type of security as follows:

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

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

(6) Property, plant and equipment and depreciation

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

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

(7) Liability for retirement benefits

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

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

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

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

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

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

(8) Income taxes

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

(9) Appropriation of retained earnings

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

(10) Research and development costs

Research and development costs are charged to income as incurred.

(11) Per share information

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

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

(12) Cash equivalents

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

(13) Consumption tax

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

(14) Derivative transactions

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

3. Accounting standards and guidances issued but not yet adopted**Accounting Standard for Revenue Recognition**

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, revised on March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, revised on March 31, 2020)

(a) Outline

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have developed the comprehensive Accounting Standard for Revenue Recognition and issued the "Revenue from Contracts with Customers" (IFRS 15 issued by the IASB and Topic 606 issued by the FASB) on May 2014. IFRS 15 became applicable from the fiscal year beginning on or after January 1, 2018, and Topic 606 from the fiscal year beginning after December 15, 2017. The ASBJ developed a comprehensive Accounting Standard for Revenue Recognition and issued it with implementation guidance.

The ASBJ's basic policy in developing the accounting standard for revenue recognition was to establish accounting standards as a starting point to adopt basic principles of IFRS 15 from the viewpoint of comparability of financial statements, which is one of benefits of maintaining consistency with IFRS 15. If the items for which special attention for the Japanese accounting practice has been occurred, alternative treatment may be added to it to the extent that do not harm the comparability of financial statements.

(b) Date of application

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

(c) Effect of applying the standard and guidances

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

Accounting Standard for Fair Value Measurement, etc.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, revised on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, revised on March 31, 2020)

(a) Outline

The IASB and the FASB have established almost the same detailed guidance for fair value measurement (IFRS 13 “Fair Value Measurement” issued by IFRS, and Topic 820 “Fair Value Measurement” issued by Accounting Standards Codification of US GAAP). In response to the situation, the ASBJ promoted an initiative on alignment of Japanese GAAP with the international accounting standards, mainly in the area of the guidance on fair value of financial instruments and its disclosures, and developed and issued the “Accounting Standard for Measurement of Fair Value” and other standards and guidances.

The ASBJ’s basic policies in developing the accounting standard for fair value measurement were to establish accounting standards which adopt all principles of IFRS 13 from the viewpoint of comparability of financial statements between the domestic and foreign companies, by prescribing a unified measurement method and also to prescribe exceptional treatments for individual matters by taking into account the accounting practices that have conventionally been adopted in Japan to the extent that do not impair the comparability of financial statements.

(b) Date of application

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

(c) Effect of applying the standards and guidances

The Company has not determined the effect of applying the “Accounting Standard for Fair Value Measurement” and other standards and guidances on its consolidated financial statements.

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, issued on March 31, 2020)

(a) Outline

Disclosure of sources of estimation uncertainty is required by Paragraph 125 of IAS 1 “Presentation of Financial Statements” issued by the IASB in 2003. In relation to this situation, the ASBJ received comments requesting to consider disclosure of such information as useful information for users of financial statements. In response to the request, the ASBJ developed and issued the “Accounting Standard for Disclosure of Accounting Estimates.”

The ASBJ’s basic policies in developing the accounting standard for disclosure of accounting estimates were to present principles (disclosure purpose) rather than enriching the existing notes, to request companies to make decisions about the specific disclosure contents considering the disclosure purpose, and to make reference to the provision of Paragraph 125 of IAS 1 were used as a reference to make reference to the requirements of Paragraph 125 of IAS No. 1 in the development.

(b) Date of application

The accounting standard will be applied effective from the end of the fiscal year ending March 31, 2021.

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, revised on March 31, 2020)

(a) Outline

Following the proposal for consideration of enhancing notes disclosure on “accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly defined,” the ASBJ made necessary revisions and issued the revised “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.”

When enhancing notes disclosure on “accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly defined,” Note 1-2 of the Business Accounting Principles should be followed to avoid affecting accounting practices when requirements under the relating accounting standards are clearly defined.

(b) Date of application

The accounting standard will be applied effective from the end of the fiscal year ending March 31, 2021.

4. Additional information

The spread of novel coronavirus disease (COVID-19) infections has a wide-ranging impact on the economy and business activities, and automobile manufacturers, which are main customers of the Group, are making production adjustments.

Although it is difficult to reasonably predict the impact of these on the Group and the time of cessation of this infectious disease, it is assumed that the impact will continue at least throughout the fiscal year ending March 31, 2021 although it will gradually approach to cessation comprehensively considering information from external sources and others currently available.

5. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥108.83 = US\$1, the approximate rate of exchange at March 31, 2020, has been used. This translation should not be construed as a representation that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

6. Short-term loans and long-term debt

At March 31, 2019 and 2020, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Loans, principally from banks:			
To the Company	¥ –	¥ –	\$ –
To consolidated subsidiaries	23,507	29,171	268,041
Total	¥23,507	¥29,171	\$268,041

At March 31, 2019 and 2020, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Loans, principally from banks:			
To the Company	¥ –	¥ –	\$ –
To consolidated subsidiaries	8,975	355	3,261
Total	¥8,975	¥355	\$3,261

7. Employees' retirement benefits

The reconciliation between the beginning balance and the ending balance of retirement benefit obligations at March 31, 2019 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Retirement benefit obligations at April 1, 2018 and 2019	¥54,347	¥55,281	\$507,957
Service cost	2,835	2,367	21,749
Interest cost	148	81	744
Actuarial differences	572	(233)	(2,140)
Retirement benefits paid	(2,623)	(2,900)	(26,647)
Retirement benefit obligations at March 31, 2019 and 2020	¥55,281	¥54,597	\$501,672

The reconciliation between the beginning balance and the ending balance of plan assets at March 31, 2019 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Plan assets at April 1, 2018 and 2019	¥29,373	¥29,706	\$272,957
Expected return on plan assets	802	805	7,396
Actuarial differences	(353)	(2,072)	(19,038)
Contributions by the Company	1,228	1,308	12,018
Retirement benefits paid	(1,345)	(1,577)	(14,490)
Plan assets at March 31, 2019 and 2020	¥29,706	¥28,169	\$258,834

The reconciliation between the ending balance of projected benefit obligations and plan assets at March 31, 2019 and 2020 and liability for retirement benefits and asset for retirement benefits recorded in the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Funded retirement benefit obligations	¥ 31,933	¥ 31,163	\$ 286,345
Plan assets	(29,706)	(28,169)	(258,834)
	2,227	2,993	27,501
Unfunded retirement benefit obligations	23,348	23,434	215,326
Net liability (asset) for retirement benefits at March 31, 2019 and 2020	¥ 25,575	¥ 26,427	\$ 242,828
Liability for retirement benefits	¥ 27,977	¥ 28,027	\$ 257,530
Asset for retirement benefits	(2,401)	(1,599)	(14,692)
Net liability (asset) for retirement benefits at March 31, 2019 and 2020	¥ 25,575	¥ 26,427	\$ 242,828

The components of retirement benefit costs for the years ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service cost	¥2,835	¥2,367	\$21,749
Interest cost	148	81	744
Expected return on plan assets	(802)	(805)	(7,396)
Amortization of actuarial differences	(759)	355	3,261
Other	(13)	(12)	(110)
Total	¥1,409	¥1,986	\$18,248

Retirement benefits liability adjustments included in other comprehensive income (before income tax) for the years ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Actuarial differences	¥(1,685)	¥(1,483)	\$(13,626)

Retirement benefits liability adjustments included in accumulated other comprehensive income (before income tax) at March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrecognized actuarial differences	¥(869)	¥(2,352)	\$(21,611)

Plan assets at March 31, 2019 and 2020:

The components of plan assets as a percentage of total plan assets at March 31, 2019 and 2020 were as follows:

	2019	2020
Bonds	38%	39%
Stocks	36%	33%
General accounts of life insurance company	18%	19%
Alternative investment	7%	7%
Cash on hand and in banks, and other	1%	2%
Total	100%	100%

Defined contribution plans:

The amount to be contributed to defined contribution plans for the years ended March 31, 2019 and 2020 were ¥2,650 million and ¥2,598 million (\$23,872 thousand), respectively.

8. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 31% and 31% for the years ended March 31, 2019 and 2020, respectively.

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

(a) The significant components of deferred tax assets and liabilities at March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets:			
Excess accrued bonus	¥ 1,644	¥ 1,792	\$ 16,466
Excess liability for retirement benefits	7,808	8,103	74,455
Disallowed retirement allowance to directors	460	375	3,445
Loss on revaluation of investment securities	4,618	4,719	43,361
Reserve for customer complaints	825	834	7,663
Reserve for product warranties	2,454	2,680	24,625
Excess allowance for doubtful accounts	159	165	1,516
Provision for loss related to antitrust law	25	—	—
Tax loss carry-forward	10,043	9,610	88,302
Others	6,336	5,716	52,522
Gross deferred tax assets	34,377	33,997	312,386
Valuation allowance for tax loss carry-forward	(9,494)	(9,435)	(86,694)
Valuation allowance for deductible temporary differences	(6,336)	(6,640)	(61,012)
Total valuation allowance	(15,830)	(16,076)	(147,716)
Net deferred tax assets	¥ 18,546	¥ 17,921	\$ 164,669
Deferred tax liabilities:			
Depreciation	¥ (1,591)	¥ (1,258)	\$ (11,559)
Reserve for reduction entry of replacement assets	(438)	(429)	(3,941)
Valuation difference on available-for-sale securities	(8,443)	(6,677)	(61,352)
Retained earnings of subsidiaries	(921)	(756)	(6,946)
Others	(59)	(309)	(2,839)
Total deferred tax liabilities	(11,453)	(9,431)	(86,658)
Net deferred tax assets (liabilities)	¥ 7,092	¥ 8,489	\$ 78,002

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

	Millions of yen						Total
	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	
Tax loss carry-forward (*) . . .	¥ 2,045	¥ 1,085	¥ 302	¥ 2,272	¥ 1,766	¥ 2,138	¥ 9,610
Valuation allowance for tax loss carry-forward	(2,020)	(1,041)	(197)	(2,272)	(1,766)	(2,138)	(9,435)
Net deferred tax assets for tax loss carry-forward	¥ 25	¥ 44	¥ 105	¥ –	¥ –	¥ –	¥ 175

	Thousands of U.S. dollars						Total
	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	
Tax loss carry-forward (*) . . .	\$ 18,790	\$ 9,969	\$ 2,774	\$ 20,876	\$ 16,227	\$ 19,645	\$ 88,302
Valuation allowance for tax loss carry-forward	(18,561)	(9,565)	(1,810)	(20,876)	(16,227)	(19,645)	(86,694)
Net deferred tax assets for tax loss carry-forward	\$ 229	\$ 404	\$ 964	\$ –	\$ –	\$ –	\$ 1,608

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

(c) A reconciliation between the effective tax rate and the statutory tax rate for the years ended March 31, 2019 and 2020 was as follows:

	2019	2020
Statutory tax rate	30.6 %	30.6 %
Difference in tax rates applied by foreign subsidiaries	(5.5)%	(5.0)%
Tax credit	(1.3)%	(1.6)%
Change in valuation allowance	–	2.9 %
Other	(1.3)%	(0.8)%
Effective tax rate	22.5 %	26.1 %

9. Business combination**Transactions under common control, etc.****① (1) Outline of transaction****(a) Name of the company subject to the business combination and description of the business**

Name of the company subject to the business combination

KI HOLDINGS CO., LTD. (“KIHD”)

Description of the business

Transportation equipment related business, electrical equipment related business, housing equipment related business

(b) Date of the business combination

June 19, 2019

(c) Legal form of the business combination

Acquisition by tender offer

(d) Name of the company after the business combination

There is no change.

(e) The voting rights ratio acquired

The voting rights ratio before acquisition by the tender offer 50.19%

The voting rights ratio additionally acquired on the day of business combination 42.18%

The voting rights ratio after acquisition 92.37%

(f) Other matters related to the business combination

This transaction was carried out as a part of transactions for the purpose of making KIHD a wholly owned subsidiary.

(2) Outline of accounting treatment

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

(3) Cost of the acquisition of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	¥7,950 million (\$73,049 thousand)
Acquisition cost		¥7,950 million (\$73,049 thousand)

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

(a) Major reason for changes in capital surplus

Additional acquisition of subsidiary shares

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

¥1,360 million (\$12,496 thousand)

② (1) Outline of transaction

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

Name of the company subject to the business combination

KI HOLDINGS CO., LTD.

Description of the business

Manufacturing and marketing seats for aircraft, and other businesses

(b) Date of the business combination

August 1, 2019

(c) Legal form of the business combination

Acquisition by request for sale of shares

(d) Name of the company after the business combination

There is no change.

(e) The voting rights ratio acquired

The voting rights ratio before acquisition by demand for sale of shares 92.37%

The voting rights ratio additionally acquired on the day of business combination 7.63%

The voting rights ratio after acquisition 100.00%

(f) Other matters related to the business combination

This transaction was carried out for the purpose of making KIHD a wholly owned subsidiary.

(2) Outline of accounting treatment

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

(3) Cost of the acquisition of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	¥1,438 million (\$13,213 thousand)
Acquisition cost		¥1,438 million (\$13,213 thousand)

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

(a) Major reason for changes in capital surplus

Additional acquisition of subsidiary shares

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

¥235 million (\$2,159 thousand)

③ (1) Outline of transaction

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

Name of the company subject to the business combination

INDIA JAPAN LIGHTING PRIVATE LIMITED

Description of the business

Manufacturing and marketing of automotive lighting equipment

(b) Date of the business combination

December 27, 2019

(c) Legal form of the business combination

Acquisition of shares from non-controlling interests

(d) Name of the company after the business combination

There is no change.

(e) Other matters related to the business combination

The voting rights ratio of the additionally acquired shares is 29.9%. This transaction was carried out for the purpose of making INDIA JAPAN LIGHTING PRIVATE LIMITED a wholly owned subsidiary.

(2) Outline of accounting treatment

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

(3) Cost of the acquisition of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	¥2,373 million (\$21,804 thousand)
Acquisition cost		¥2,373 million (\$21,804 thousand)

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

(a) Major reason for changes in capital surplus

Additional acquisition of subsidiary shares

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

¥1,801 million (\$16,548 thousand)

10. Segment information

Reporting segment information

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

Some segments include manufacturing and sales operations of control systems for rail transports, aircraft equipment, and aircraft and train seats, in addition to the mainstay automotive lighting equipment.

	Millions of yen								
	Japan	North America	China	Asia	Europe	Other regions	Total	Adjustments	Consolidated
For the year ended March 31, 2020									
Sales:									
Sales to outside customers	¥383,672	¥181,981	¥ 93,670	¥101,743	¥35,072	¥4,788	¥800,928	¥ –	¥800,928
Intersegment sales and transfers	24,225	259	9,050	4,233	57	4	37,831	(37,831)	–
Total	407,898	182,240	102,720	105,976	35,130	4,793	838,760	(37,831)	800,928
Segment income (loss)	43,524	11,266	14,508	9,412	2,138	(457)	80,392	2,018	82,411
Segment assets	297,425	99,051	81,835	97,127	25,886	7,444	608,770	120,945	729,715
Others:									
Depreciation and amortization . . .	18,841	6,857	3,665	5,098	1,278	178	35,919	146	36,066
Increase in property, plant and equipment and intangible assets	24,888	10,203	3,525	12,163	5,055	900	56,737	–	56,737

	Thousands of U.S. dollars						Total	Adjustments	Consolidated
	Japan	North America	China	Asia	Europe	Other regions			
For the year ended March 31, 2020									
Sales:									
Sales to outside customers	\$3,525,424	\$1,672,158	\$860,700	\$934,880	\$322,264	\$43,995	\$7,359,441	\$ –	\$7,359,441
Intersegment sales and transfers	222,594	2,379	83,157	38,895	523	36	347,615	(347,615)	–
Total	3,748,029	1,674,538	943,857	973,775	322,797	44,041	7,707,066	(347,615)	7,359,441
Segment income (loss)	399,926	103,519	133,308	86,483	19,645	(4,199)	738,693	18,542	757,245
Segment assets	2,732,932	910,144	751,952	892,465	237,857	68,400	5,593,770	1,111,320	6,705,090
Others:									
Depreciation and amortization	173,123	63,006	33,676	46,843	11,743	1,635	330,046	1,341	331,397
Increase in property, plant and equipment and intangible assets	228,686	93,751	32,389	111,761	46,448	8,269	521,336	–	521,336

11. Subsequent events

Impact of the spread of COVID-19 infections

The global spread of COVID-19 infections is expected to impact the operations and business results of the Group for the fiscal year ending March 31, 2021 onward. However, at this point in time it is difficult to rationally estimate its effect.

Absorption-type merger of a consolidated subsidiary

As of April 1, 2020, the Company completed absorption-type merger of KI HOLDINGS CO., LTD., a wholly owned subsidiary, pursuant to a resolution by the extraordinary meeting of the Board of Directors held on January 30, 2020.

(1) Outline of transaction

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

Name of the company subject to the business combination

KI HOLDINGS CO., LTD.

Description of the business

Manufacturing and marketing seats for aircraft, and other businesses

- (b) Date of the business combination

April 1, 2020

- (c) Legal form of the business combination

Absorption-type merger with the Company as the surviving company and KI HOLDINGS CO., LTD. as the absorbed company

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

KOITO MANUFACTURING CO., LTD.

- (e) Other matters related to the business combination

This transaction was carried out for the purpose of further rationalization of the management structure, among others.

(2) Outline of accounting treatment

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

INDEPENDENT AUDITOR'S REPORT

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

<Report on the Audit of the Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of KOITO MANUFACTURING CO., LTD. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2020 and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for 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 Group in accordance with the JICPA Code of Ethics (JICPA Code), and we have fulfilled our other ethical responsibilities in accordance with the JICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As disclosed in Note 11. Subsequent events, the global spread of COVID-19 infections is expected to impact the operations and business results of the Group for the year ending March 31, 2021 onward. However, it is difficult to estimate its effect rationally at this point in time.

Our opinion is not modified in respect of this matter.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing matters related to going concern in accordance with accounting principles generally accepted in Japan as applicable.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing director's execution of duties with regard to design and operation of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, select the procedures depending on the auditor's judgement and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting 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 related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 presentation and disclosures of the consolidated financial statements comply with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

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

Convenience Translation

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

吉村淳一

Junichi Yoshimura
Designated Engagement Partner
Certified Public Accountant

松浦'大樹

Daiki Matsuura
Designated Engagement Partner
Certified Public Accountant

ARK LLC
Tokyo Office, Japan
August 7, 2020

CORPORATE INFORMATION

As of March 31, 2020

KOITO MANUFACTURING CO., LTD.

Head office: 4-8-3, Takanawa, Minato-ku, Tokyo 108-8711, Japan
Founded: April 1, 1915
Incorporated: April 1, 1936
Capital: ¥14,270 million
Employees: 24,769 (Consolidated)
 4,459 (Non-consolidated)

Common stock:

Authorized: 320,000,000 shares
Issued: 160,789,436 shares
Number of shareholders: 9,092

Principal shareholders:

TOYOTA MOTOR CORPORATION
 The Master Trust Bank of Japan, Ltd. (Trust account)
 Japan Trustee Services Bank, Ltd. (Trust account)
 Sumitomo Mitsui Banking Corporation
 Nippon Life Insurance Company
 MUFG Bank, Ltd.
 STATE STREET BANK AND TRUST COMPANY 505223
 The Dai-ichi Life Insurance Company, Limited
 SSBTC CLIENT OMNIBUS ACCOUNT
 Aioi Nissay Dowa Insurance Co., Ltd.

Shareholder Registry Administrator

Account management institution:

Contact:

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

For further information, please contact:

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

CORPORATE DIRECTORY

HEAD OFFICE

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

INTERNATIONAL OPERATIONS HEADQUARTERS

Administration Dept.—International Ops.
Phone: 81-54-345-4237
Facsimile: 81-54-345-4959

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

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

American Dept.—North American Region
Phone: 81-54-345-2923
Facsimile: 81-54-345-4959

American Dept.—Latin American Region
Phone: 81-54-345-1123
Facsimile: 81-54-345-4959

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

PLANTS

Shizuoka Plant (Shizuoka Pref.)
Phone: 81-54-345-2251
Facsimile: 81-54-346-9174

Haibara Plant (Shizuoka Pref.)

Sagara Plant (Shizuoka Pref.)

Fujikawa Tooling Plant (Shizuoka Pref.)

LABORATORY

Laboratory (Shizuoka Pref.)

PARTS CENTER

Koito Parts Center (Shizuoka Pref.)

DOMESTIC BUSINESS NETWORK

Sapporo Branch (Hokkaido)
Phone: 81-11-753-2611
Facsimile: 81-11-753-0520

Kitakanto Branch (Tochigi Pref.)
Phone: 81-28-636-4066
Facsimile: 81-28-636-4050

Tokyo Branch (Tokyo)
Phone: 81-3-3447-5161
Facsimile: 81-3-3447-1660

Toyota Branch (Aichi Pref.)
Phone: 81-565-28-1129
Facsimile: 81-565-29-1217

Osaka Branch (Osaka Pref.)
Phone: 81-6-6391-6731
Facsimile: 81-6-6395-1154

Hiroshima Branch (Hiroshima Pref.)
Phone: 81-82-282-1281
Facsimile: 81-82-282-1285

Sapporo Sales Office (Hokkaido)

Sendai Sales Office (Miyagi Pref.)

Kitakanto Sales Office (Tochigi Pref.)

Ota Sales Office (Gunma Pref.)

Tokyo Sales Office (Tokyo)

Atsugi Sales Office (Kanagawa Pref.)

Shizuoka Sales Office (Shizuoka Pref.)

Nagoya Sales Office (Aichi Pref.)

Osaka Sales Office (Osaka Pref.)

Fukuoka Sales Office (Fukuoka Pref.)

OVERSEAS REPRESENTATIVE OFFICES

Detroit Office (U.S.A.)
North American Lighting, Inc.
36600 Corporate Drive Farmington Hills,
Michigan 48331, U.S.A.
Phone: 1-248-553-6408
Facsimile: 1-248-553-6454

Seattle Office (U.S.A.)
Sojitz Corporation of America Columbia Center,
Suite 1160, 701 5th Avenue,
Seattle, Washington 98104, U.S.A.
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Facsimile: 1-206-386-5640

R&D Lab in Silicon Valley (U.S.A.)
530 Lakeside Drive, Suite 280, Sunnyvale,
California 94085, U.S.A.
Phone: 1-408-819-5014

GLOBAL NETWORK

OVERSEAS SUBSIDIARIES AND AFFILIATES

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

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

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

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

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

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

Koito Europe Limited (KEL / U.K.)

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

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

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

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

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

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

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Development Zone, Xiaogan City, Hubei 432100,
People's Republic of China
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Facsimile: 86-712-210-8710

FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.

(FUZHOU KOITO TAYIH / China)

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

THAI KOITO COMPANY LIMITED (THAI KOITO / Thailand)

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

PT. INDONESIA KOITO (INDONESIA KOITO / Indonesia)

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

Ta Yih Industrial Co., Ltd.

(Ta Yih Industrial / Taiwan)

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Facsimile: 886-6-264-4614

INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL / India)

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Facsimile: 91-44-3910-6106

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

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Kawasan Perindustrian Sendayan Techvalley,
Bandar Sri Sendayan, 71950 Seremban,
Negeri Sembilan Darul Khusus, Malaysia
Phone: 60-6-666-2800
Facsimile: 60-6-666-2809

BrightWay Vision Ltd.

(BWV / Israel)

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

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

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

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

Industrial Park, Yaoguan Town, Wujin District,
Changzhou City, Jiangsu 213011,
People's Republic of China
Phone: 86-519-8837-5509
Facsimile: 86-519-8803-9802

DOMESTIC SUBSIDIARIES AND AFFILIATES

KOITO KYUSHU LIMITED (Saga Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

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

Business lines: Transportation services
and logistics

Aoitec Co., Ltd. (Shizuoka Pref.)

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

Shizuokadenso Co., Ltd. (Shizuoka Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

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

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

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

Business lines: Manufacturing and marketing of
automotive lighting equipment

Shizuoka Wire Harness Co., Ltd.

(Shizuoka Pref.)

Business lines: Manufacturing and marketing of
automotive lighting equipment

Haibara Machine and Tools Co., Ltd.

(Shizuoka Pref.)

Business lines: Manufacturing and marketing of
resin metal molds

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

Business lines: Manufacturing and marketing of
resin metal molds

Koito Insurance Services Co., Ltd. (Tokyo)

Business lines: Insurance agent

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

Business lines: Manufacturing and marketing of
resin metal molds

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

Business lines: Service businesses

KOITO ELECTRIC INDUSTRIES, LTD.

(Shizuoka Pref.)

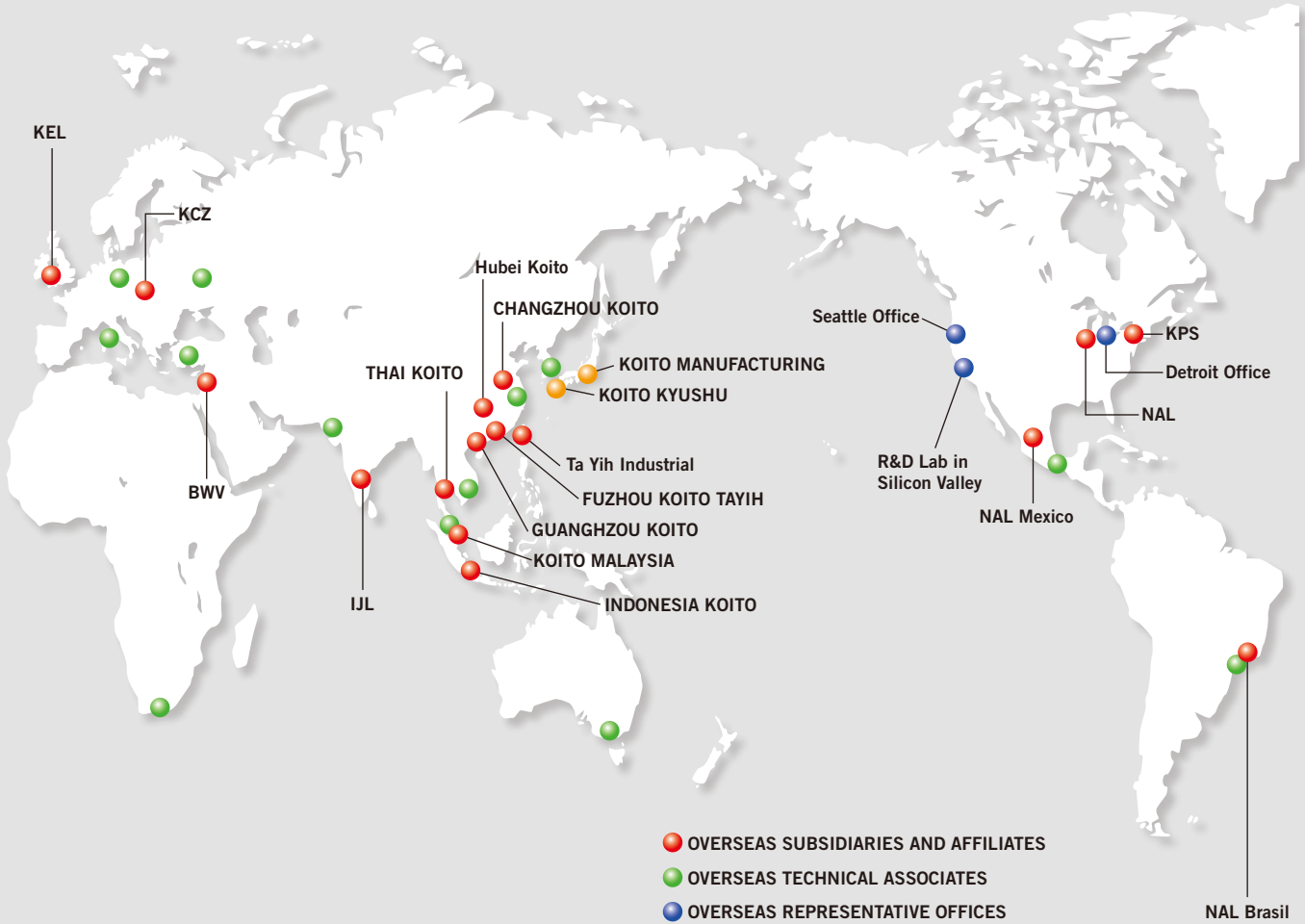
Business lines: Manufacturing and marketing of
railroad car control equipment, road traffic
signals and traffic control systems, and seats for
railroad cars, etc.

Minatsu, Ltd. (Kanagawa Pref.)

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

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

Business lines: Manufacturing and
marketing of railroad car seats



OVERSEAS TECHNICAL ASSOCIATES

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

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

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

Hella Automotive Mexico S.A. de C.V. (Mexico)

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

Industrias Arteb S.A. (Brazil)

Koito Europe Limited (U.K.)

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

HELLA GmbH & Co. KGaA (Germany)

FARBA AYDINLATMA SİSTEMLERİ ANONİM ŞİRKETİ (Turkey)

Automotive Lighting Italia S.p.A. (Italy)

AVTOSVET Limited Liability Company (Russia)
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (China)

Hubei Koito Automotive Lamp Co., Ltd. (China)
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (China)

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

Shanghai TanDa Railway Vehicle Seat System Co., Ltd. (China)

AMS Co., Ltd. (Korea)

THAI KOITO COMPANY LIMITED (Thailand)
Bangkok Diecasting and Injection Co., Ltd. (Thailand)

PT. INDONESIA KOITO (Indonesia)

Ta Yih Industrial Co., Ltd. (Taiwan)

INDIA JAPAN LIGHTING PRIVATE LIMITED (India)

Hella Australia Pty Ltd. (Australia)

Lumotech (Pty.) Ltd. (South Africa)

KOITO MALAYSIA SDN. BHD. (Malaysia)

EP Polymers (M) Sdn. Bhd. (Malaysia)

AuVitronics Limited (Pakistan)



KOITO MANUFACTURING CO., LTD.

