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June 4, 2021

To our shareholders:

Hiroshi Mihara
President

KOITO MANUFACTURING CO., LTD.

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

NOTICE OF THE 121ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 121st Ordinary General Meeting of Shareholders of KOITO MANUFACTURING CO., LTD. (the “Company”), which will be held as described below. However, in consideration of the impact of novel coronavirus pandemic, please consider not attending this year’s General Meeting of Shareholders to prevent the spread of the infection. You may exercise your voting rights by either of the following methods. Please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights.

Exercising Voting Rights

[For those attending the meeting]

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

[For those exercising voting rights by mail]

Please use the enclosed voting form to indicate your approval or disapproval and resend it so it reaches us by 5:00 p.m., Monday, June 28, 2021 (Japan Standard Time), the day before the Ordinary General Meeting of Shareholders.

[For those exercising voting rights by the Internet]

Please access the voting website (<https://evote.tr.mufg.jp/>) to submit votes of approval or disapproval. Votes can be submitted until 5:00 p.m., Monday, June 28, 2021 (Japan Standard Time).

Meeting Details

1. Date and time: Tuesday, June 29, 2021 at 10:00 a.m. (Japan Standard Time)

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

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

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

3. Agenda of the General Meeting of Shareholders:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 121st Term (from April 1, 2020 to March 31, 2021), as well as the results of audit of the Consolidated Financial Statements by the Independent Auditors and the Audit and Supervisory Board.
2. Financial Statements for the 121st Term (from April 1, 2020 to March 31, 2021)

Items to be resolved:

Proposal 1: Dividends of surplus

Proposal 2: Election of fourteen (14) Directors

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

Proposal 4: Election of one (1) substitute Audit and Supervisory Board Member

Reference Documents for the General Meeting of Shareholders

Proposal 1: Dividends of surplus

The company's policy is to continuously pay stable dividends to shareholders based on the comprehensive evaluation of our present business results, business climate, etc. The year-end dividend of this term is scheduled to be ¥30 per share in consideration of the current business results and continuation of the severe business climate.

Accordingly, the full year dividend, including the interim dividend, is scheduled to be ¥50.

Matters related to year-end dividend

1. Type of dividend property:

Cash

2. Allocation of dividend property and total amount thereof

¥30 per common share of the Company

Total amount: ¥4,822,074,660

3. Effective date of distribution of dividends of surplus

June 30, 2021

Proposal 2: Election of fourteen (14) Directors

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

The candidates for Directors are as follows:

No. 1	Masahiro Otake (born on March 15, 1947)	Up for re-election
Number of shares of the Company held: 87,400 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1977	Joined the Company
	June 1987	Director
	June 1993	Managing Director
	June 1999	Senior Managing Director
	June 2005	Executive Vice President
	June 2007	President
	June 2015	Chairman (present position)

Reasons for nomination as candidate for Director

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

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

No.2	Michiaki Kato (born on June 23, 1959)	Up for re-election
Number of shares of the Company held: 12,200 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1982	Joined the Company
	October 2004	General Manager of Euro-American Operations
	June 2005	Director
	June 2011	Managing Director
	June 2012	Managing Corporate Officer
	June 2013	Director and Managing Corporate Officer
	June 2017	Senior Managing Director (present position)
		Sales Headquarters
		International Operations Headquarters (present position)

Reasons for nomination as candidate for Director

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

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

No.3	Kenji Arima (born on September 11, 1954)	Up for re-election
Number of shares of the Company held: 10,200 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1977	Joined the Company
	January 2005	Director, Koito Europe NV (KENV)
	June 2005	Director, the Company
	June 2011	Managing Director
	June 2012	Director and Managing Corporate Officer
	June 2013	Senior Managing Director
	June 2019	Executive Vice President (present position)
		Engineering Headquarters In charge of Mobility Strategy Department Research & Development Department Intellectual Property Department (present position)

Reasons for nomination as candidate for Director

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

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

No.4	Masami Uchiyama (born on May 12, 1959)	Up for re-election
Number of shares of the Company held: 6,400 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1983	Joined the Company
	June 2005	General Manager of Personnel Department
	June 2007	Director
	June 2011	Managing Director
	June 2012	Director and Managing Corporate Officer
	June 2017	Senior Managing Director (present position)
		Production Headquarters Shizuoka Plant Haibara Plant In charge of Logistics Department Safety Environment Department Production Control Department Electronics Products Production Department (present position)

Reasons for nomination as candidate for Director

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

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

No.5	Hideharu Konagaya (born on June 17, 1963)	Up for re-election
Number of shares of the Company held: 11,200 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1987	Joined the Company
	April 2006	General Manager of Accounting Department
	June 2009	Director
	June 2012	Corporate Officer
	June 2013	Managing Corporate Officer
	June 2015	Director and Managing Corporate Officer
	June 2017	Senior Managing Director (present position) Finance & Accounting Headquarters In charge of Purchasing Department (present position)

Reasons for nomination as candidate for Director

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

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

No.6

Katsuyuki Kusakawa (born on July 30, 1956)

Up for re-election

Number of shares
of the Company held:

11,600 shares

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

April 1980	Joined Toyota Motor Co., Ltd. (currently TOYOTA MOTOR CORPORATION)
January 2009	Seconded to Toyota Motor Sales, U.S.A., Inc.
March 2011	Standing Adviser, the Company
June 2011	Managing Director
June 2012	Director and Managing Corporate Officer
June 2019	Senior Managing Director (present position) Engineering Headquarters In charge of Corporate Planning Department Compliance Department Cost Administration Department Engineering Department Mobility Strategy Department (present position)

Reasons for nomination as candidate for Director

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

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

No. 7	Jun Toyota (born on August 24, 1959)	Up for re-election
Number of shares of the Company held: 6,800 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1983	Joined the Company
	January 2005	Director, Koito Europe NV (KENV)
	June 2005	Director, the Company
	June 2012	Corporate Officer
	June 2013	Managing Corporate Officer
	June 2015	President, North American Lighting, Inc. (NAL)
	June 2017	Director and Managing Corporate Officer (present position)
		International Operations Headquarters (present position)

Reasons for nomination as candidate for Director

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

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

No.8

Takashi Ohtake (born on September 15, 1939)

Up for re-election

Number of shares
of the Company held:

111,100 shares

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

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

Reasons for nomination as candidate for Director

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

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

No.9	Hiroshi Mihara (born on February 19, 1955)	Up for re-election
Number of shares of the Company held: 15,700 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1978	Joined the Company
	June 2003	Director
	June 2006	Managing Director
	June 2011	Senior Managing Director
	June 2013	Executive Vice President
	June 2015	President (present position)

Reasons for nomination as candidate for Director

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

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

No.10	Hideo Yamamoto (born on April 1, 1958)	Up for re-election
Number of shares of the Company held: 10,000 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1980	Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
	June 2008	General Manager of Asian Investment Banking Division, MUFG Bank, Ltd.
	October 2010	Standing Adviser, the Company
	June 2011	Managing Director
	June 2012	Director and Managing Corporate Officer (present position)
		In charge of General Affairs Department Public Relations Department Information System Department Internal Audit Department (present position)

Reasons for nomination as candidate for Director

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

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

No.11	Takayuki Katsuda (born on December 2, 1962)	Up for re-election
Number of shares of the Company held: 5,300 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1985	Joined TOYOTA MOTOR CORPORATION
	January 2010	Chief Engineer, Lexus Center
	April 2016	Standing Adviser, the Company
	June 2016	Managing Corporate Officer
	June 2019	Director and Managing Corporate Officer (present position)
		Engineering Headquarters
		In charge of
		Project Management Department
		System Product Development Department
		Shizuoka 1st Design Department
		Toyota Design Department
		Mobility Strategy Department (present position)

Reasons for nomination as candidate for Director

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

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

No.12	Atsushi Inoue (born on February 23, 1960)	First-time candidate
Number of shares of the Company held: 4,900 shares	Career history, position and responsibility, and important positions concurrently held	
	April 1983	Joined the Company
	June 2005	General Manager of Corporate Planning Department
	June 2007	Director
	June 2012	Corporate Officer
	June 2013	Managing Corporate Officer (present position)
		In charge of
		Corporate Planning Department
		General Affairs Department
		Public Relations Department (present position)

Reasons for nomination as candidate for Director

Since joining the Company, Mr. Atsushi Inoue has acquired extensive experience and a high level of insight through serving as General Manager of Corporate Planning Department, General Affairs Department, Public Relations Department and in other positions. He has contributed significantly to the improvement of the Company's performance and corporate value.

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

No.13	Haruya Uehara (born on July 25, 1946)	Up for re-election Outside Independent executive
Number of shares of the Company held: 0 shares	Career history, position and responsibility, and important positions concurrently held April 1969 Joined The Mitsubishi Trust and Banking Corporation (currently Mitsubishi UFJ Trust and Banking Corporation) June 1996 Director June 1998 Managing Director June 2001 Senior Managing Director June 2002 Director, Deputy President April 2004 President October 2005 President, Mitsubishi UFJ Trust and Banking Corporation June 2008 Chairman April 2012 Senior Advisor (present position) June 2013 Outside Director, the Company (present position) (Significant concurrent positions outside the Company) Senior Advisor, Mitsubishi UFJ Trust and Banking Corporation	

Reasons for nomination as candidate for Outside Director and summary of expected role

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

No.14	Kingo Sakurai (born on May 5, 1943)	Up for re-election Outside Independent executive
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Number of shares
of the Company held:

10,000 shares

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

March 1972	Registered as certified public accountant
June 1983	Independent Auditor, the Company
June 2009	Resigned Independent Auditor
July 2009	Adviser (part time), the Company
June 2017	Outside Director, (present position)

Reasons for nomination as candidate for Outside Director and summary of expected role

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

Mr. Sakurai has never been involved with a company's management. However, he has sufficient knowledge as an expert in finance and accounting to oversee management as a certified public accountant. As a result, the Company believes that Mr. Sakurai can perform the duties of an Outside Director properly.

Notes:

1. There is no particular business or other relationship between all candidate and the Company.
2. Mr. Uehara and Mr. Sakurai are the candidate for Outside Director.
3. The Company has submitted a notice to the Tokyo Stock Exchange that Mr. Uehara and Mr. Sakurai have been designated as an independent executive in accordance with the regulations of this exchange. If their re-elections are approved, the Company plans for their appointment as an independent executive to continue.
4. At the conclusion of this meeting, Mr. Uehara's tenure as Outside Director of the Company will have been eight years, Mr. Sakurai's tenure as Outside Director of the Company will have been four years.
5. Liability limitation agreements with Outside Directors
To enable Outside Directors to perform their duties as expected, current Articles of Incorporation provide for agreements that limit the liability of Outside Directors for matters specified by laws and regulations concerning liability in Article 423, paragraph 1 of the Companies Act and in accordance with Article 427, paragraph 1 of this act. These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations. The Outside Director candidate Mr. Uehara and Mr. Sakurai have established the agreement with the Company. If They are re-elected, the Company plans to renew the agreement with them.
6. Directors and officers liability insurance policies covering the Director candidates
The Company has taken out a directors and officers liability insurance policy with an insurance company in accordance with Article 430-3, paragraph 1 of the Companies Act, and uses this insurance policy to cover any damages incurred by the insured parties including Directors of the Company should they receive a claim related their assumption or pursuit of responsibilities in connection with the performance of their duties.
If the candidates are elected as Directors, they will be included among the persons insured by this insurance policy. Moreover, the Company plans to renew the policy with the same policy details at the next policy renewal date.

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

Mr. Yohei Kawaguchi will resign as Audit and Supervisory Board Member at the conclusion of this meeting. Accordingly, the Company proposes the election of one (1) Audit and Supervisory Board Member.

Furthermore, candidate for Audit and Supervisory Board Member Mr. Koichi Sakakibara has been nominated as a substitute for Audit and Supervisory Board Member Mr. Yohei Kawaguchi. Accordingly, as provided for in the Company’s Articles of Incorporation, his tenure will be until the expiration date of the retiring Audit and Supervisory Board Member’s tenure.

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

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

	Koichi Sakakibara (born on January 22, 1952)	First-time candidate
Number of shares of the Company held: 21,600 shares	Career history, position and important positions concurrently held	
	April 1975	Joined the Company
	June 1999	General Manager, Production Development Department
	June 2001	Director
	June 2007	Managing Director
	June 2009	Senior Managing Director
	June 2013	Executive Vice President (present position)

Reasons for nomination as candidate for Audit and Supervisory Board Member

Since joining the Company, Mr. Koichi Sakakibara has acquired extensive experience and a high level of insight through serving as Head of Production Headquarters and in other positions. He has also been involved with the Company’s management as a Director. The Company proposes his election as an Audit and Supervisory Board Member for the purpose of using his knowledge and experience to strengthen the Company’s auditing activities.

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

Directors and officers liability insurance policies covering the Audit and Supervisory Board Member candidates

The Company has taken out a directors and officers liability insurance policy with an insurance company, in accordance with Article 430-3, paragraph 1 of the Companies Act, and uses this insurance policy to cover any damages incurred by the insured parties including Audit and Supervisory Board Members of the company should they receive a claim related their assumption or pursuit of responsibilities in connection with the performance of their duties.

If Mr. Sakakibara is elected as Audit and Supervisory Board Member, he will be included among the persons insured by this insurance policy.

Moreover, the Company plans to renew the policy with the same policy details at the next policy renewal date.

Proposal 4: Election of one (1) substitute Audit and Supervisory Board Member

The Company proposes that one (1) substitute Audit and Supervisory Board Member be elected to prepare for a case where the number of the Audit and Supervisory Board Members falls below the number stipulated by laws and regulations.

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

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

	Hideo Shinohara (born on February 15, 1965)	Outside Independent executive
Number of shares of the Company held: 0 shares	Career history, position and important positions concurrently held	
	February 1993	Registered as certified public accountant
	January 1994	Established Hideo Shinohara CPA Office (present position)

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

Mr. Hideo Shinohara is a certified public accountant. The Company proposes his election as a substitute Outside Audit and Supervisory Board Member for the purpose of using his knowledge and experience to strengthen the Company’s auditing activities.

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

Notes:

1. Mr. Shinohara is a candidate for substitute Outside Audit and Supervisory Board Member.
2. Matter to the candidate for substitute Outside Audit and Supervisory Board Member are as follows.
 - (1) Mr. Shinohara fulfills the requirements for independence stipulated by the Tokyo Stock Exchange. Accordingly, if he is elected, the Company plans to submit a notice to this exchange that Mr. Shinohara is an independent executive.
 - (2) Reason for determining that the candidate can properly perform the duties of an Outside Audit and Supervisory Board Member.

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

- (3) Liability limitation agreements with Outside Audit and Supervisory Board Members

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

These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations.

If Mr. Shinohara is to assume office as an Outside Audit and Supervisory Board Member, the Company plans to establish the agreement with him.

- (4) Directors and officers liability insurance policies covering Outside Audit and Supervisory Board Member candidates

The Company has taken out a directors and officers liability insurance policy with an insurance company, in accordance with Article 430-3, paragraph 1 of the Companies Act, and uses this insurance policy to cover any damages incurred by the insured parties including Audit and Supervisory Board Members of the company should they receive a claim related their assumption or pursuit of responsibilities in connection with the performance of their duties.

If Mr. Shinohara is elected as an Outside Audit and Supervisory Board Member, he will be included among the persons insured by this insurance policy.

Moreover, the Company plans to renew the policy with the same policy details at the next policy renewal date.

(Accompanying documents) **BUSINESS REPORT** (from April 1, 2020 to March 31, 2021)

1. Matters related to the KOITO Group

1) Performance and results of business activities

During the period under review, the uncertainty of the Japanese economy has increased due to concerns of the spread of the COVID-19 infections, and the worsening employment situation and corporate performance.

Globally, the overall world economy decelerated due to a slowdown of the economic activities caused by the novel coronavirus pandemic, the dispute between the U.S. and China, and the geopolitical risks.

In the Japanese automobile industry, the production volume decreased year on year for both domestic and export vehicles.

In overseas, the production volume increased in China etc., year on year. However, the global automobile production volume as a whole has decreased year on year due to the decrease in the production volume in North America, Europe, ASEAN countries, India and other regions.

In this climate, despite an increase in new orders in the mainstay automotive lighting equipment segment and a shift in automobile lamps to LED, the KOITO Group's net sales for the fiscal 2021 decreased 11.8% year on year to ¥706.3 billion due to a year on year decrease in sales in Japan, North America, and Asia, caused by a decrease in the automobile production volume.

Results by geographical segment are outlined as follows:

Japan	Despite an increase in new orders and a shift in automobile lamps to LED, sales in Japan decreased 11.1% year on year to ¥341.0 billion due to a decrease in the domestic automobile production volume.	Composition of sales 48.3%
North America	Despite an increase in new orders and a shift in automobile lamps to LED, sales in North America decreased 21.2% year on year to ¥143.4 billion due to a decrease in automobile production volume and the effect of currency exchange.	Composition of sales 20.3%
China	Sales in China increased 10.4% year on year to ¥103.4 billion due to an increase in automobile production volume.	Composition of sales 14.7%
Asia	Despite a shift in automobile lamps to LED, sales in Asia decreased 15.2% year on year to ¥86.2 billion due to a decrease in automobile production volume and the effect of currency exchange.	Composition of sales 12.2%
Europe	Sales in Europe decreased 21.1% year on year to ¥27.6 billion due to a decrease in automobile production volume.	Composition of sales 3.9%
Other regions (NAL Brasil)	Despite an increase in new orders, sales in the region decreased 4.1% year on year to ¥4.5 billion due to a decrease in automobile production volume and the effect of currency exchange.	Composition of sales 0.6%

On the earnings front, although KOITO strongly implemented cost reduction and rationalization in response to the decrease in sales, the operating income decreased 31.2% year on year to ¥56.7 billion, recurring profit decreased 28.3% year on year to ¥61.1 billion, and the profit attributable to owners of parent decreased 35.2% year on year to ¥37.6 billion. This was attributable to the investment to meet new orders, and investment in R&D activities for the future growth.

2) Capital expenditures

Capital expenditures totaled ¥37.8 billion. Outlays were centered on the automotive lighting equipment segment, primarily in molds and buildings & structures for adapting to new products and model changes both Japan and overseas.

3) Financing

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

4) Key issues

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 world's economy and Japanese economy, in order to minimize the impact on 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 its efforts to achieve higher earnings through strengthening cost-cutting measures, such as work productivity and streamlining.

In order to deal with changes in the business climate of the automobile industry, the task of the KOITO Group is to establish development, production and sales systems, restructure and reinforce its management framework and organization, and achieve Sustainable Development Goals (SDGs) through our business activities as a global supplier.

To accomplish this, in addition to developing new technology and new products that anticipate market and customer needs, the KOITO Group will enhance its ESG (environment, social and governance) activities as well as strive to strengthen its management systems, such as productivity improvement, cost reduction, and quality improvement activities.

The Company asks shareholders for your continued understanding and support.

5) Changes in assets and profit (loss)

	million yen (except per share amounts)			
	118th Term	119th Term	120th Term	121st Term
	April 1, 2017 – March 31, 2018	April 1, 2018 – March 31, 2019	April 1, 2019 – March 31, 2020	April 1, 2020 – March 31, 2021
Net sales	848,868	826,257	800,928	706,376
Profit attributable to owners of parent	83,397	72,895	58,022	37,612
Net income per share (yen)	518.90	453.52	360.99	234.00
Total assets	672,055	738,175	729,715	782,163
Net assets	444,808	503,564	513,524	569,438

Notes:

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

6) Significant subsidiaries

i. Significant subsidiaries

1) Domestic subsidiaries

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

Notes:

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

2) Overseas subsidiaries

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

Notes:

1. CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD. has been excluded from significant subsidiaries due to the transfer of all portions of its shares in August 2020.
2. Percentages in parentheses represent the equity ownership percentage for subsidiaries and are included in the total.

ii. Technology alliances

The Company has technology alliances primarily with the following companies.

1) Agreements to provide technological support

Company name	Country
Industrias Arteb S.A.	Brazil
Farba Otomotiv A.S.	Turkey
Lumotech (Pty.) Ltd.	South Africa
EP Polymers (M) Sdn.Bhd.	Malaysia
AuVitronics Limited	Pakistan
AMS CO., LTD.	South Korea
AVTOSVET Limited Liability Company	Russia

2) Agreements to receive technological support

Company name	Country
PTI Technologies Inc.	USA

7) Description of principal businesses (as of March 31, 2021)

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

8) Main offices and plants (as of March 31, 2021)

i. The Company

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

ii. Subsidiaries

1) Domestic subsidiaries

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

2) Overseas subsidiaries

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

9) Employees (as of March 31, 2021)

Number of employees	Change from previous fiscal year
23,799	-970

10) Principal lenders (as of March 31, 2021)

Lender	Outstanding amount of loan (million yen)
MUFG Bank, Ltd.	8,070
Sumitomo Mitsui Banking Corporation	6,024
Mizuho Bank, Ltd.	4,641

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

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

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

2. Shares (as of March 31, 2021)

1) Total number of shares authorized to be issued	320,000,000 shares
2) Total number of shares issued	160,789,436 shares
3) Number of shareholders	5,547

4) Principal shareholders

Shareholders	Number of shares held (thousand shares)	Ratio of shares held (%)
TOYOTA MOTOR CORPORATION	32,158	20.0
The Master Trust Bank of Japan, Ltd. (Trust account)	12,653	7.9
Custody Bank of Japan, Ltd. (Trust account)	6,115	3.8
Sumitomo Mitsui Banking Corporation	5,442	3.4
Nippon Life Insurance Company	5,382	3.3
MUFG Bank, Ltd.	5,154	3.2
STATE STREET BANK AND TRUST COMPANY 505223	4,914	3.1
The Dai-ichi Life Insurance Company, Limited	4,000	2.5
Aioi Nissay Dowa Insurance Co., Ltd.	2,851	1.8
JP MORGAN CHASE BANK 385632	2,701	1.7

Note: Ratio of shares held is calculated by deducting treasury stock (53,614 shares).

<Reference> Distribution by owners

Financial institution	38.4%
Foreign corporation, etc.	32.0%
Other domestic corporation	25.5%
Individual, etc.	3.3%
Financial instruments business operator (brokerage house)	0.8%

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

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

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

4. Company's executives

1) Directors and Audit and Supervisory Board Members (as of March 31, 2021)

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

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

Notes:

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

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

i. Matters related to the policy for decisions pertaining to the content of individual remuneration, etc. for Directors

The policy for determining remuneration, etc. for Directors has been decided by the Board of Directors, as follows.

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

The Directors' remuneration system consists of fixed remuneration, paid monthly, 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.

The fixed remuneration amount is calculated by setting a basic amount in based on the size of the role of each Director and their position, then setting the upper and lower limit amount for each position, the status difference by position, and the difference by the number of years in the 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 goal of stock compensation-type stock options is to motivate company managers to contribute to improving business performance and corporate value in the medium to long term by sharing the benefit of rising stock prices and the risk of falling stock prices with shareholders. The number of stock options granted is based on each Director's status of business execution and level of contribution, etc., and Directors are able to exercises their options once they have lost their position as Director.

The remuneration of each Director has been determined by consultations among the Representative Directors based on the authorization of the Board of Directors. For Outside Directors, only fixed remuneration is paid, and no performance-linked remuneration is paid.

ii. The remuneration of Audit and Supervisory Board Members

The remuneration of each Audit and Supervisory Board Members has been determined by consultations among Audit and Supervisory Board Members. For Audit and Supervisory Board Members, only fixed remuneration is paid, and no performance-linked remuneration is paid.

iii. Matters related to the General Meeting of Shareholders' resolution regarding remuneration, etc. of Directors and Audit and Supervisory Board Members

The amount of monetary remuneration for Directors was resolved by the 119th Ordinary General Meeting of Shareholders, held on June 27, 2019, to be no more than ¥1.5 billion a year (of which, the annual amount of remuneration for Outside Directors is to be no more than ¥50 million). At the conclusion of that Ordinary General Meeting of Shareholders, there were fourteen (14) Directors (including two (2) Outside Directors).

In addition, the amount of remuneration, etc., related to subscription rights as stock compensation-type stock options for Directors was resolved by the 115th Ordinary General Meeting of Shareholders, held on June 26, 2015, to be no more than ¥200 million a year.

At the conclusion of that Ordinary General Meeting of Shareholders, there were thirteen (13) Directors (excluding Outside Directors).

The amount of monetary remuneration for Audit and Supervisory Board Members was resolved by the 112th Ordinary General Meeting of Shareholders, held on June 28, 2012, to be no more than ¥120 million a year. At the conclusion of that Ordinary General Meeting of Shareholders, there were four (4) Audit and Supervisory Board Members.

iv. Matters related to delegation of the authority pertaining to deciding the content of individual remuneration, etc. for Directors

The remuneration of each Director is determined by consultations among Representative Directors based on the authorization of the Board of Directors.

The remuneration for each Director in the fiscal year under review was determined by consultation among Chairman Masahiro Otake, President Hiroshi Mihara, Executive Vice President Koichi Sakakibara, and Executive Vice President Kenji Arima, who are Representative Directors, based on the authorization of the Board of Directors. Each person in charge is as described on page 33.

This authorization enables them to calculate the remuneration amounts for fixed remuneration and performance-linked remuneration based on the determination policy for remuneration, etc., of Directors. The reason for delegating this authority is that consultation among Representative Directors is a suitable way to evaluate each Director while taking an overall view of the Company's business performance.

In determining the details of remuneration for individual Directors, the Company has discussed the matter through consultation based on the determination policy for remuneration, etc. of Directors and judged that the details are in line with the determination policy.

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

	Number of eligible officers	Total amount of remuneration, etc. by type (million yen)		Total amount of remuneration, etc. (million yen)
		Fixed remuneration	Performance-linked remuneration	
For Directors	14	730	345	1,076
For Audit and Supervisory Board Members	4	103	—	103
Total	18	834	345	1,179

Notes:

1. Aggregate remuneration for the Outside Directors and Outside Audit and Supervisory Board Members, a total of four individuals, was ¥55 million. (Fixed remuneration only.)
2. Besides the above, one Outside Audit and Supervisory Board Member receives executives' remuneration of ¥0 million from Koito Insurance Services Co., Ltd., a subsidiary of the Company.
3. For Performance-linked remuneration, recurring profit is used as an indicator since it reflects the overall results of the Company's management activities, and the remuneration is calculated giving consideration to the year-on-year change in this indicator. The amounts listed for recurring profit for the fiscal year under review and for the previous fiscal year are the amounts presented in the non-consolidated statements of income.

3) Outside executives

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

Director Haruya Uehara is a Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation. Audit and Supervisory Board Member Yukinobu Suzuki is an Audit and Supervisory Board Member of Koito Insurance Services Co., Ltd., which is a subsidiary of the Company. The Company has a business relationship related to insurance agency services with Koito Insurance Services Co., Ltd.

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

ii. Major activities during the fiscal year ended March 2021

	Name	Attendance at the Board of Directors Meetings	Attendance at the Audit and Supervisory Board Meetings	Major activities and status of duties conducted in relation to expected role as Outside Director
Outside Director	Haruya Uehara	All 12 meetings (100.0%)	—	Mr. Haruya Uehara played an appropriate role in ensuring the adequacy and appropriateness of decisions by the Board of Directors, such as providing opinions and other information based on his knowledge and experience concerning corporate management. He also performed a supervisory function, such as sharing information through meetings with the audit department.
Outside Director	Kingo Sakurai	All 12 meetings (100.0%)	—	Mr. Kingo Sakurai played an appropriate role in ensuring the adequacy and appropriateness of decisions by the Board of Directors, such as providing opinions and other information based on his knowledge and experience as a certified public accountant. He also performed a supervisory function, such as sharing information through meetings with the audit department.

	Name	Attendance at the Board of Directors Meetings	Attendance at the Audit and Supervisory Board Meetings	Major activities and status of duties conducted in relation to expected role as Outside Director
Outside Audit and Supervisory Board Member	Yukinobu Suzuki	All 12 meetings (100.0%)	All 8 meetings (100.0%)	Mr. Yukinobu Suzuki provided opinions primarily by using his financial and tax practice expertise and performed other activities for verifying the adequacy and appropriateness of decisions by the Board of Directors, etc. and offering other advice and ideas.
Outside Audit and Supervisory Board Member	Hiroshi Kimeda	All 12 meetings (100.0%)	All 8 meetings (100.0%)	Mr. Hiroshi Kimeda provided opinions primarily by using his legal expertise and performed other activities for verifying the adequacy and appropriateness of decisions by the Board of Directors, etc. and offering other advice and ideas.

5. Independent Auditors

1) Name of Independent Auditors

ARK LLC

2) Remuneration, etc. to the Independent Auditors

	Amount paid (million yen)
1. Amount of remuneration, etc. paid by the Company	71
2. Total amount of money and other property benefits paid by the Company and its subsidiaries	74

Notes:

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

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

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

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

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

6. System for ensuring appropriate business execution

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1) Compliance system

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

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

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

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

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

2) System concerning the execution of duties by Directors

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

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

3) Risk management system

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

4) System for management of Group companies

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

5) System concerning Audit and Supervisory Board Members

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

8. Basic policy concerning corporate control

1) Explanation of basic policy

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

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

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

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

2) Initiative to enhance corporate value

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

Strategies for taking KOITO forward are as follows:

- i. To address the automobile industry's expansion of globally optimal production systems, the Group will work to enhance its system to respond to the five major regions of the world (Japan, America, Europe, China and Asia). To this end, the Group will further reinforce the product development, manufacturing and sales functions of its overseas bases, among other measures.

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

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

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

FINANCIAL STATEMENTS, ETC.

Consolidated Balance Sheet

(¥ millions)

	Fiscal 2020 As of March 31, 2020	Fiscal 2021 As of March 31, 2021
Assets		
Current assets:		
Cash and time deposits	271,774	303,887
Trade notes and accounts receivable	107,872	115,950
Electronically recorded monetary claims-operating	12,816	12,957
Inventories	65,544	73,751
Other current assets	34,505	32,239
Allowance for doubtful accounts	(362)	(370)
Total current assets	492,150	538,416
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	49,552	53,493
Machinery and transportation equipment (net)	66,417	69,993
Fixtures, equipment and tools (net)	17,050	14,391
Land	16,028	15,561
Construction in progress	21,033	17,457
Other property, plant and equipment	—	718
Total property, plant and equipment	170,082	171,615
Intangible fixed assets	3,193	3,125
Investments and other assets:		
Investment securities	45,701	56,570
Claims provable in bankruptcy, claims provable in rehabilitation and other	59	18
Deferred income tax assets	14,711	7,755
Net defined assets for retirement benefits	1,599	2,556
Other investments	2,504	2,244
Allowance for doubtful accounts	(288)	(139)
Total investments and other assets	64,288	69,005
Total non-current assets	237,564	243,747
Total assets	729,715	782,163

Note: Yen in millions, rounded down

(¥ millions)

	Fiscal 2020 As of March 31, 2020	Fiscal 2021 As of March 31, 2021
Liabilities		
Current liabilities:		
Trade notes and accounts payable	85,737	95,989
Electronically recorded monetary obligations-operating	8,692	7,867
Short-term loans	29,171	20,715
Accrued expenses	21,073	23,366
Income taxes payable	7,147	5,267
Allowance for employees' bonuses	5,332	5,420
Reserve for product warranties	2,517	2,622
Allowance for expenses for damages	91	—
Allowance for environmental strategies	40	—
Other current liabilities	13,888	10,679
Total current liabilities	173,690	171,928
Non-current liabilities:		
Long-term debt	355	230
Deferred income tax liabilities	6,221	7,938
Allowance for directors' and corporate auditors' retirement benefits	266	275
Reserve for product warranties	5,796	5,641
Allowance for environmental strategies	4	17
Net defined liability for retirement benefits	28,027	24,701
Other non-current liabilities	1,827	1,991
Total non-current liabilities	42,500	40,796
Total liabilities	216,190	212,724
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	13,373	13,380
Retained earnings	449,031	480,214
Treasury common stock, at cost	(53)	(52)
Total shareholders' equity	476,622	507,813
Accumulated other comprehensive income:		
Valuation adjustment on marketable securities	14,822	23,690
Translation adjustments	(9,333)	4,291
Adjustments in defined benefit plans	(1,608)	1,810
Total accumulated other comprehensive income	3,880	29,792
Subscription rights to shares	231	222
Non-controlling interests	32,789	31,610
Total net assets	513,524	569,438
Total liabilities and net assets	729,715	782,163

Note: Yen in millions, rounded down

Consolidated Statement of Income

(¥ millions)

	Fiscal 2020 April 1, 2019 to March 31, 2020	Fiscal 2021 April 1, 2020 to March 31, 2021
Net sales	800,928	706,376
Cost of sales	672,890	609,132
Gross profit	128,038	97,244
Selling, general and administrative expenses:		
Selling expenses	13,502	13,688
General and administrative expenses	32,124	26,848
Total selling, general and administrative expenses	45,626	40,537
Operating income	82,411	56,707
Non-operating income:		
Interest income	1,724	1,190
Dividends	1,274	1,050
Subsidies for employment adjustment	—	676
Royalty income, other	597	475
Foreign exchange gains	—	10
Other non-operating income	1,692	3,376
Total non-operating income	5,289	6,100
Non-operating expenses:		
Interest expenses	870	581
Shares of loss of entities accounted for using equity method	350	595
Foreign exchange losses	814	—
Other non-operating expenses	401	524
Total non-operating expenses	2,436	1,700
Recurring profit	85,264	61,107
Extraordinary gains:		
Gain on sales of property and equipment	25	41
Gain on sales of investment securities	27	220
Subsidies for employment adjustment	—	2
Total extraordinary gains	52	265
Extraordinary losses:		
Loss on sale and disposal of property and equipment	700	567
Loss on sale of investment securities	—	2
Loss on valuation of investment securities	14	—
Impairment loss	—	1,331
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	324	41
Loss on extinguishment of tie-in shares	127	—
Allowance for expenses for damages	91	—
Total extraordinary losses	1,258	1,943
Income before income taxes	84,058	59,429
Income taxes	21,252	15,430
Refund of income taxes	—	(994)
Income tax adjustment	717	4,532
Total income taxes	21,970	18,969
Net income	62,087	40,460
(Breakdown)		
Profit attributable to owners of parent	58,022	37,612
Profit attributable to non-controlling interests	4,065	2,848

Note: Yen in millions, rounded down

Consolidated Statement of Changes in Shareholders' Equity

Fiscal 2021 (April 1, 2020 to March 31, 2021)

(¥ millions)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	14,270	13,373	449,031	(53)	476,622
Changes during fiscal year					
Dividends from retained earnings	—	—	(6,429)	—	(6,429)
Profit attributable to owners of parent	—	—	37,612	—	37,612
Purchases of treasury stock	—	—	—	(1)	(1)
Disposal of treasury stock	—	7	—	1	9
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—
Total changes during fiscal year	—	7	31,182	0	31,190
Balance at fiscal year-end	14,270	13,380	480,214	(52)	507,813

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation adjustment on marketable securities	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	14,822	(9,333)	(1,608)	3,880	231	32,789	513,524
Changes during fiscal year							
Dividends from retained earnings	—	—	—	—	—	—	(6,429)
Profit attributable to owners of parent	—	—	—	—	—	—	37,612
Purchases of treasury stock	—	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	—	—	—	—	9
Changes in items other than shareholders' equity during fiscal year (net)	8,867	13,625	3,418	25,911	(9)	(1,178)	24,723
Total changes during fiscal year	8,867	13,625	3,418	25,911	(9)	(1,178)	55,914
Balance at fiscal year-end	23,690	4,291	1,810	29,792	222	31,610	569,438

Note: Yen in millions, rounded down

Notes to consolidated financial statements

1. Basis of preparation for consolidated financial statements

(1) Scope of consolidation

i. Consolidated subsidiaries

Number of consolidated subsidiaries: 27

Names of primary consolidated subsidiaries:

KOITO KYUSHU LIMITED and others 13 domestic subsidiaries

North American Lighting, Inc. and others 14 overseas subsidiaries

On April 1, 2020, KI HOLDINGS CO., LTD. (KIHD), which had been included in the scope of consolidation in the previous fiscal year, was absorbed by absorption-type merger entered into between the two companies whereby KIHD would cease to exist, and KOITO MANUFACTURING CO., LTD. (the Company) would be the surviving company.

Therefore, KIHD has been excluded from the scope of consolidation since the fiscal 2021.

The Company transferred all of the shares it owned in its consolidated subsidiary CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.

(CHANGZHOU KOITO), which had been included in the scope of consolidation in the previous fiscal year, to KTK Group Co., Ltd. in August 2020. As a result, CHANGZHOU KOITO has been excluded from the scope of consolidation since the fiscal 2021.

ii. Non-consolidated subsidiaries

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

Reason for exclusion from the scope of consolidation:

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

(2) Application of the equity method

i. Equity-method affiliates

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

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

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

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

Reason for not applying the equity method:

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

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

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

For other consolidated subsidiaries (21 companies including Aoitec Co., Ltd.), the Company made consolidated financial statements based on provisional statements of accounts as of March 31.

(4) Accounting policy

i. Valuation basis and methods for significant assets

- a. Securities being held for trading: Market value method (Sales cost of securities is principally determined by the moving-average method)
 - b. Bonds being held to maturity: Cost amortization method (straight-line method)
 - c. Other securities:
 - With market value
Market value method based on market price as of the closing date (Unrealized gains and losses are reported in net asset section. Sales cost of securities is principally determined by the moving-average method.)
 - Without market value
Cost method based on the moving-average method
For investments in investment limited partnerships, an amount corresponding to the equity in the partnership assets is recognized as “investment securities,” and an amount corresponding to the share of profit or loss of the investment limited partnership is recognized as profit or loss.
 - d. Derivatives: Market value method
 - e. Money trusts for investments: Market value method
 - f. Inventories:

The Company and its consolidated subsidiaries in Japan state inventories principally at cost as determined by the weighted average method (book values of inventories are lowered in accordance with declines in profitability). Foreign consolidated subsidiaries state inventories at the lower of cost or market as determined by the moving-average method.
- ii. Depreciation and amortization method for principal assets
- a. Property, plant and equipment (excluding leased assets):

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

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

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

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

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

v. Principal methods of hedge accounting

a. Methods of hedge accounting:

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

b. Hedging instruments and hedged items:

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

c. Hedging policy:

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

d. Hedge effectiveness evaluation methods:

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

vi. Amortization method and amortization period for goodwill:

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

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

vii. Other basis of preparation for consolidated financial statements

a. Accounting method associated with retirement benefits:

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

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

b. Treatment of consumption tax

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

2. Change in presentation

Change due to application of “Accounting Standard for Disclosure of Accounting Estimates”
The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020, Accounting Standards Board of Japan) from the fiscal year under review, and 3. Notes concerning accounting estimates has been presented in the notes to the consolidated financial statements.

3. Notes concerning accounting estimates

The items recorded in the Consolidated Financial Statements for the current fiscal year whose amounts are based on accounting estimates and that may have a significant impact on the Consolidated Financial Statements for the next fiscal year are as follows.

Shares of venture companies in the U.S. included in investment securities ¥5,535 million

When valuing such shares, the excess earning power based on the business plan, etc. is reflected in the valuation of the substantial value.

4. Notes to consolidated balance sheet

(1) Assets pledged as collateral

Machinery and equipment	¥45 million
Total	¥45 million

The above assets are used for collateral for short-term loans worth ¥45 million.

(2) Accumulated depreciation of property, plant and equipment: ¥370,118 million

5. Note to consolidated statement of income

Impairment loss

The impairment loss was recorded on property, plant and equipment by some consolidated subsidiaries.

6. Notes to consolidated statement of changes in equity

(1) Total number of shares issued

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

(2) Type and number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	(thousand shares) Number of shares at the end of the current fiscal year
Common shares	55	0	2	53

Notes:

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

(3) Dividends of surplus

i. Cash dividends

- a. Matters concerning dividends based on resolutions at the 120th General Meeting of Shareholders (June 26, 2020)

Type of shares	Common shares
Aggregate dividends	¥3,214 million
Dividend per share	¥20
Record date	March 31, 2020
Effective date	June 29, 2020

- b. Matters concerning dividends based on resolutions at the Board of Directors Meeting (October 28, 2020)

Type of shares	Common shares
Aggregate dividends	¥3,214 million
Dividend per share	¥20
Record date	September 30, 2020
Effective date	December 4, 2020

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

The Company plans to present a proposal on that dividend as follows for resolution at the 121st General Meeting of Shareholders to be held on June 29, 2021.

Type of shares	Common shares
Aggregate dividends	¥4,822 million
Funds for the dividend	Retained earnings
Dividend per share	¥30
Record date	March 31, 2021
Effective date	June 30, 2021

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

Common shares	48,000 shares
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7. Notes to financial instruments

(1) Financial instruments

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

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

(2) Market value of financial instruments

The following table shows amounts recognized on the consolidated balance sheet, market values, and the differences between them on March 31, 2021.

	Balance sheet amount (*1)	Fair value (*1)	(million yen) Difference
1. Cash and time deposits	303,887	303,887	—
2. Trade notes and accounts receivable	115,950	115,950	—
3. Electronically recorded monetary claims- operating	12,957	12,957	—
4. Investment securities	45,366	45,366	—
5. Claims provable in bankruptcy, claims provable in rehabilitation and other	18		
Allowance for doubtful accounts (*2)	(18)		
	—	—	—
6. Trade notes and accounts payable	[95,989]	[95,989]	—
7. Electronically recorded monetary obligations- operating	[7,867]	[7,867]	—
8. Short-term loans (*3)	[20,336]	[20,336]	—
9. Accrued expenses	[23,366]	[23,366]	—
10. Income taxes payable	[5,267]	[5,267]	—
11. Long-term debt (*3)	[609]	[609]	—

(*1) Liabilities are shown in square brackets.

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

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

Notes:

Fair value measurement of financial instruments and matters related to securities

1. Cash and time deposits
2. Trade notes and accounts receivable
3. Electronically recorded monetary claims-operating

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

4. Investment securities

The fair values of investment securities are measured at quoted market prices of the stock exchange, and those of debt securities are measured at quoted market prices of the stock exchange or those provided by counterparty financial institutions. As unlisted shares (¥9,859 million reported on the consolidated balance sheet) and investments in investment limited partnership (¥1,344 million reported on the consolidated balance sheet) had no market prices, it was very difficult to measure their fair values, so the Company did not include those shares in this category.

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

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

6. Trade notes and accounts payable
7. Electronically recorded monetary obligations-operating
8. Short-term loans
9. Accrued expenses
10. Income taxes payable

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

11. Long-term debt

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

8. Notes to per share information

- | | |
|--------------------------|-----------|
| (1) Net assets per share | ¥3,344.65 |
| (2) Net income per share | ¥234.00 |

9. Notes concerning significant subsequent events

Not applicable.

Non-consolidated Balance Sheet

(¥ millions)

	Fiscal 2020 As of March 31, 2020	Fiscal 2021 As of March 31, 2021
Assets		
Current assets:		
Cash and time deposits	178,200	194,086
Notes receivable	641	638
Electronically recorded monetary claims-operating	11,406	10,994
Accounts receivable-trade	47,591	50,333
Finished products	7,258	8,268
Work in progress	1,058	1,061
Raw materials and supplies	6,746	7,338
Accrued income	5,762	6,607
Other current assets	267	1,660
Less: Allowance for doubtful receivables	(241)	(243)
Total current assets	258,691	280,745
Non-current assets:		
Property, plant and equipment:		
Buildings (net)	8,066	11,902
Structures (net)	857	829
Machinery (net)	7,229	5,988
Transportation equipment (net)	217	150
Fixtures, equipment and tools (net)	4,293	3,215
Land	4,652	7,260
Construction in progress	2,943	2,008
Total property, plant and equipment	28,259	31,355
Intangible fixed assets:		
Telephone subscription rights	37	37
Other intangible fixed assets	1,828	1,694
Total intangible fixed assets	1,866	1,731
Investments and other assets:		
Investment securities	22,395	34,898
Shares of affiliated companies	83,788	85,791
Investments in affiliated companies	26,333	26,333
Long-term loans of affiliated companies	—	110
Claims provable in bankruptcy, claims provable in rehabilitation and other	59	18
Deferred income tax assets	7,899	8,425
Other investments	876	681
Less: Allowance for doubtful accounts	(163)	(242)
Total investments and other assets	141,189	156,017
Total non-current assets	171,315	189,104
Total assets	430,006	469,849

Note: Yen in millions, rounded down

(¥ millions)

	Fiscal 2020 As of March 31, 2020	Fiscal 2021 As of March 31, 2021
Liabilities		
Current liabilities:		
Notes and accounts payable	57,908	60,244
Electronically recorded monetary obligations-operating	3,538	3,058
Accrued amount payable	3,352	1,168
Accrued expenses	7,526	7,692
Income taxes payable	2,354	385
Allowance for employees' bonuses	3,511	3,429
Reserve for product warranties	2,232	2,281
Other current liabilities	971	1,523
Total current liabilities	<u>81,397</u>	<u>79,782</u>
Non-current liabilities:		
Allowance for retirement benefits	15,939	15,949
Allowance for losses on overseas investments	2,016	2,687
Reserve for product warranties	5,400	5,302
Allowance for environmental strategies	4	17
Other non-current liabilities	937	932
Total non-current liabilities	<u>24,297</u>	<u>24,888</u>
Total liabilities	<u>105,694</u>	<u>104,671</u>
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital		
Capital reserve	17,107	17,107
Other additional paid-in capital	185	192
Total additional paid-in capital	<u>17,293</u>	<u>17,300</u>
Retained earnings		
Profit reserve	3,567	3,567
Other retained earnings		
Reserve for reductions of asset costs	955	910
Other reserve	100,000	100,000
Retained earnings brought forward	173,764	205,427
Total retained earnings	<u>278,287</u>	<u>309,906</u>
Treasury common stock, at cost	(53)	(52)
Total shareholders' equity	<u>309,798</u>	<u>341,425</u>
Revaluations and translation adjustments:		
Valuation adjustment on marketable securities	14,281	23,530
Total revaluations and translation adjustments	<u>14,281</u>	<u>23,530</u>
Subscription rights to shares	<u>231</u>	<u>222</u>
Total net assets	<u>324,311</u>	<u>365,178</u>
Total liabilities and net assets	<u>430,006</u>	<u>469,849</u>

Note: Yen in millions, rounded down

Non-consolidated Statement of Income

(¥ millions)

	Fiscal 2020 April 1, 2019 to March 31, 2020	Fiscal 2021 April 1, 2020 to March 31, 2021
Net sales	356,505	312,201
Cost of sales	305,736	269,398
Gross profit	50,769	42,802
Selling, general and administrative expenses:		
Selling expenses	10,741	9,711
General and administrative expenses	14,454	11,952
Total selling, general and administrative expenses	25,195	21,663
Operating income	25,574	21,138
Non-operating income:		
Interest income	380	87
Interest on securities	—	36
Dividend income	12,302	10,988
Royalty income, other	8,298	5,859
Rent income	55	351
Foreign exchange gains	—	176
Miscellaneous income	284	665
Total non-operating income	21,322	18,164
Non-operating expenses:		
Foreign exchange losses	101	—
Reserve for allowance for overseas investment loss	—	671
Miscellaneous expenses	81	447
Total non-operating expenses	183	1,118
Recurring profit	46,713	38,185
Extraordinary gains:		
Gain on sale of fixed assets	28	4
Gain on sale of investment securities	23	220
Gain on sales of shares in subsidiaries	—	783
Gain on reversing allowance for overseas investment	4,984	—
Total extraordinary gains	5,036	1,008
Extraordinary losses:		
Loss on sale and disposal of fixed assets	496	361
Loss on sales of investment securities	—	2
Loss on valuation of investment securities	14	—
Loss on extinguishment of tie-in shares	—	68
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	324	41
Total extraordinary losses	835	473
Income before income taxes	50,914	38,719
Income taxes	9,229	4,503
Income tax adjustment	41	(3,832)
Total income taxes	9,270	671
Net income	41,644	38,048

Note: Yen in millions, rounded down

Non-Consolidated Statement of Changes in Shareholders' Equity

Fiscal 2021 (April 1, 2020 to March 31, 2021)

(¥ millions)

	Shareholders' equity								
	Common stock	Additional paid-in capital				Retained earnings			
		Legal capital surplus	Other additional paid-in capital	Total additional paid-in capital	Retained earnings	Other retained earnings			Total retained earnings
						Reserve for reduction of asset costs	General reserve	Retained earnings brought forward	
Balance at beginning of year	14,270	17,107	185	17,293	3,567	955	100,000	173,764	278,287
Changes during fiscal year									
Reversal of reserve for reduction of asset costs	-	-	-	-	-	(44)	-	44	-
Dividends from retained earnings	-	-	-	-	-	-	-	(6,429)	(6,429)
Profit	-	-	-	-	-	-	-	38,048	38,048
Purchases of treasury stock	-	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	7	7	-	-	-	-	-
Changes in items other than shareholders' equity during fiscal year (net)	-	-	-	-	-	-	-	-	-
Total changes during fiscal year	-	-	7	7	-	(44)	-	31,663	31,619
Balance at fiscal year-end	14,270	17,107	192	17,300	3,567	910	100,000	206,427	309,906

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to share	Total net assets
	Treasury stock	Total shareholders' equity	Valuation adjustment on investment securities	Total valuation and Translation adjustments		
Balance at beginning of year	(53)	309,798	14,281	14,281	231	324,311
Changes during fiscal year						
Reversal of reserve for reduction of asset costs	-	-	-	-	-	-
Dividends from retained earnings	-	(6,429)	-	-	-	(6,429)
Profit	-	38,048	-	-	-	38,048
Purchases of treasury stock	(1)	(1)	-	-	-	(1)
Disposal of treasury stock	1	9	-	-	-	9
Changes in items other than shareholders' equity during fiscal year (net)	-	-	9,248	9,248	(9)	9,239
Total changes during fiscal year	0	31,627	9,248	9,248	(9)	40,866
Balance at fiscal year-end	(52)	341,425	23,530	23,530	222	365,178

Note: Yen in millions, rounded down

Notes to financial statements

1. Significant accounting policies

(1) Valuation basis and methods for securities

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

ii. Other securities:

With market value

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

Without market value

Cost method based on the moving-average method

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

(2) Valuation basis and methods for derivatives and others

i. Derivatives: Market value method

ii. Money trusts for investments: Market value method

(3) Valuation basis and methods for inventories

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

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

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

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

Buildings and structures: 7-50 years

Machinery and equipment and vehicles: 3-7 years

Fixtures, equipment and tools: 2-20 years

ii. Intangible fixed assets

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

Other intangible assets: Straight-line method

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

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

(6) Allowances

i. Allowance for doubtful accounts

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

ii. Allowance for employees' bonuses

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

iii. Reserve for product warranties

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

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

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

v. Allowance for retirement benefits

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

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

vi. Allowance for losses on overseas investments

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

vii. Allowance for environmental strategies

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

(7) Method of hedge accounting:

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

(8) Other basis of preparation for financial statements

i. Accounting standard for retirement benefits

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

ii. Treatment of consumption tax

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

2. Change in presentation

Change due to application of “Accounting Standard for Disclosure of Accounting Estimates”
The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020, Accounting Standards Board of Japan) from the fiscal year under review, and 3. Notes concerning accounting estimates has been presented in the notes to the financial statements.

3. Notes concerning accounting estimates

The items recorded in the Financial Statements for the current fiscal year whose amounts are based on accounting estimates and that may have a significant impact on the Financial Statements for the next fiscal year are as follows.

Shares of venture companies in the U.S. included in investment securities ¥5,535 million

When valuing such shares, the excess earning power based on the business plan, etc. is reflected in the valuation of the substantial value.

4. Notes to balance sheet

(1) Accumulated depreciation of property, plant and equipment: ¥118,450 million

(2) Contingent liabilities

i. Guarantee liabilities

The Company guarantees following loans obtained by affiliates.

NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	¥5,829 million
Koito Europe Limited	¥2,283 million
INDIA JAPAN LIGHTING PRIVATE LIMITED	¥1,520 million
<hr/> Total	<hr/> ¥9,632 million

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

i. Short-term credits ¥35,149 million

ii. Short-term debits ¥25,440 million

5. Note to statement of income

Transactions with affiliates

i. Net sales ¥181,569 million

ii. Purchase of goods ¥175,451 million

iii. Other business transactions ¥6,806 million

iv. Transactions excluding business transaction ¥16,232 million

6. Note to statement of changes in equity

Type and number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	(thousand shares)	
				Number of shares at the end of the current fiscal year	
Common shares	55	0	2	53	

Notes:

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

7. Note to tax effect accounting

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

8. Notes to transactions with related parties

(1) Parent companies and major corporate shareholders

Relationship	Company name	Location	Capital or investments (million yen)	Description of businesses or job	Voting rights held	Relationship with related parties		Description of transactions	Transaction amount (million yen)	Account	Ending balance (million yen)
						Interlocking of officers	Business relationships				
Other affiliate	TOYOTA MOTOR CORPORATION	Toyota city, Aichi prefecture	635,401	Manufacturing and marketing of motor vehicles and automobile parts, marketing of industrial vehicles, manufacturing and marketing of houses, and others	(Owned) Directly held 20%	-	Marketing of automotive lighting equipment	Marketing of automotive lighting equipment	160,328	Electronically recorded monetary claims-operating	5,563
										Accounts receivable -trade	18,736
								Receipt of materials	6,525	Notes and accounts payable	1,363

(2) Subsidiaries

Relationship	Company name	Location	Capital or investments	Description of businesses or job	Voting rights holding	Relationship with related parties		Description of transactions	Transaction amount (million yen)	Account	Ending balance (million yen)
						Interlocking of officers	Business relationships				
Consolidated subsidiary	KOITO KYUSHU LIMITED	Saga City, Saga Prefecture	3,000 million yen	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 100%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	66,830	Notes and accounts payable	13,112
								Supply of materials	22,955	Accrued income	861
Consolidated subsidiary	Aoitec Co., Ltd.	Hamamatsu City, Shizuoka Prefecture	100 million yen	Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery	(Ownership) Directly holding 98%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	29,733	Notes and accounts payable	2,947
Consolidated subsidiary	Shizuokadensō Co., Ltd.	Shizuoka City, Shizuoka Prefecture	76 million yen	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 65%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the company's products	32,848	Notes and accounts payable	2,468
								Supply of materials	26,248	Accrued income	1,117
Consolidated subsidiary	Koito Europe Limited	Droitwich City, Worcestershire U.K.	65,000 thousand Sterling pounds	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 100%	There are concurrent services of officers	Manufacturing and marketing of the company's products mainly in the U.K. There is a technological support agreement	Debt guarantee	2,283	–	–
Consolidated subsidiary	INDIA JAPAN LIGHTING PRIVATE LIMITED	Tamil Nadu, India	4,099 million Indian rupees	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 100%	There are concurrent services of officers	Manufacturing and marketing of the company's products mainly in India. There is a technological support agreement	Debt guarantee	1,520	–	–
Consolidated subsidiary	NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	San Paulo, Brazil	303,000 thousand Brazilian reals	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 75%	–	Manufacturing and marketing of the company's products mainly in Brazil. There is a technological support agreement	Debt guarantee	5,829	–	–

Notes:

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

9. Notes to per share information

- Net assets per share ¥2,270.53
- Net income per share ¥236.72

10. Notes concerning significant subsequent events

Not applicable.

Independent Auditor's Report

May 14, 2021

The Board of Directors
KOITO MANUFACTURING CO., LTD.

ARK LLC
Tokyo Head Office

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

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

Yoshio Hinazuru (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements of KOITO MANUFACTURING CO., LTD., which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and the notes to consolidated financial statements applicable to the fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2021 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated

financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

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

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

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

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

accounting events.

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

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

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

Conflicts of Interest

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

Independent Auditor's Report

May 14, 2021

The Board of Directors
KOITO MANUFACTURING CO., LTD.

ARK LLC
Tokyo Head Office

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

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

Yoshio Hinazuru (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 436, paragraph 2, Item 1 of the Companies Act, we have audited the financial statements of KOITO MANUFACTURING CO., LTD. (“the Company”), which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders’ equity and the notes to financial statements, and the supporting schedules (“Financial Statements and Others”) applicable to the 121st business year from April 1, 2020 through March 31, 2021.

In our opinion, the Financial Statements and Others referred to above present fairly, in all material respects, the financial position and results of operations, applicable to the business year ended March 31, 2021 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

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

Management is responsible for the preparation and fair presentation of the Financial Statements and Others in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by

management for the preparation and fair presentation of the Financial Statements and Others that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

AUDIT REPORT

Regarding the execution of Directors' duties during the 121st business year from April 1, 2020 to March 31, 2021, we, the Audit and Supervisory Board of KOITO MANUFACTURING CO., LTD. ("the Company"), hereby submits its audit report, which has been prepared through discussions based on the audit reports prepared by the respective Audit and Supervisory Board Members.

1. Method and details of audit

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

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

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

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

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

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

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

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

2. Results of audit

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

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

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

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

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

(2) Results of audit of consolidated financial statements

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

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

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

May 19, 2021

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

Standing Audit and Supervisory Board Member
Mitsuo Kikuchi (Seal)

Standing Audit and Supervisory Board Member
Yohei Kawaguchi (Seal)

Outside Audit and Supervisory Board Member
Yukinobu Suzuki (Seal)

Outside Audit and Supervisory Board Member
Hiroshi Kimeda (Seal)