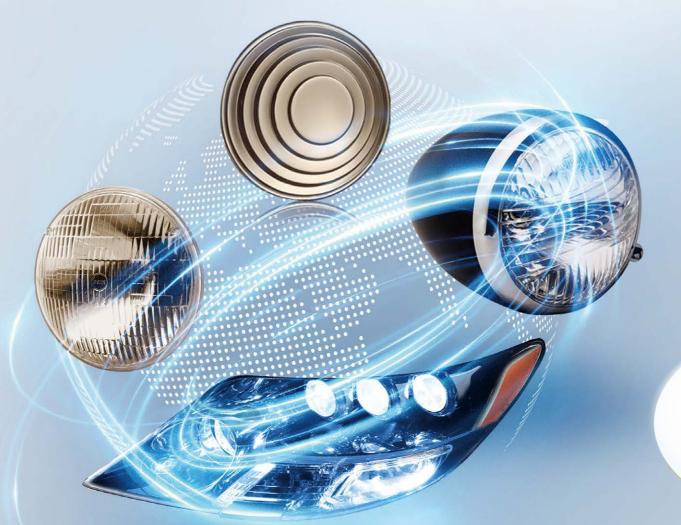


Lighting for Your Safety

Lighting for Your Safety

Keeping people and automotive safe



Corporate Principles

Corporate Policy Corporate Message

The KOITO Group Corporate Behavior Charter

KOITO is a leading company in automotive lighting equipment delivering safety, peace of mind and trust to customers for more than 100 years since its establishment.

Under our corporate message "Lighting for Your Safety," the KOITO Group creates customer needs in a variety of traffic systems and contributes to social development in transportation such as automobiles, railways, aviation, marine vessels and others, all guided by the theme of "Light."

Corporate Principles

We will contribute to social development through lighting.

We will step forward to realize our employees' dreams.

We will support a sustainable society as one of its members.

Corporate Policy

Innovative ideas and decisive action

Corporate Message

Lighting for Your Safety Keeping people and automotive safe

The KOITO Group Corporate Behavior Charter

- Sustainable growth and resolution of social issues
- 2. Trusted corporate activities
- 3. Compliance with social conventions / Global management
- 4. Fair information disclosure and constructive dialogue
- 5. Respect for human rights
- 6. Work practice and enhancement of workplace environments
- 7. Engagement in environmental issues
- 8. Contribution to society
- 9. Rejection of relations with anti-social forces / Comprehensive risk management engagement
- 10. Role of top management and thorough implementation of this Charter

2 KOITO INTEGRATED REPORT 2021 KOITO INTEGRATED REPORT 2021 3

Contents

Contents/Editorial Policy	4
Value Creation Story	5
The KOITO Group's History	6
The KOITO Group's Value Creation Process	8
Materiality	10
The KOITO Group's Value Chain	12
Message from Top Management	14
The KOITO Group's Vision	18
Business Overview	20
Special Feature: The KOITO Group's Activities to Resolve	30

Corporate Principles/Corporate Message

ESG Activities	33
Environmental Activities	34
Social Activities	43
Governance	50
Corporate Information	63
Financial Summary	
of the Last 11 Years	64
Consolidated Financial Statements	66
Stock Information	70
Corporate Information	71

Editorial Policy

Social Issues

KOITO has started to issue an "Integrated Report" from 2021 to provide shareholders, investors and other stakeholders with a deeper understanding of our initiatives.

2

This report gives you an explanation about our business results in FY 2021, fiscal year ended March 31, 2021, and our medium- to long-term business strategies.

In order to secure fair and effective disclosure, KOITO issues integrated report both in Japanese and English. We hope this report serves to deepen your understanding of the KOITO Group.



Reporting Period

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

Scope of Report

The KOITO Group (In this report, KOITO MANUFACTURING refers to KOITO on a non-consolidated basis)

Issued

June 2021 (to be issued once a year)

■ Note on Future Projections

This report contains future statements including the KOITO Group's future plans, strategies and performance.

These future statements are assumptions and beliefs based on the current available data. We therefore wish to caution readers that the actual results may differ materially from our expectations.

Reference Guidelines

International Integrated Reporting Framework - International Integrated Reporting Council (IIRC)

Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation - Ministry of Economy, Trade and Industry

GRI Standards 2016 - Global Sustainability Standards Board (GSSB)





900

800 700

600

500 400

-300 💆

- 200 100

The KOITO Group's History

The foundation of KOITO began in 1915 with the development and production of the Japan's first fresnel lenses for railway signal lamps. Since then, we have been contributing to the safe and comfortable society by developing lighting equipment for all kinds of transports, including automobiles, railways and even aircraft and ships.



1915 1950 1960 1970 1980 2021 (FY)

1915

Koito Genrokuro Shoten founded

Founder Genrokuro Koito founded Koito Genrokuro Shoten in Kyobashi-ku, Tokyo (current Kyobashi, Chuo-ku, Tokyo) to sell fresnel lenses for railway signal lamps, which he succeeded in the Japan's first production in

Entering the automotive lighting

Based on KOITO's experience in supplying head-

lamps to military motorcycle with sidecars called

"Kurogane" in 1932 and three-wheeled trucks in

1933, KOITO has started to supply headlamps

for the AA passenger cars to the automotive

department of Toyoda Automatic Loom Works,

Ltd. (current Toyota Motor Corporation) in 1936.

This commemorates KOITO's participation in

automotive lighting equipment business

equipment business



1957

Production and sales of all-glass sealed beam (SB) headlamps begins

Since 1951, KOITO has been developing all-glass SB headlamps. Through many trials and improvements at the Shizuoka Plant, KOITO succeeded in its commercialization in 1957. KOITO then started supplying the products to various automotive manufacturers, including Toyota Motor Company (current Toyota Motor Corporation), from October 1957.



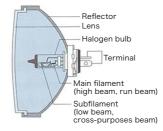




1978

Production and sales of halogen headlamps begins

Halogen bulbs, which have high luminous intensity and excellent glare-proofing properties, were standardized in Europe in 1971 and in the United States in 1978. In line with these trends. KOITO started producing SB and SSB headlamps incorporating halogen light sources in July



Founding Period 1915~1945

Koito Genrokuro Shoten founded (Kyobashi, Tokyo) Fresnel lenses for railway signal lamps introduced

1930 Koito Genrokuro Shoten becomes KOITO MANUFACTURING

1935 Shinagawa Plant opens (Tokyo, Japan)

1936 KOITO MANUFACTURING CO., LTD. incorporated (capital 2.5 million yen)

1943 Shizuoka Plant opens (Shizuoka, Japan)

Post-war Recovery and Developing Period 1946~1980

1949 KOITO MANUFACTURING listed on both the Tokyo and Osaka Stock Exchange

1955 Enacted Kollo trademark

1961 Transferred a head office to Minato-ku, Tokyo

1968 Chicago Representative Office opens (Illinois, U.S.A.)

1970 Headquarters building completed (Minato-ku, Tokyo)

1972 Aircraft equipment and electronics plant opens

1977 Haibara Plant opens (Shizuoka, Japan)

1979 Production and sales of Japan's first aerodynamic-type headlamps begins

1985

Production and sales of all-resin aerodynamic-type headlamps begins

As a result of steady efforts on resinificating headlamps to reduce weight and improve design, KOITO has succeeded in developing plastic lenses and a BMC reflector with even higher heat resistance and molding accuracy in 1981. In January 1985, the world's first all-resin aerodynamic-type headlamp was adopted in Toyota Motor "Soara."



Production and sales of discharge headlamps (GDHL) begins

With a light source that utilizes arc discharge between electrodes, discharge headlamps (GDHL) were excellent in increasing light intensi ty, and has long life and high energy efficiency. As the next-generation lamp, KOITO succeeded in developing the lamp as well as a control circuit called ballast, and were installed in the Nissan "Terrano" and the Toyota "Mark II" in



2007

Production and sales of the world's first LED headlamps begins

With white LEDs rapidly becoming more efficient, KOITO developed a headlamp using LEDs as the light source for low beam. Offering improved photometric performance and heat dissipation efficiency, they were installed in the Lexus LS 600h in May 2007, becoming the world's first LED headlamp in the market.



2019

Production and sales of the world's first BladeScan™ ADB begins

KOITO developed the world's first ADB (Adaptive Driving Beam) system which emits LED light to fast-revolving blade mirrors and ensures high-resolution light distribution. It was installed in the Lexus RX in August 2019, becoming the world's first system in the market



Expanding Period 1981~1999

1981 Production and sales of the world's first plastic lens headlamps

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

THAI KOITO COMPANY LIMITED established (Thailand) 1986 Sagara Plant opens (Shizuoka, Japan)

Capital interest in Ta Yih Industrial Co., Ltd. acquired (Taiwan)

Production and sales of projector headlamps begins

Fujikawa Tooling Plant opens (Shizuoka, Japan)

Capital interest in Britax Vega Limited acquired (U.K.)

Technical Center opens in Shizuoka Plant (Shizuoka, Japan) INDIA JAPAN LIGHTING PRIVATE LIMITED established (India)

Britax Vega Limited becomes Koito Europe Limited

To Be a "Global No.1 Supplier" 2000~Present

2001 Koito Czech s.r.o. established (Czech Republic)

2003 Production and sales of the world's first swivel AFS (Adaptive Front Lighting System) begins

"Innovative ideas and decisive action" corporate slogan introduced 2005 Fuzhou Tayih Industrial Co., Ltd. becomes a KOITO subsidiary (China) KOITO KYUSHU LIMITED established (Saga, Japan) GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. established (China)

> 2006 Production of all-glass sealed beam headlamps ends (Total production: 430 million units)

2010 PT. INDONESIA KOITO established (Indonesia)

2012 North American Lighting Mexico, S.A. de C.V. established (Mexico)

2014 Hubei Koito Automotive Lamp Co., Ltd. established (China)

2015 KOITO celebrates its 100th anniversary

2017 NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda. established (Brazil)

KOITO MALAYSIA SDN. BHD. established (Malaysia)

2019 Capital interest in BrightWay Vision Ltd. acquired (Israel) 2020 Capital interest in Cepton Technologies, Inc. acquired (U.S.A.)

KOITO Development Center opens (Aichi, Japan)

KOITO INTEGRATED REPORT 2021 KOITO INTEGRATED REPORT 2021 7

Globa

The KOITO Group's Value Creation Process

Investment in managerial resources

Business Model of the KOITO Group - A Leading Company in

Automotive Lighting Equipment -

Value Chain P.12

Managerial resources (FY 2021)

Total assets 782.1 billion ven Net assets 569.4 billion yen

Manufacturing Capital

Intellectual Capital

Resin materials 45,635t

Utility gas 1,921,000m

672,000t Water

R&D

Procurement

Production and **Quality Management**

Marketing











Railway and Other Products Contributing to safe and secured transportation

The KOITO Group manufactures and sells railway LED headlamps which improve visibility while lowering power consumption and seats for railroad cars. We also produce and sell a wide variety of lighting equipment, from marine vessels to the roadways and bridges that provide daily transport, and even to theme parks and stadiums.

Corporate Principles

Corporate Governance

P.10

P.2

Financial Capital

Capital expenditures **37.8** billion yen

R&D expenditures **32.6** billion yen R&D personnel **3,130** Number of patents applied 938

Human Capital

Number of employees 23.799 Ratio of overseas employees 68%

Social and Relationship Capital

Ratio of overseas net sales 51.7%

Natural Capital (KOITO MANUFACTURING)

Electricity

103,247,000kWh 3,070t LPG

Corporate foundation to support our value creation

Automotive Lighting Equipment

Contributing to safety and peace of

mind of automotive society

The KOITO Group delivers headlamps with world-class

brightness, instantaneous lighting, low power con-

sumption, and long life. We also produce rear combina-

tion lamps and other products by developing cut-

ting-edge technologies to pursue even better safety

and designs. Our products are widely used by automo-

CO₂ emissions in aviation lighting

By adapting LEDs into interior lighting devices (cabin

reading lights, ceiling lights, sidewall lights and others)

and exterior lighting devices (landing lights and others),

the KOITO Group provides product with high energy

efficiency and long life. These lamps help cutting opera-

Promoting energy efficiency and reducing

bile manufacturers all over the world.

Aviation Products

tional costs while delivering superior reliability.

The KOITO Group Corporate **Behavior Charter**

P.50

Operating income 56.7 billion yen Operating income ratio over net sales 8.0%

Creation of

corporate value

(FY 2021)

Net sales 706.3 billion yen

Net income* 37.6billion ven

ROE

7.4%

*Profit attributable to owners of parent

Values provided to society (Safety/peace of mind/trust)

Contribution to Resolve Social Issues

- Safety and security of automotive society
- Contribution to local communities

Contribution to Resolve **Environmental Issues**

- Reduction of CO₂ emissions of automobiles, aircraft and railway cars
- Reduction of environmental impact substances
- Utilization of renewable energy

Resolving

social issues

8 KOITO INTEGRATED REPORT 2021

Social Issues

Environment

peace

of mind

Corporate

Prevention of

alobal warming Reduction of

environmental impact

substances and waste

Conservation of

Reduction of

Technological development

contributes to materialize

a sustainable society

Enhancement of

product quality

Compliance

Corporate governance

Information security

Human resource

development

Healthy and safe

working environment

Workstyle reform

Protection of

human rights

Disaster prevention

Materiality

P.10

Business Issues

automobile industry

innovation (IoT/AI)

Progress in technological

• Intensified competition in the

Growing social demands for CSR

STEP

4

Materiality

We believe that our business activities are highly compatible with and relevant to Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015, and can contribute to achieve

In order to accelerate these initiatives, we have referred to the GRI (Global Reporting Initiative) guidelines and identified material issues (materiality) to be focused and SDGs to be solved among the various social issues.

We will continue to promote our business activities that contribute to materialize a sustainable society.











06









The KOITO Group Corporate Behavior Charter

The KOITO Group's basic management policy is to create customer needs and contribute to the progress of society, while also fostering mutually beneficial relationships with all stakeholders, including shareholders, customers, employees, and business partners, all guided by the theme of "Light."

In accordance with this policy, we have established the following ten principles. We will comply with domestic and overseas laws and regulations, international rules, and their underlying spirit, and conduct corporate activities in accordance with corporate ethics.

In addition, with the aim of achieving sustainable growth of society, we will strive to resolve social issues through our business activities and fulfill our social responsibilities.

Sustainable growth and resolution of social issues

We will strive to achieve sustainable growth and resolve social issues by developing and providing socially beneficial and safe products and services through innovative manufacturing.

Trusted corporate activities

We will gain customers' satisfaction and trust through developing and providing safe and high-quality products and services, providing appropriate information regarding those products and services, and fulfilling our social responsi-

Compliance with social conventions / Global management

We will comply with all applicable laws and regulations and will engage in fair, transparent, and free market competition, as well as proper trade, and responsible procurement. In our global corporate activities, we will also comply with international rules and local laws, respect local relationships with government and

Fair information disclosure and constructive dialogue

With the purpose of enhancing our corporate value, we will disclose corporate information in an appropriate, effective, and fair manner and engage in constructive dialogue with a wide range of stakeholders, including shareholders business partners, and local residents.

Respect for human rights

05 We will respect the human rights of all

Work practice and enhancement of workplace environments

We will respect the personality, diversity, and character of each of our employees, regardless of their nationality or gender. We will also strive to provide a healthy and safe workplace environment in which all employees can make the best use of their capabilities and fulfill their potential.

Engagement in environmental issues

Guided by the theme of "Eco-friendly Manufacturing for People and the Earth, we will proactively engage in global environment conservation through our business activities

Contribution to society

We will be conscious of our responsibility as a good corporate citizen, and actively engage in social contribution activities. and we will contribute to the realization of a prosperous society.

Rejection of relations with anti-social forces / Comprehensive risk management engagement

We will adamantly reject any relations with and resolutely stand against anti-social forces or groups that pose a threat to civil life or corporate activities, and we will engage in comprehensive corporate risk management in preparation for terrorist activities, cyberattacks, natural disasters, and other crises

Role of top management and thorough implementation of this Charter

Top management will recognize that fulfilling the spirit of this Charter is their own role, and they will be committed to thoroughly informing the KOITO Group and its supply chain about the Charter and encouraging them to take actions based on the Charter.

Top management will also continually gather opinions from both inside and outside of the company to help establish an effective governance system and thoroughly enforce corporate ethics.

In the event that the corporation violates the spirit of this Charter and loses social trust, top management shall take the initiative and fulfill its responsibility by resolving the problem, elucidating the causes, disclosing information, and preventing future recurrences. Additionally, top management will severely punish those involved, including themselves, if appropriate, after clarifying their authority and responsibility.

Materiality Assessment Process

STEP of issues

We have identified full

list of potential social

solved through our

business activities.

issues which should be

Materiality

We have identified issues of "very high" importance as our materiality, and correlated them with

STEP

3

Identification of

materiality and

correlates with SDGs

approved by the Board

Very high

Declaration of KOITO's Initiatives

• We will promote reduction of CO₂ emissions and

Manufacturing for People and the Earth."

environmental impact substances, and resource

recycling guided by the theme of "Eco-friendly

Approval

Very high 9 Materiality ree of impact or stakeholders Degr

Materiality

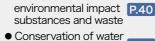
Prevention of global warming Reduction of

Environment

ь

Safety/peace

foundation



resources

• Reduction of traffic P.30 accidents

 Technological development contributes to P.43 materialize a sustainable society

Enhancement of P.44 product quality

• Corporate governance P.50

Information security P.57

P.48

P.47

Compliance

Human resource

Healthy and safe

working environment

Disaster prevention P.56

Workstyle reform

development

Protection of

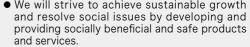
human rights











 Looking ahead to autonomous driving society, we will promote product development of sensors (LiDARs and cameras).

• We will gain customers' satisfaction and trust through developing and providing safe and

• We will enhance corporate governance and

strengthen compliance to establish sound management system.

 We will strive to protect information assets by preparing for risks on information security.

• We will strive to provide a healthy and safe workplace environment in which all employees can make the best use of their capabilities and fulfill their potential.

• We will promote initiatives to respect the human rights of all persons.

• We will strengthen our disaster prevention system throughout the supply chain.

Identification

STEP

analysis

We have analyzed the issues based on importance for stakeholders and the KOITO Group.

SDGs.

Material issues were of Directors.





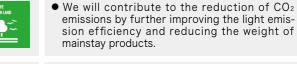




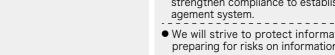


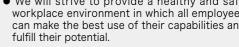






- We will strive to achieve sustainable growth
- high-quality products and services.





Strength Our

The KOITO Group's Value Chain

The KOITO Group will demonstrate the strengths of its value chain from R&D to procurement, production, quality management and marketing to deliver high-value products and services to society with the aim of enhancing our corporate value.



procure components.



The KOITO Group makes full use of optics, electronics and other cutting-edge technologies in the pursuit of safety and reliability, and conducts research and development of innovative and environmentally friendly system products. The KOITO Group's R&D activities are broadly categorized into basic research and product development.

Centered upon technical center in Japan, the KOITO Group conducts research to commercialize a new generation of products anticipating market needs through further evolution of our core technologies such as optics, electronics, machinery, and structures.

The KOITO Group not only proposes new technologies to automotive manufacturers and other customers, but also develops products accommodating development plans and required specifications.

This selection of suppliers is determined based on component specifications, monthly quantities,

The KOITO Group selects necessary material and

component suppliers for product manufacturing to

unit prices, estimated price of molds and other factors. In addition, we audit and approve supplier plants when engaging in new procurement.

We formulate and manage procurement plans for materials and components according to the KOITO Group's production plans.

• Global R&D network in five major regions of the world (Japan, Americas, China, Europe and Asia)

- Clear understanding of needs through partnerships with customers, suppliers, external agencies and other such organizations, and its implementation to the products
- Provision of safe and reliable products such as Adaptive Driving Beam (ADB) headlamps to provide better visibility at night
- Environmental contributions through energy efficiency as well as smaller and light-weight reductions, including the promotion of a transition to **LEDs**
- Rapid response to technical challenges based on a wealth of knowledge and experience
- Educational system to develop and strengthen diverse human resources in technical fields

• Global procurement system that allows local sourcing from suitable procurement sites

- Enhancement of local procurement to mitigate the impact related to foreign exchange fluctu-
- Sustaining and strengthening of good, strong relationships with suppliers
- Realization of high-level Quality, Cost, Delivery and Development (QCDD) through ongoing improvement activities with the cooperation of suppliers
- Preparation of a system to quickly grasp the level of damage and problems faced by suppliers when disasters strike and to cooperate with suppliers to take the necessary action
- Promotion of CSR/ESG activities throughout the entire supply chain to materialize a sustainable society

• Promotion of research and development themes adapting to rapidly changing technical and market needs as well as a fiercer development race from connectivity, autonomous driving, sharing and electric vehicles (CASE) to mobility as a service (MaaS)

- Promotion of advanced technical development that helps materialize a safe, reliable automotive society and resolve social issues
- More efficient product development through the use of various simulations, ICT and other technologies
- Stable procurement by securing a flexible supply and strengthening the effectiveness of Business Continuity Plans (BCP) in the supply chain
- Optimization of supplier portfolios (thorough) cooperation across industries and elements of competition)
- Enhancement of CSR/ESG activities throughout the entire supply chain
- Reduction of environmental impacts throughout the entire supply chain, such as proper management of environmental impact substances and measures to prevent global warming

Production and Quality Management



Marketing ____



The KOITO Group manufactures the products it develops and designs using the materials and products purchased from subsidiaries and suppliers. We audit plants when starting the manufacture of new products or when changing manufacturing processes at subsidiar-

We formulate delivery plans based on order estimates from automotive manufacturers and other customers as well as subsidiaries (unofficial monthly, yearly, mid-term and other plans) in addition to confirmed orders as well as production plans taking applicable inventory and other plans into account.

KOITO engages in quality management operations to assure quality throughout the entire Group and formulates quality inspection criteria and quality control methods. Everyone involved in manufacturing engages in quality control activities based on the criteria and quality control methods.

realizes cooperation with relevant departments and conducts proposal and marketing activities through

The KOITO Group understands global customer needs,

We make proposals of next-generation products that contribute to safety and the environment based on good customer relationships founded in trust, aiming to expand its sales channels and profit.

- Appropriate production system established by the KOITO Production System (KPS)
- Global production and quality assurance system in all five major regions of the world
- Designation of the KOITO Shizuoka District as the mother plant and support for launching overseas production sites and measures to address various problems
- Drills and training to pass down and improve the technical abilities and skills of employees throughout the entire Group
- Strengthening and continuation of improvement activities for production sites

- Global information gathering and sales system in all five major regions of the world
- Global top share sales capabilities
- Clear understanding of changing and diverse customer needs as well as specific sales capabil-
- Sustaining and strengthening of good, strong relationships based on close communication with customers
- Product proposals of light sources and lighting technology cultivated in the automotive lighting equipment business for adoption in aviation and railway products
- Strengthening of competitiveness by improving global
- Strengthening of quality management that adapts to more advanced and complex products
- Shift to production equipment and processes that contribute to global environmental conservation and impact substance reduction
- Enhancement of productivity through the use of AI, IoT and other technologies, such as the realization of
- Strengthening of BCP at production sites, such as more resistant buildings and equipment and better complimentary supply capabilities
- Strengthening of marketing systems that reflect customer and market needs
- Proposals of attractive products that help materialize a safe, reliable automotive society and resolve social
- Higher customer satisfaction
- Education and training to foster and strengthen compliance awareness

12 KOITO INTEGRATED REPORT 2021 KOITO INTEGRATED REPORT 2021 13

Message from Top Management

The KOITO Group will contribute to materialize a sustainable society and resolve social issues through our

"Lighting for Your Safety" corporate message.

Since our founding in 1915, the KOITO Group has developed and commercialized attractive products through innovative ideas and contributed to the safety and peace of mind of society through our corporate principles "to create customer needs and contribute to the progress of society, guided by the theme of 'Light'" and the "innovative ideas and decisive action" corporate policy. The KOITO Group recognizes these activities are highly compatible with and relevant to Sustainable Development Goals (SDGs) adopted by the United Nations.

To further promote and vitalize our business activities from SDGs as well as Environmental, Social and Governance (ESG) perspectives, we revised the KOITO Group Corporate Behavior Charter, which is our corporate code of conduct, in January 2021 and have **identified 14 materialities (material issues)** by associating the sustainable growth of the KOITO Group with solutions to social issues. By resolving these issues, we aim to contribute to materialize a sustainable society and become a company trusted by all of our stakeholders.

Review of FY 2021 and Forecast for FY 2022

In FY 2021, the production volume decreased year on year for both domestic and export vehicles in the Japanese automobile industry. 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 decreased year on year due to a year on year decrease in sales in Japan, North America, and Asia, caused by a decrease in the automobile production volume.



On the earnings front, although KOITO strongly implemented cost reduction and rationalization in response to the decrease in sales, operating income, recurring profit and profit attributable to owners of parent decreased year on year. This was attributable to the investment to meet new orders, and investment in R&D activities for the future growth, such as LiDARs.

As for FY 2022, the global automobile production volume is expected to recover, even though the effects of the novel coronavirus (hereinafter "COVID-19") continue, and the constraints in the supply and demand of semiconductors remain.

As a result, the KOITO Group's net sales for FY 2022 are expected to increase year on year. Accordingly, even though we are planning to make further investment to meet new orders and promote R&D activities for the future growth, each of the operating income, recurring profit, and net income attributable to the owners of the parent is expected to increase year on year.

The KOITO Group will continue our efforts to achieve higher earnings to meet the expectations of all stakeholders.

Response to the Spread of COVID-19

City lock downs, rapid decline in automotive production and demand as well as other such factors have greatly impacted the KOITO Group causing temporary production adjustments and stoppages. However, the KOITO Group has implemented various measures in accordance with governmental and municipal requirements to prevent the spread of COVID-19 infection with the safety of our customers, business partners, employees and their families as our top priority.

To maintain the safety and continuity of our business activities in this time of crisis, we looked at these challenges as an important opportunity to strengthen and enhance the development, production and supply systems in all five major regions of the world (Japan, Americas, China, Europe and Asia), including a mutually complementary supply network within the KOITO Group. By recognizing the clear risks arising from centralized procurement from a single entity, we are identifying materials and components acquired by centralized purchasing and are reevaluating proper procurement methods and ideal supply chains from perspectives to reduce costs and risks.

Striving to turn the COVID-19 crisis to an opportunity, we are promoting and improving more efficient operations using IT and flexible employee work styles from staggered work hours to teleworkings, which should help foster further growth of the KOITO Group.

Aiming to become a "Global No.1 Supplier"

The automotive industry is facing a once-in-a-century transformational period illustrated by CASE as well as MaaS. In addition, worldwide competition and optimal global production systems are ever accelerating due to the advancement of globalization.

During this transformation, the KOITO Group is accelerating various initiatives toward its medium-to long-term growth with the goal of becoming a "Global No.1 Supplier" with three keywords: "World-leading Technologies and Ingenuity," "Sustainable Growth" and "A Trusted Company."



R&D Network in Five Major Regions of the World



World-leading Technologies and Ingenuity

The KOITO Group has created technologies and products which have always pioneered each generation and market, and developed its businesses by responding to customer needs to materialize a safe, reliable society of transportation founded in our "innovative ideas and decisive action" corporate policy.

Technical capabilities are an essential competitive power of the KOITO Group. Therefore, we have established a global network in all five major regions of the world, centered upon KOITO technical center. Aiming to reduce traffic accidents by providing products that help ensure visibility in night driving from LED headlamps to Adaptive Driving Beam (ADB) headlamps, the KOITO Group is enhancing its product variations and lowering costs toward greater market prevalence targeting a 100% adaption rate of LED headlamps and 50% adaption rate of ADB by FY 2031.

In addition, we are undertaking the challenge of developing LiDAR, all-weather cameras and other sensing technology for an autonomous driving society with the goal of practical implementation by 2023.

To achieve our future growth, the KOITO Group will strive to improve productivity and creativity in pursuit of added value through digital transformation (DX) while continuing to actively invest in research and development.

Sustainable Growth

We believe that human resource development is the driving force of our corporate growth. With the keywords of "communication and collaboration," the KOITO Group encourages every employee to share their knowledge, experience, findings, and problem awareness through various means to build energetic worksites where every member can work on tackling problems.

We strive to enhance work-life balance, promote diversity, expand human resource development programs and rebuild systematic human resource development achievement evaluations in an effort to ensure every employee can experience their growth and become motivated to take on new challenges.

A Trusted Company

To ensure thorough compliance with laws and regulations, social conventions, corporate ethics and internal rules, the KOITO Group will continue to raise compliance awareness in each and every employee and further strengthen trust from all of its stakeholders.

In recent years due to the accelerated transition to electric vehicles, higher quality has become even more important as automotive parts become more advanced and complex. The KOITO Group strengthens on-site capabilities and investigates the true causes of defects through information sharing about any problems or challenges discovered, mutual understanding of pre- and post-processes, and assurance of each piece with the goal of achieving a level of quality chosen by customers through the quality and trust of being global No. 1.

In terms of the environmental activities, we are reducing CO₂ emissions and environmental impact substances as well as promoting resource recycling and expanding "Eco-friendly Manufacturing for People and the Earth" conscious of a decarbonized society and carbon neutrality.

We are also preparing for disasters and spearheading comprehensive risk management to strengthen our corporate capabilities.

New Challenge: To Illuminate the World

The KOITO Group aims to materialize a sustainable society and resolve social issues as a leading company of automotive lighting and electrical equipment and will strengthen its business activities through our "Lighting for Your Safety" corporate message.

Under our corporate slogan, "New challenge: To illuminate the world," we will continue to develop the newest and the best technologies, improve performance and quality of our products, promote training for employees to raise their performance and skills, as well as stay true to our basic stance to adopt the perspective of customers to supply products and services that will meet their expectations. We would greatly appreciate your continued understanding and support.

June 2021



16 KOITO INTEGRATED REPORT 2021

The KOITO Group's Vision

The KOITO Group conducts business activities based on the three pillars of "World-leading Technologies and Ingenuity," "Sustainable Growth" and "A Trusted Company" with the goal of becoming a "Global No.1 Supplier."

"Global No.1 Supplier"

[Three Pillars]

World-leading Technologies and Ingenuity





Specific Measures (Strategies)

TACTICS 01

Enhance a system to respond to the five major regions of the world (Japan, Americas, China, Europe and Asia), such as further enhancements to product development, manufacturing and sales functions of the Group.

TACTICS 02

Respond to future changes in mobility and develop advanced technologies anticipating customer and market needs as well as rapidly commercialize and bring attractive products to market in a timely manner.

TACTICS 03

Pursue the highest quality and safety standards, advance environmental conservation and strengthen compliance.

TACTICS 04

Further reinforce the profit structure and corporate constitution by securing and effectively allocating resources.

1 World-leading Technologies and Ingenuity

The KOITO Group will work to develop world-first technologies and products such as the new technology driving the next generation of LED, innovative designs, revolutionary new materials and work methods, which contribute to the safety and security of a transportation society.

- •We will deliver attractive products to customers worldwide at an early stage and contribute to the safety and security of a transportation society by further promoting automotive lamp's transition to LED and ADBs, as well as reducing its weight. Moreover, we will cooperate and coordinate with the Group companies and external agencies, such as startup companies and universities, to develop LiDAR, all-weather cameras and other such technologies.
- •We will reinforce business activities in marketing, aircraft component and other divisions to expand our sales by developing and commercializing unprecedented products which offer new value to the market.

	Result (FY 2021)	Plan (FY 2022)	Forecast (FY 2026)
LED adoption ratio	64%	74%	90%
ADB adoption ratio*	5%	8%	25%

Note: ADB adoption among the KOITO Group's headlamps



■World's first BladeScanTM ADB-equipped Toyota vehicle: Lexus RX



Concept model equipped with the next-generation headlamp

2 Sustainable Growth

The KOITO Group will achieve sustainable growth by engaging in initiatives such as the creation of value that anticipates the needs of society and customers, building of a firm profit structure and the development of diverse human resources.

- •We will strengthen our global business framework through the enhancement of development, production and sales systems globally and the configuration of global information infrastructure and networks revolutionizes work style and information sharing with our overseas business entities.
- •We will improve our employees' work-life balance by introducing teleworking system as new normal work styles, and promote active participation of women, senior employees and other diverse human resources.
- •We will also establish a systematic education and training system by expanding curriculum to include content such as logical thinking and various methods of expression while promoting the development of human resources who can experience growth and become motivated to take on new challenges.

	Target (FY 2026)
Number of women in senior management	4 times than the number of FY 2015
Monthly average overtime hours	17 hours or less



(KOITO MANUFACTURING)

3 A Trusted Company

The KOITO Group will strive to gain trust of all of our stakeholders by providing safe and eco-friendly products to the market, promoting quality-first manufacturing, improving employee motivation and ensuring thorough compliance.

- We will promote CSR from thorough compliance to the achievement of mutual prosperity with customers and business partners and contribution to shareholders and local communities.
- In addition, we will coexist with the Earth, reduce environmental impacts, and promote the use of renewable energy while preparing for disasters and thoroughly managing other risks to further strengthen trust from all of our stakeholders.
- •As products become more advanced and complex, we will promote quality assurance initiatives through active cooperation with all departments from research and development to design, evaluation, testing, production and even our suppliers to prevent the recurrence of any quality issues in the market, delivery or processes.
- We will strengthen on-site capabilities and investigate the true cause of defects through information sharing about any problems or challenges discovered, mutual understanding of pre- and post-processes, and assurance of each piece with the goal of achieving the quality and trust of being global No. 1.

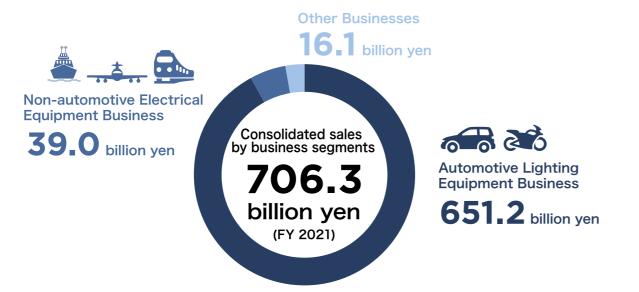
	Target (FY 2021)	Result (FY 2021)
CO ₂ emissions intensity	13% reduction from FY 2016	17% reduction from FY 2016
Waste generated per unit	18% reduction from FY 2016	31% reduction from FY 2016
Water usage per unit	9% reduction from FY 2016	27% reduction from FY 2016
VOC emissions	250 t or less	220 t



(KOITO MANUFACTURING)

Business Overview

The KOITO Group is developing, manufacturing and selling lighting equipment for all kinds of transports, including automobiles, railways and even aircraft and ships.



Automotive Parts (Headlamps)







LED headlamps







LED headlamps for motorcycles

Automotive Parts (Rear Combination Lamps and Others)







LED rear combination lamps

Side turn signal lamp

Parts for Railroad, Aircraft, Maritime and Others



Headlamps for railroad cars







Interior lighting devices for aircraft

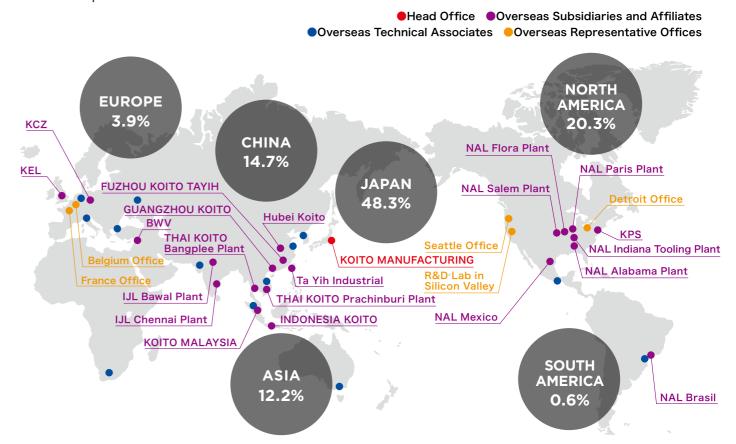
Seats for railroad cars

Lamps for stadiums

Global Network

The KOITO Group consists of 31 companies located in 13 countries worldwide. We provide products and services to customers all over the world, through our global network led by five major regions of the world (Japan, Americas, China, Europe and Asia). By accurately capture the customer needs in different countries, with its global perspective, all companies in the KOITO Group are expanding its development and production system. Based on the stance of "customer-first," KOITO continues to pursue better operations to keep Quality, Cost, Delivery and Development (QCDD) to the highest

Through our mutually complementary supply network among affiliated companies that leverage our global network, we are stably providing products and services to customers worldwide even amid the COVID-19 pandemic.



Overseas Subsidiaries and Affiliates

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

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

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

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

Koito Europe Limited (U.K.)

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

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

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

FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (China)

THAI KOITO COMPANY LIMITED (Thailand)

PT. INDONESIA KOITO (Indonesia)

Ta Yih Industrial Co., Ltd. (Taiwan)

INDIA JAPAN LIGHTING PRIVATE LIMITED (India)

KOITO MALAYSIA SDN. BHD. (Malaysia)

BrightWay Vision Ltd. (Israel)

Domestic Subsidiaries and Affiliates

KOITO KYUSHU LIMITED Koito Transport Co., Ltd. Aoitec Co., Ltd.

Shizuokadenso Co., Ltd.

Nissei Industries Co., Ltd

Fujieda Auto Lighting Co., Ltd. Shizuoka Wire Harness Co., Ltd.

Haibara Machine and Tools Co., Ltd.

Shizuoka Kanagata Co., Ltd.

Koito Insurance Services Co., Ltd.

Takeda Suntech Co., Ltd.

New Fuji Co., Ltd.

KOITO ELECTRIC INDUSTRIES, LTD

Minatsu, Ltd.

Okayama Industry Co., Ltd.

20 KOITO INTEGRATED REPORT 2021 KOITO INTEGRATED REPORT 2021 21

JAPAN

In FY 2021, domestic automobile production volume for both domestic and export vehicles decreased drastically year on year to less than 8 million unit.

KOITO MANUFACTURING

Despite the increase in new orders and a shift in automobile lamps to LED, net sales of KOITO MANUFACTURING for FY 2021 decreased 12.4% year on year to ¥312.2 billion.

On the earnings front, although KOITO implemented rationalization, operating income decreased 17.3% year on year to ¥21.1 billion, recurring profit decreased 18.3% to ¥38.1 billion, and net income decreased 8.6% to ¥38.0 billion, due to a decrease in sales, increased R&D expenses and depreciation cost for capital investment to meet new orders.

KOITO made total capital expenditures of ¥12.1 billion primarily for the development of new products and model changes in the automotive lighting equipment segment, and for new facilities needed for rationalizations and cost-cutting measures, as well as molds and industrial tools.



IKOITO MANUFACTURING Shizuoka Plan



IKOITO MANUFACTURING Sagara Plant

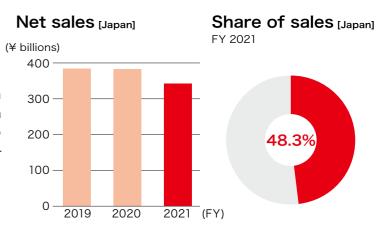


IKOITO MANUFACTURING Haibara Plant



IKOITO MANUFACTURING Fujikawa Tooling Plant

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.



KOITO KYUSHU LIMITED

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



IKOITO KYUSHU Head Office and Plant

Non-automotive Electrical Equipment Business

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



■KOITO ELECTRIC INDUSTRIES Head Office and Fujinagaizumi Plant

22 KOITO INTEGRATED REPORT 2021 23

NORTH AMERICA

In FY 2021, automobile production in North America decreased year on year to the 13 million unit level.

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

United States

In the U.S.A., KOITO operates business at North American Lighting, Inc. (NAL). NAL conducts production operations at four plants: Paris, Flora and Salem in Illinois, and a plant in Alabama. As the largest independent lighting equipment manufacturer in North America, NAL supplies automotive lighting equipment to U.S.-based automotive manufacturers and to local plants of Japanese automotive manufacturers. NAL also produces dies for plastic moldings at a tooling plant in Indiana. In research and development, NAL conducts product development at its Technical Center in the city of Farmington Hills in Michigan.

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



INAL Head Office (Paris)



INAL Paris Plant



INAL Alabama Plant



INAL Flora Plant



INAL Indiana Tooling Plant



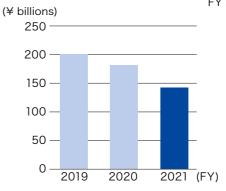
INAL Salem Plant



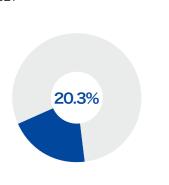
INAL Technical Center

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.

Net sales [North America]



Share of sales [North America] FY 2021



Mexico

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



INAL Mexico

SOUTH AMERICA

In FY 2021, automobile production in South America decreased year on year to the 2.2 million unit level.

Despite an increase in new orders, sales in South America decreased 4.1% year on year to ¥4.5 billion due to a decrease in automobile production volume and the effect of currency exchange.

Net sales [South America] (¥ billions) 5 4 3

Share of sales [South America]



Brazil

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



INAL Brasil

2020

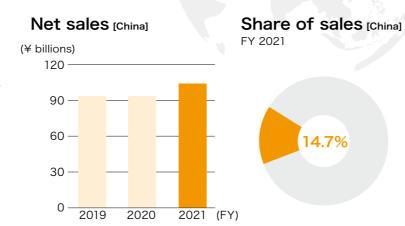
2021 (FY)

24 KOITO INTEGRATED REPORT 2021 25

CHINA

Automobile production in China increased to the 27 million unit level in FY 2021.

Sales in China increased 10.4% year on year to ¥103.4 billion due to an increase in automobile production volume.



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

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



GUANGZHOU KOITO



■GUANGZHOU KOITO Technical Section



Hubei Koito FUZHOU KOITO TAYIH

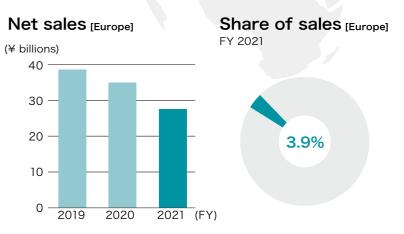


EUROPE

Automobile production in Europe decreased from the previous fiscal year to 12 million units in FY 2021.

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

Sales in Europe decreased 21.1% year on year to ¥27.6 billion due to a decrease in automobile production volume.



United Kingdom

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



Czech Republic

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

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



KCZ Technical Section



26 KOITO INTEGRATED REPORT 2021 27

IKCZ

ASIA

In FY 2021, compared to the previous year, Asian automobile production volume decreased in ASEAN counties, India and other regions.

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

Thailand

In Thailand, which is the center of the Asian automotive industry, KOITO supplies automotive lighting equipment to all local Japanese automotive manufacturers. The products are manufactured in 2 plants in THAI KOITO COMPANY LIMITED (THAI KOITO): Bangplee Plant and Prachinburi Plant. Furthermore, KOITO is strengthening its development systems in the Asian region led by THAI KOITO Technical Center.







ITHAI KOITO Bangplee Plant

ITHAI KOITO Prachinburi Plant

ITHAI KOITO Technical Center

Indonesia

In Indonesia, KOITO produces lamps for automobiles and motorcycles at PT. INDONESIA KOITO. In March 2019, KOITO expanded plants in Indonesia to respond to increasing orders.



INDONESIA KOITO

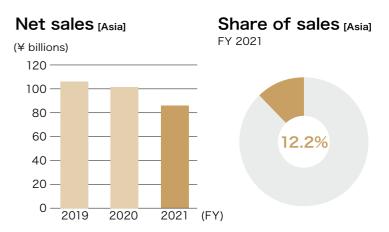
Taiwan

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



Ta Yih Industrial

Despite a shift in automobile lamps to LED, 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.



India

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





IJL Chennai Plant

IJL Bawal Plant

Malaysia

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



KOITO MALAYSIA

28 KOITO INTEGRATED REPORT 2021 29

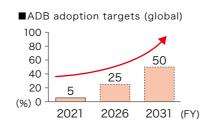
Special Feature:

The KOITO Group's Activities to Resolve Social Issues OBIECESCEN



Improving Safety with the World's First BladeScan[™] ADB System which "Manipulates Light"

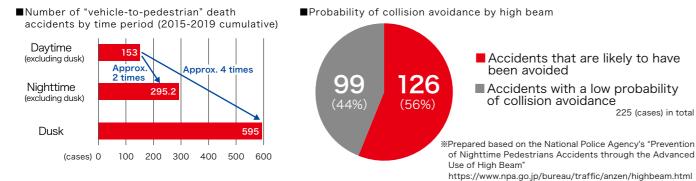
The KOITO Group is committed to materialize a safe and secured automobile society by developing products that contribute to reduce traffic accidents. As part of this effort, we are promoting development and adoption of ADB (Adaptive Driving Beam) systems.



High Beam Contributes to Reduce Accident Mortality

The number of traffic accident deaths in Japan is about 3,000 per year. Among them, fatal accidents at dusk (17-19 o'clock range) account for the largest proportion. "Vehicle-to-pedestrian" accidents occur most frequently from the dusk to nighttime, which is two to four times larger than daytime accidents. It can be inferred that deterioration of drivers' visibility can be one of the causes for traffic accidents with pedestrians. In addition, an analysis of "vehicle-to-pedestrian" fatal accidents occurrence shows that a considerable number of accidents were likely to have been avoided if the driver had utilized high beam.

High beam, which allows drivers to detect pedestrians from a greater distance, is effective in preventing traffic accidents in dark driving conditions.

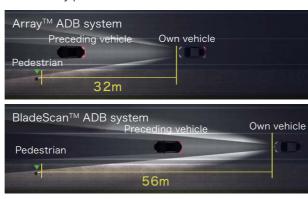


Improving Drivers' Visibility by ADB System

Driving with high beam on offers much better visibility. However, as it causes glare for other drivers, drivers need to switch high beam into low beam manually when they encounter with other vehicles. This troublesome manipulation and the situation where high beam can only be used in limited conditions in Japan, where traffic volume is high and the road range is relatively narrow, has avoided drivers to drive with high beam all the time. As a solution to these problems, KOITO has developed an ADB system in 2012. The system uses an in-vehicle camera to identify and dim preceding vehicles. This allows drivers to drive with high beam all the time and significantly improved their visibility. The most popular ADB system is an "ArrayTM" ADB, which controls shaded area by alternating the illumination of LEDs arranged laterally, and can prevent preceding and oncoming vehicles from glare. However, KOITO has confronted with a new challenge. As lighting segments were proportioned to the number of LEDs, if we were to improve the performance of Array™ ADB system, we had to increase the number of LEDs as well. As an increase in the number of LEDs also leads to an increase in the unit size, we could not enhance ADB performance without increasing costs. How can we achieve precise light distribution without increasing the number of LEDs? Through a lot of trial and error, KOITO has developed the world's first "BladeScan™ ADB," developed based on completely different and innovative ideas than the conventional system. The new system has contributed to improve safety significantly by enabling drivers to identify pedestrians from a distance.



IADB system can improve drivers' visibility



■Comparison between Array[™] and BladeScan[™] ADB system

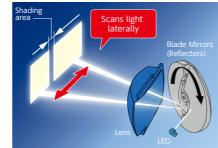
Developing and Commercializing BladeScan™ ADB

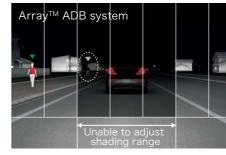
BladeScan™ ADB adopts innovational "scanning method," instead of conventional "Array™." It utilizes LED lights reflected on a fast-rotating mirror and allows the LEDs to cast their light laterally to create an illumination surface with an afterimage of the light. The system turns off the light while it passes through the area to be shaded and alternates the illumination of the LEDs, and delivers more precise control over the shading effect than the conventional ADB system.

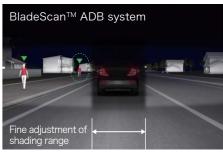
However, to illuminate the front with sufficient light intensity, we had to move large mirrors at high speed. As a result of repeating various trial and error, we have developed a mechanism which rotates disk-type mirrors. By rotating a blade mirror combined by multiple twisted-shaped mirrors, this mechanism allowed us to change light reflection direction.

BladeScan™ ADB, which "manipulates light," achieved precise light distribution equivalent to 300 segments swith 12

It was first adopted by Toyota Motor "Lexus RX" in 2019, and are expected to further adopted to a wide range of vehicles. The KOITO Group will continue contributing to reduce traffic accidents by utilizing light manipulation technologies.







Outline of BladeScan™ ADB system

■Comparison between Array™ and BladeScan™ ADB system

Our Advanced Technology and Contribution to Safety Received High Evaluations

BladeScan™ ADB has won numerous awards, including "CES2020 Innovation Awards" by CES, one of the world's largest electronics trade shows sponsored by Consumer Technology Association (CTA), in recognition of its innovative lighting technologies and its contribution to safe driving.

Winning Period	Sponsoring Organization	Awards
January 2020	CTA (Consumer Technology Association)	CES2020 Innovation Awards
July 2020	Society of Automotive Engineers of Japan, Inc.	70th Society of Automotive Engineers of Japan Award "Technology Development Award"
October 2020	MONODZUKURI Nippon Conference	2020 Super Manufacturing Parts Grand Prize "Nippon Brand Award"
March 2021	The Japan Society of Mechanical Engineers	2020 The Japan Society of Mechanical Engineers Award (Technology)



ICFS2020 Innovation Awards



2020 Super Manufacturing Parts Grand Prize "Nippon Brand Award"

30 KOITO INTEGRATED REPORT 2021 KOITO INTEGRATED REPORT 2021 31

Special Feature: The KOITO Group's Activities to Resolve Social Issues

Providing Optimal Lighting for Autonomous Driving Vehicles

Looking ahead future autonomous driving society, KOITO is working to develop and commercialize lighting and sensing technologies that materialize safety, peace of mind, and comfort. We are accelerating development efforts toward the early commercialization of next-generation products, such as conducting R&D with domestic and overseas startup companies and universities.

Next-generation ADB - Supporting drivers -

Next-generation ADB system delivers the optimal lighting by minimizing shaded areas and maximizing the driver's visibility during nighttime driving. It shades pedestrians to avoid glare and can also locally dim the light against objects such as traffic signs.



Next-generation ADB headlamp (concept model)

Development of Sensing Technology - Supporting vehicles and pedestrians -

We are working to develop LiDAR that can accurately monitor the shape and distance of distant obstacles, as well as all-weather cameras that can accurately detect them even under bad weather conditions such as rain, fog and snow. By installing surrounding monitoring sensors into headlamps and rear combination lamps at four corners of the vehicle, these lamps protect sensors from dirts and keep them in optimal condition, achieving 360° monitoring of the surroundings.



Sensor lighting module (concept model)

Communication Lamps

- Supporting vehicles and pedestrians -

Utilizing its road projection and displaying functions, communication lamp conveys the movement of the vehicle to the surrounding vehicles and pedestrians instead of drivers. It contributes to safety of autonomous driving society by enabling vehicles-to-pedestrians communication.



Ilmage of road projection

Smart Transportation Infrastructure - Supporting reliable transportation -

In the vicinity of intersections, street lights and traffic signals with LiDARs and cameras detect pedestrians and vehicles in a blind spot of the driver. By sharing these information with surrounding vehicles and drivers, smart transportation infrastructure can contribute to reduce traffic accidents and support smooth transportation.



■Smart street light (concept model)

ESG Activities

The KOITO Group's basic management policy is to create customer needs and contribute to the progress of society, while also fostering mutually beneficial relationships with all stakeholders, including shareholders, customers, employees,



Environmental Activities

The KOITO Group declares in the KOITO Group Corporate Behavior Charter, our basic policy of the corporate activities, that "guided by the theme of 'Eco-friendly Manufacturing for People and the Earth,' we will proactively engage in global environment conservation through our business activities."

Based on this policy, KOITO has established an Environmental Policy that sets out the framework for its environmental activities and implements that policy in the environmental management of all fields: development, design, production, procurement, logistics and others.

Moreover, our domestic and overseas subsidiaries also have established "Environmental Policy" as well as built environmental management systems. We are promoting environmental conservation activities throughout the KOITO Group.

Environmental Policy

KOITO MANUFACTURING CO., LTD. pursues "Eco-friendly Manufacturing for People and the Earth" in all business activities centered on automotive lighting by promoting environmental conservation activities;

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

Management Structure for Environmental Activities

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

Subcommittees and working groups, such as the Energy and CO₂ Reduction Subcommittee, Environmental Impact Substance Reduction Working Group, and Recycle Promotion Working Group, which were established to address specific environmental issues, are implementing specific activities.

These activities are reported to the Safe and Environmental Committee, which follows up on progress and discussing various actions.

Safe and Environmental Committee

Oversees environmental-related committees and decides the direction on measures regarding significant environmental issues



Establishment of Environmental Management System

The KOITO Group is building the environmental management system for the entire Group. We are working to acquire ISO 14001 and other environmental certificates primarily at our manufacturing sites. As of the end of March 2021, a total of 23 companies out of 25 eligible for certification have acquired environmental certificates: 12 in Japan, including KOITO MANUFACTURING, and 11 overseas.

The KOITO Group also recommends major suppliers to acquire certificates, such as ISO 14001 and Eco-Action 21, in order to reinforce environmental management and conservation throughout the entire supply chain.

■KOITO's ISO 14001 certification in production sites

productions	oiles	
Site	Year-month of initial registration	The latest renewal date
Shizuoka Plant	January 2000	
Koito Parts Center	January 2000	
Haiabara Plant	July 2000	January 2021
Sagara Plant	July 2000	
Fujikawa Tooling Plant	January 2003	

Scope of Environmental Management: KOITO's environmental management is applied to the above five sites with respect to business activities related to the R&D, design, production, logistics, etc. of automotive lighting equipment,

logistics, etc. of automotive lighting equipment, aircraft components and others. In addition, environmental impact arising from the product life cycle are also applied to the management.

■Environmental certification acquired in the KOITO Group

Domestic subsidiaries		Overseas subsidiaries	
	KOITO KYUSHU	ISO 14001	North American Lighting (U.S.A.)
	Aoitec		North American Lighting Mexico (Mexico)
	Shizuokadenso		Koito Europe (U.K.)
ISO 14001	Nissei Industries		Koito Czech (Czech Republic)
	Fujieda Auto Lighting		GUANGZHOU KOITO (China)
	Shizuoka Wire Harness		Hubei Koito (China)
	KOITO ELECTRIC INDUSTRIES		FUZHOU KOITO TAYIH (China)
	Haibara Machine and Tools		THAI KOITO (Thailand)
Eco-Action 21	Shizuoka Kanagata		INDONESIA KOITO (Indonesia)
	Takeda Suntech		Ta Yih Industrial (Taiwan)
Green Management Certificate	Koito Transport		INDIA JAPAN LIGHTING (India)

Environmental Targets and Performance

The KOITO Group has set quantitative targets for each index to implement "Eco-friendly Manufacturing for People and the Earth." We set the quantitative goal for various indicators in order to implement activities effectively. The Safe and Environmental Committee and others are supervising the progress of environmental conservation activities and evaluating the status of the achievement.

KOITO is working to achieve the midterm target (midterm priorities) that started in FY 2017 and completed in FY 2021, and is engaging in various activities to achieve short-term goals, which are designed to check the status of achievement each year.

■Environmental management plans and results

	Environmental		Priority efforts and performance in FY 2021			
		objectives	Priority	Target	Result	Main approaches from FY 2017 to FY 2021
	to alleviate change	Contribution to low-carbon	Reduction of CO ₂ from production	CO ₂ emission intensity: 13% reduction from FY 2016 (amount of CO ₂ emissions: 62,900 t-CO ₂)	17% reduction from FY 2016 (amount of CO ₂ emissions 57,800 t-CO ₂)	Reduction of energy use and CO ₂ emissions in production activities CO ₂ intensity in FY 2021: 13% reduction from FY 2016 Reduction of energy use and CO ₂
Measures t	Measures to allevia climate change	society	Reduction of CO ₂ from logistics	Energy usage per unit: 1% reduction per year	9% reduction from FY 2016	emissions in logistics - Energy usage per unit: 1% reduction per year ③Reduction of environmental impact substances in the product life cycle
	Resource and water circulation	Development of recycle-oriented	Reduction of the amount of waste	Waste generated per unit: 18% reduction from FY 2016	31% reduction from FY 2016	①Development of recycle-oriented society - Reduction of waters and effective utilization of resources in production Waste generated per unit in FY 2021: 18% reduction from FY 2016
Resource		society	Reduction of water consumption	Water usage per unit: 9% reduction from FY 2016	27% reduction from FY 2016	Minimization of water impact Reduction of water consumption Water usage per unit in FY 2021: 3% reduction from FY 2016 Improvement of wastewater quality management
	Management and reduction of chemical substances	Reduction of environmental impact substances	Reduction of VOC emissions	VOC emissions: Less than the amount in FY 2016 (315 t) Target for FY 2021: 250 tons or less	220 t (30% reduction from FY 2016)	Reduction of environmental impact substances in production activities Amount of VOC emissions: Maintain the amount below FY 2011 Thorough management of environmental impact substances in products
			Promotion of the reinforcement of consolidated environment activities	Reinforcement of environmental risk management Thorough environment compliance	Identification of potential risks and reinforcement of preventive measures (Identification of and response to near miss incidents)	①Reinforcement of the worldwide
Enrichment of environmental management	ntal manag	Reinforcement of global	Promotion of environmental efforts collaborating with suppliers	Promotion of aggressive environmental activities, improvement of environmental performance	Confirmation of management status and promotion of improvement through information sharing and on-site inspections	environmental management - Promotion of the reinforcement of consolidated management - Promotion of environmental activities with business partners (suppliers)
	nvironmer	environmental activities	Disclosure of environmental information and enhancement of communication	Global disclosure of environmental information Promotion of mutual understanding with local communities	Disclosure of consolidated information Hosting round-table session with local communities	Proactive disclosure of environmental information and enrichment of communication Reinforcement of environmental
	ent of e		Reinforcement of environmental education	Promoting compliance, employee education and awareness-raising activities	Reevaluation of education structure for manager, supervisor and newly hired employees implementing training for contractors (construction workers etc.) working in the premises	education ②Development of society in harmony with nature
	Enrichm	Development of society in harmony with nature	Promotion of biodiversity and nature conservation activities	Promotion of activities at individual offices and regions Promotion of biodiversity conservation activities	Cooperation with local organizations and participation in activities with them Reinforcement of activities to prevent global warming and effectively use resources	 Promotion of biodiversity and nature conservation activities

34 KOITO INTEGRATED REPORT 2021
KOITO INTEGRATED REPORT 2021

Material Balance

Energy and resource inputs and emissions (outputs) of greenhouse gas (GHG) and environmental impact substances such as VOC (Volatile Organic Compounds) in KOITO's business activities are as follows.

KOITO keeps track of the material balance in its business activities to verify and evaluate activities to reduce the environmental load and to use the data for the establishment of future measures.

Results (FY 2021) Outputs Inputs Raw materials **Products** Manufacturing ·Resin materials: Emissions into the atmosphere 45.635 t ·Organic solvent and ·CO₂: 57,800 t Parts modification paints: 797 t ·Chemical substances (resin molding, painting ·PRTR Act[∗] chemical that require notification and deposition) substances: 265 t under the PRTR Act: 84.5 t VOC (Volatile Organic Compounds): Energy **Assembly** ·Electricity: **Emissions into waters** 103,247,000 kWh ·Discharged: 164,000 t ·Utility gas: Product packaging (discharged amount into 1,921,000 m³ the sewer and wastewater ·LPG: 3,070 t treatment facilities) ·Heavy oil: 0 kl Recycling **Emissions** Water Resin materials: 399 Thermal use and recycling in outside the company: ·Municipal water: 204,000 t (including Waste: 2,407 t) ·Industrial water: ·PRTR chemical substances: 468,000 t 7.6 t

**PRTR Act: Act to promote identification and management of specific chemical substances' released amount to the exterior environment.

Environmental Audits

KOITO conducts annual external environmental audits and internal environmental audits to check the operational status of the environmental management system. Improvement proposals are prepared and implemented to respond to the aspects identified through those audits to maintain and operate the proper management system.

External Environmental Audits

A registered external accreditation firm checks whether the environmental management system has been properly established and operated based on ISO 14001.

Internal Environmental Audits

To ensure the independence of internal environmental audits, an audit team composed of internal auditors other than the department being audited is organized, and audits are conducted based on ISO 14001. The internal auditors are also conducting audits at their departments for continuous improvements and enhance environmental awareness.

Environmental Education

KOITO has established an education system and periodically provides environmental education to promote training for human resources to achieve our environmental targets as stated in the Environmental Policy and help every employee gain a deep understanding of the environment.

In addition to education for specific job ranks, such as new employees, managers, and supervisors, KOITO provides special education for internal auditors and promote our employees' acquisition of official licenses and qualifications. Meanwhile, June and July of every year are designated as KOITO Environmental Months during which employees participate in local clean-up activities and practice intensive environmental inspection to enhance the awareness of every employee.

KOITO provides education on preventing contamination and spillage to workers on the premises of KOITO, such as contractors, to enhance their awareness and prevent environmental accidents.



Safety and environmental education for the work conducted within the premises (2019)



Education for internal environmental auditors (2019)

Efforts throughout Supply Chain

KOITO is committed to promote measures to reduce environmental load based on the comprehensive perspective of the product life cycle to coexist with global environment and local communities and to engage in environmental activities through all business activities, including procurement, development, production, and sales.

Aiming to materialize a sustainable society, KOITO is working to strengthen supply chain management. We hold annual procurement policy briefing session and monthly information liaison meetings for suppliers to encourage them to acquire environmental certifications, such as ISO 14001 and Eco-Action 21, and request compliance with environmental laws and regulations on environmentally hazardous substances.

In FY 2021, KOITO held a supplier meeting on May 29, 2020, and 199 suppliers attended it.



■Procurement policy briefing session (2019)

Compliance with Environmental Laws and Regulations

KOITO conducts thorough risk management, such as specifying the sources of environmental risks, detecting abnormalities in the early stages through regular measurements, and establishing emergency response measures to minimize environmental risks by complying with environmental laws and regulations, such as ones to prevent air pollution, water contamination and soil contamination.

Through these risk management activities, KOITO makes sure that emissions, water quality, noise, soil and groundwater contamination are within the ranges permitted under laws, regulations and standards. In FY 2021, neither violations of environmental laws and regulations nor fines were reported at the KOITO Group.

The KOITO Group is committed to compliance with environmental laws and regulations, and continue to work on environmental risk management.

■Environmental risk management to comply with environmental laws and regulations

Risk management			Procedures
and removal	Prevention of environmental pollution	Identification of sources	Identification of facilities and equipment which may cause environmental pollution in case of malfunction Scheduled inspection and repairing risk
	T	Source management	identified facilities or equipment -Elimination of environmental near miss incidents and prevention of recurrence
Risk avoidance	Early	Setting self-management standards	·Setting self-management standards that are stricter than legal regulations
Risk a	detection of abnormality	Daily inspection (monitoring and measurement)	•Management within the self-management standards (implement preventive measures before the standards exceed legal regulations)
ion of ng risks		Setting emergency response procedures	-Setting the abnormality handling procedures -Setting procedures to notify nearby residents and public agencies
Prevent expandir	Emergency response	Implementation of training to handle abnormality	·Implementation of periodic training

36 KOITO INTEGRATED REPORT 2021

Reduction of Greenhouse Gas Emissions

Aiming to contribute to materialize a decarbonized society and achieve carbon neutrality, KOITO is promoting products' power conservation, size reduction, and weight reduction from the development and design phase and improving fuel efficiency in automobiles and reducing CO₂ emissions. KOITO has set quantitative reduction targets for midterm priority activities in the production and logistics phase to promote energy conservation and to reduce CO₂ emissions.

Efforts through Products

LED Headlamps

KOITO started using LEDs as the light source for headlamps before other companies to improve the fuel efficiency of automobiles and to reduce CO₂ emissions by reducing power consumption of the lamps. The LED headlamps consume about 40% less electricity than discharge headlamps and contribute to reduce battery load.

Power consumption (W/vehicle)

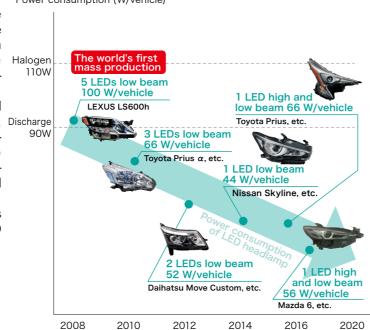
Power consumption (W/vehicle)

The world's first mass production 5 LEDs low beam 100 W/vehicle

The adoption of LED headlamps has expanded to various vehicles, from large-size vehicles, Discharge compact vehicles, mini vehicles, and to motorcycles. In FY 2021, global LED adoption ratio among the KOITO Group's headlamps was approximately 64%, and is expected to widespread further.

We are now developing energy efficient lamps by improving the performance of the white LED lamps as well as reducing the size and weight.

■Reduction of LED headlamp power consumption



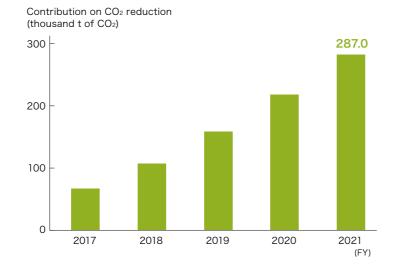
■LED Headlamp's Contribution on CO₂ Reduction

The KOITO Group is contributing to improve vehicle fuel efficiency and reduce CO₂ emissions by providing LED headlamps.

KOITO has evaluated our global environmental contribution of LED headlamps by comparing the amount of CO₂ emissions when using conventional halogen headlamps.

Contributions are increasing year by year due to the spread of LED headlamps and the evolution of light sources.

■LED headlamp's contribution on CO₂ reduction



·KOITO has calculated the contribution by referring to the calculation methodologies on the EU's "Technical Guidelines for the preparation of applications for the approval of innovative technologies pursuant to Regulation (EC) No 443/2009 and Regulation (EU) No 510/2011" and JAPIA's "Second Version of Regulation 2 of the Guidelines for Calculating LCI (Data Chart for Calculating Environmental Impact at the Stage of Use)."

[Calculation formula]

Energy-saving effect* (W/units) / 1,000 × Consumption of effective power (\$\ell/k\text{Wh}\$) / Efficiency of alternator × CO2 emission factor (t-CO2/\$\ell) × Operating hours (hours/year) × Usage factor × the number of vehicles equipped with the KOITO Group's LED headlamps **Power consumption differences between LED headlamps and halogen headlamps

LED Rear Combination Lamps

KOITO has conventionally used incandescent light bulbs to rear combination lamps. However, as LED achieves smaller, lighter, more energy efficient, and longer life lamps, and it contributes to the improvement of the fuel efficiency and CO₂ emissions reductions of vehicles, LED rear combination lamps are also being adopted in various vehicles as in the case of LED headlamps.

Development of Smaller and Lighter Components

Through our collaboration between relevant divisions, development, design, production and procurement, KOITO is working to minimize and reduce the weight of our products by reducing the number of components and resinification to contribute to improve the fuel efficiency of automobiles.

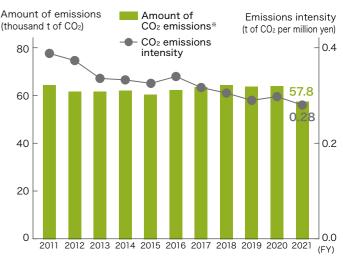
Efforts in the Production Process

To improve energy and production efficiency in the production process, KOITO is reducing CO₂ emissions by improving work methods and updating facilities, such as updating to higher-efficiency transformers and gas heat pump (GHP) air conditioners, installing energy-efficient facilities, automatic power shutdown systems to kick in when facilities are not in use, and optimizing production lines.

KOITO has set a target of reducing CO_2 emissions (CO_2 emissions intensity) per production monetary amount (million yen) by 13% by FY 2021 from the level of FY 2016 in the five-year plan from FY 2017 to FY 2021.

Factories in Japan were streamlined by integrating production lines and conducting improvement work that resulted in improved productivity and energy efficiency. With this effort, KOITO has succeeded in achieving the goal; intensity of CO₂ emissions in FY 2021 decreased by 17% from FY 2016.

■Amount of CO₂ emissions and CO₂ emissions intensity



**The amount of CO₂ emissions from Shizuoka, Haibara and Sagara plant are calculated by using the CO₂ emissions coefficient in FY 2008 at the receiving end released by the Federation of Electric Power Companies for electricity and the coefficients used in the Act on Rationalizing Energy Use and the Act on Promotion of Global Warming Countermeasures for city gas, LPG, and heavy oil.

**The amount of CO₂ emissions from Shizuoka, Haibara and Sagara planta electricity Power Companies for electricity and the Act on Promotion of Global Warming Countermeasures for city gas, LPG, and heavy oil.

**The amount of CO₂ emissions coefficient in FY 2008

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Efforts in Logistics

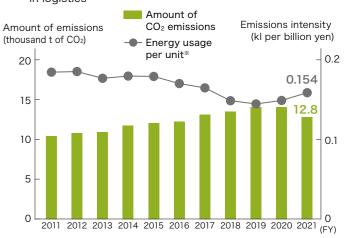
The logistics of KOITO are mainly conducted by freight trucks. A domestic subsidiary, Koito Transport, is mainly carrying out the logistics operations.

Koito Transport acquired the Green Business Certificate in February 2004. Collaborating with KOITO, Koito Transport aims to operate environmentally friendly transport business by reducing environmental impacts focusing on reducing the energy consumption of freight trucks, CO₂ emissions, and waste emitted through the logistics process.

The amount of CO₂ emissions from the entire logistics operation of KOITO was 12,800 tons in FY 2021, which was less than the previous fiscal year due to the decrease in transportation. Energy per unit* was 0.154 kl per billion yen, which was 9% lower than FY 2016 due to continuous improvement efforts.

※Energy usage per unit: Amount of energy (kl in crude oil equivalent) consumed in logistics per unit in sales (billion yen).

■Amount of CO₂ emissions and energy usage per unit in logistics



38 KOITO INTEGRATED REPORT 2021

Reduction of Environmental Impact Substances

To reduce environmental impact substances and waste, KOITO commits in its Environmental Policy to strive to "develop and establish new environmentally friendly technologies and products throughout the product life cycle" and "minimize the environmental impact and use of resources and energy in the manufacturing process," and promoting relevant activities.

KOITO has set quantitative reduction targets for VOC emissions in the midterm priority activities. Activities are being implemented to reduce emissions while checking progress.

We are committed to actively engage in reducing environmental impact substances to materialize "Eco-friendly Manufacturing for People and the Earth."

Efforts in Production Processes

Some raw materials, such as paints and chemicals, as well as secondary materials used in the production processes, contain chemical substances that have negative environmental impacts. KOITO is reducing these environmental impact substances by reinforcing the management of the amount to use and emit, improving consumption efficiency, and using alternative substances.

Management of Substances Regulated under the PRTR Act

KOITO is keeping track of the amount of substances regulated under the PRTR Act handled or transferred in the production processes while managing them appropriately as well as reducing the amount to use and replacing them with alternative substances.

In FY 2021, KOITO have handled six substances subject to PRTR Act (Class 1 designated substances), including toluene and styrene. The amount of these substances handled was 264.7 tons, and the amount of atmospheric emissions and transfers as waste was 92.1 tons.

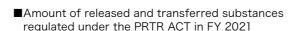
Reduction of VOC (Volatile Organic Compounds)

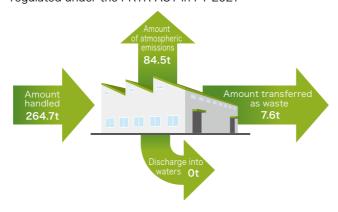
KOITO has set a target of reducing the amount of VOC emissions by 30% from the amount in FY 2001 by FY 2021, by keeping it in alignment with the Voluntary Environmental Action Plan of the Japan Auto Parts Industries Association and promoted several activities.

Our efforts resulted in an 80% reduction of the VOC emissions in FY 2021 compared to FY 2001. The VOC emissions per unit*1 was successfully reduced by 52% from FY 2009, when the reduction activities started.

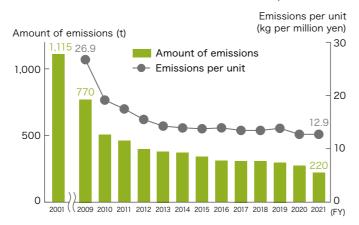
In addition, KOITO has not used the three major hazardous air pollutants**2 since we had eliminated its use in March 2003.

- *1 VOC emissions per unit: The amount of VOC emissions (kg) per production in monetary amount (million yen)
- ※2 Hazardous air pollutants: Dichloromethane, trichloroethylene, and tetrachloroethylene





■Amount of VOC emissions and VOC emissions per unit



Resource Conservation and Recycling

Throughout our product life cycle, KOITO is actively working to effectively use raw materials, energy, and other resources, and to reduce water consumption and waste.

The KOITO Group will continue to actively promote "Eco-friendly Manufacturing for People and the Earth," and strives to materialize a recycle-oriented society.

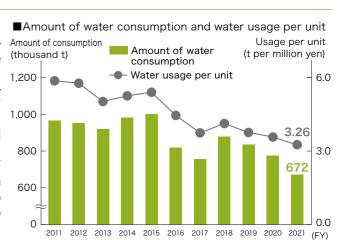
Effective Use of Water Resources

Recognizing the importance of water resources in production activities and the risks that future economic growth, population growth, and climate change would have on water resources, KOITO has identified "conservation of water resources" as one of our materialities. KOITO is working on the effective use of water resources and protecting water quality.

To reduce the water usage per unit*, KOITO worked on enhancing the awareness of employees toward water conservation and improving the efficiency of water consumption in the production processes. As a result, the water usage per unit in FY 2021 was 44% lower and the amount of water consumption was 35% lower than FY 2009.

KOITO is also conducting water quality monitoring on the wastewater discharged from production sites to prevent water pollution in rivers or other bodies of water into which production sites wastewater is discharged.

 ${\it \#W}$ water usage per unit: The amount of water consumption (tons) per production output (million yen)



Efforts in Reducing Wastes and Recycling

KOITO is working on efficient recycling of materials (including waste, valuable materials, and recycled materials) discharged from all plants. After achieving zero-waste* in all plants in 2002, KOITO has been promoting waste reduction by setting the waste generated per unit as an index for recycling, mainly of plastics, and for efficient use of resources in production.

*Zero-waste: A situation in which no waste is directly disposed of as landfill within the waste discharged by the plant.

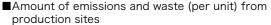
Efforts to Reduce the Amount of Waste from Production Sites and the Waste Generated per Unit

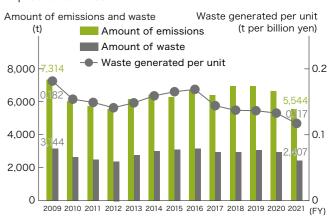
KOITO generated 5,544 tons of waste from plants in FY 2021, among which 2,407 tons were processed as waste * .

The waste generated per unit (the amount of waste per production output) was 0.117 tons per billion yen, which was 36% lower than FY 2009 due to the continuous efforts to reduce the loss of defective resins.

Furthermore, KOITO has also worked to improve recycling (reduce waste for thermal recycling), and the amount of resources recycled in FY 2021 was 5,231 tons.

*Waste: Generated material that requires processing costs, and the processing is outsourced to disposal businesses contractors





40 KOITO INTEGRATED REPORT 2021 41

Environmental Activities in Overseas Subsidiaries

Reducing Electric Power Consumption by Introducing Air Pressure Controlling System in Production Plant/North American Lighting, Inc. (NAL/U.S.A.)

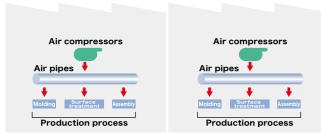
At the Paris Plant in NAL, U.S.A., they were supplying air to each process by using air compressors installed in the existing areas and in the expansion areas. Since the air piping was independent for each area, even if the amount of air used decreased, they needed to keep air compressors in operation in both areas, and the use of electric power was inefficient.

They optimized the operations by connecting air pipes in both areas and introduced an air pressure controlling system. This enabled them to take in information on increase/decrease in air pressure to the control system, and control the air compressor to operate only when necessary. The introduction of this system has resulted in a 30% reduction in electric power consumption.

Before introduction

Existing areas

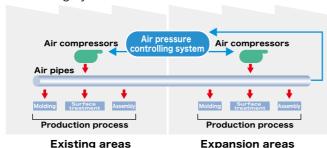
Air piping was independent for each area



Expansion areas

After introduction

Connecting air pipes and introduced an air pressure controlling system



Reducing Electric Power Consumption in Cooling Towers by Introducing an Inverter/KOITO EUROPE (KEL/U.K.)

In KEL, U.K., equipment cooling is conducted by cooling towers. The cooling tower is designed to cool equipment by circulating water with two pumps. As these pumps were always in operations, the use of pumps were inefficient.

In order to increase electric efficiency, they introduced an inverter that controls operations according to cooling demand so that the required amount of water is supplied only when necessary. A reduction of electric power consumption has resulted in reducing 66 tons of CO₂ emissions annually.



Cooling tower controlling panel



An introduced inverter

External Evaluation on Our Environmental Activities

KOITO evaluates its own initiatives by identifying key domestic and overseas external indicators and evaluations, and analyzing the results. We are actively disclosing information by responding to external evaluations, including ESG (Environmental, Social and Governance) rating agencies.



In January 2021, the CDP Climate Change Report 2020, a survey of global companies on their strategies for climate change and specific greenhouse gas emissions, was published by the U.K. nonprofit organization CDP (formerly known as the Carbon Disclosure Project). KOITO received a "B-(Management)" rating in recognition of its efforts to address climate change, such as reducing CO₂ emissions and setting medium- to long-term targets, as well as its disclosures.

Social Activities

Activities to Improve Safety and Security

The KOITO Group's basic management policy is to create customer needs and contribute to the progress of society, guided by the theme of "Light." Identifying "reduction of traffic accidents" as one of our materialities, the KOITO Group develops products to materialize a safe and secured automotive society under our corporate message "Lighting for Your Safety."

To further improve the performance of LED headlamps and ADBs, we are also promoting R&D activities on Advanced Driving Assistance System (ADAS), next-generation lamps and various sensors (LiDAR, cameras, etc.) which are compatible with autonomous driving.

The KOITO Group will continue to contribute to the improvement of safety and security in an automotive society through developing and supplying safe and high quality products and services through its technologies.

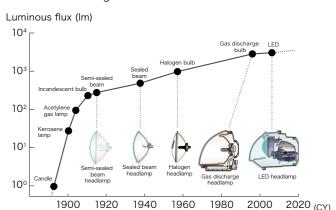
Development of Technologies and Products to Improve Safety and Security

LED Headlamps

KOITO has been developing high-output and high-performance light sources to create headlamps that provide brighter light to greater distances for safe nighttime driving.

LED headlamps are KOITO's main products. They help drivers to gain clear night views as they are bright, turn on instantly and are close to daylight. KOITO is also developing laser headlamps to further improve distance visibility.

■Evolution of light sources



Adaptive Driving Beam (ADB)

KOITO has developed a headlamp system called Adaptive Driving Beam (ADB) that automatically controls the light distribution pattern of the high beam and ensures wide front visibility for drivers by enabling driving with high beams all the time while preventing preceding or oncoming vehicles from glare.

In addition, KOITO is conducting R&D activities on ADB to further improve safety during nighttime driving by providing finer light distribution.

Please refer to the special feature on P30 of this report.

■Image of ADB photometry



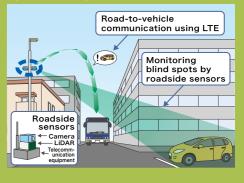
Verification of Blind Spot Information Provision System in the Autonomous Driving Bus Demonstration Experiment

The KOITO Group is promoting R&D activities on next-generation products such as smart traffic lights and street lights equipped with sensors (LiDAR cameras, etc.) which are required to monitor the surroundings in the future surroundings in the future surroundings.

Collaborating with KOITÓ ELECTRIC INDUSTRIES, a subsidiary manufacture and sells signaling systems and other transportation infrastructures, KOITÓ participated in a demonstration experiment conducted in Hitachi City, Ibarak Prefecture using medium-sized autonomous driving bus from November 202 to March 2021

By installing roadside sensors at intersections with poor visibility, we have prified the effectiveness of a blind spot information provision system that elects and identifies vehicles, bicycles, pedestrians, and other objects in blind pots that cannot be detected by sensors on autonomous driving bus, and paring information with the vehicle

■Image of a blind spot information provision system



42 KOITO INTEGRATED REPORT 2021

Quality and Product Safety

The KOITO Group declares in the KOITO Group Corporate Behavior Charter that "we will gain customers' satisfaction and trust through developing and providing safe and high-quality products and services," and identified "enhancement of product quality" as one of our materialities. We strive to create products with a customer-first attitude to maintain and further improve quality of all products and services we provide to our customers.

The KOITO Group is utilizing its Quality Management System (QMS) to maintain and supervise the quality level in all kinds of departments, from development to production.

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

Quality Management Structure

KOITO has established a quality management system based on ISO 9001 and IATF 16949 which are international standards to ensure seamless operations.

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

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

The KOITO Group Customer-first Production KOITO MANUFACTURING Management Committee Report Direction Quality Assurance Department Quality audit Quality System Cuality System Production Quality System Production Prevention of recurrence Quality monitoring Prevention of recurrence Quality monitoring Production Engineering Headquarters Purchasing Department Divisions Overseas Subsidiaries Domestic Subsidiaries

Acquisition of Quality Management System Certificates

The table on the right is a list of Group companies, including overseas subsidiaries, that have acquired ISO 9001 or IATF 16949.

All the subsidiaries and departments of KOITO will continue to carry out a thorough PDCA cycle, and ensure product safety and quality through enhancement of the quality management system.

■Environmental certification acquired in the KOITO Group

ISO 9001
KOITO KYUSHU
Aoitec
Shizuokadenso
Nissei Industries
Fujieda Auto Lighting
Shizuoka Wire Harness
KOITO ELECTRIC INDUSTRIES

IATF 16949
North American Lighting (U.S.A.)
North American Lighting Mexico (Mexico)
Koito Europe (U.K.)
Koito Czech (Czech Republic)
GUANGZHOU KOITO (China)
Hubei Koito (China)
FUZHOU KOITO TAYIH (China)
THAI KOITO (Thailand)
INDONESIA KOITO (Indonesia)
Ta Yih Industrial (Taiwan)
INDIA JAPAN LIGHTING (India)

Efforts in Quality Improvement

KOITO provides job rank-based quality education for new employees, managers, and supervisors. In addition, KOITO holds training session on SQC (Statistical Quality Control) for design and development engineers to improve their knowledge on quality management.

Furthermore, the QC circle activities and improvement presentation sessions (FQC Meeting, Staff QC Meeting and others) are being held periodically to improve quality management activities.

KOITO will continue to enrich activities on training and education to further improve quality.



Staff QC Meeting (2019)

Supply Chain Management

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

KOITO is also presenting expectations on the cost, quality, and the elimination of industrial accidents to each supplier to achieve goals together.

We are aiming to materialize a sustainable society throughout the entire supply chain while cherishing the close relationship with our suppliers.

Procurement Policy for FY 2022

The KOITO Group promotes procurement activities emphasizing the following four items around the keywords of safety, quality and product appeal.

1. Early development of attractive and advanced technology products and strengthening of a global business structure

The KOITO Group conducts marketing to investigate and search business partners who have new technologies, new work methods and technologies to develop new components as a means to develop attractive and cutting-edge technologies that contribute to the safety and security of a transportation society.

The KOITO Group strengthens marketing, development, and production systems by innovating information sharing and work styles using its global network.

2. Cost reforms realized by revising structures, work methods and specifications as well as reconfiguration of competitive strengths through manufacturing pursuits

The KOITO Group revises product structures, work methods and specifications in an effort to reform costs. We also strengthen our competitive power by pursuing optimal manufacturing process: identifying any waste, overburden and irregularities by improvement activities.

3. Realization of quality that satisfies customers by pursuing the true cause of defects and strengthening on-site capabilities

The KOITO Group enhances our quality assurance system throughout the entire supply chain to gain customer trust by developing and providing safe and high-quality products and services.

We work to build a system that prevents inconsistencies and defects to improve quality throughout the entire supply chain. In the event a defect does occur, we work with our suppliers to pursue the true cause and prevent any recurrence.

4. Reinforcement of the corporate constitution through thorough risk management (prevent disasters, strengthen BCP management and contribute to achieve SDGs)

The KOITO Group secures the life and safety of its employees and other personnel even when unexpected disasters occur. We also work with our suppliers to anticipate all risks and work to prevent disasters and accidents to maintain a stable supply of products.

The KOITO Group promotes procurement activities that incorporate SDGs perspectives from contributions to safety and peace of mind to global environmental protection, the respect for human rights and the promotion of compliance, which contribute to materialize a sustainable society.

Reinforcement of CSR in the Supply Chain

KOITO helps its suppliers to understand our CSR activities through procurement policy briefing session and other opportunities in addition to providing advice at all times. At the annual procurement policy briefing session, we ask our suppliers to thoroughly comply with laws and regulations. We have established a system for suppliers so that they can inform us and promote compliance in the event of their violating the law.

KOITO conducts annual questionnaire surveys on suppliers' status on environmental certification. In FY 2021, approximately 430 suppliers were eligible for the survey. During fire and disaster prevention inspections to our suppliers, KOITO also confirms the management system or the amount of organic solvents used by suppliers. In the event that there is a problem with suppliers' management system or others, we request them to submit an improvement plan and supporting their measures.

[KOITO's CSR activities]

- ①Measures based on the "Guideline for the Right Transaction of Automobile Industry"
- ②Continuous investigation on the inclusion of environmental impact substances
- ③Continuous annual investigation on conflict minerals
- Thorough compliance with laws and regulations concerning human rights and labor
- ⑤Thorough implementation of compliance issues in general (Concluding contracts to eliminate anti-social forces, etc.)

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

[Environmental requests]

- •Acquire external environmental certifications such as ISO 14001 and Eco-Action 21
- •Ban the use of certain materials under RoHS Directive
- •Ensure transparency on substances under REACH Regulation
- •Ensure traceability of nanomaterials contained in products
- •Formulate environmental policies covering the automobile industry's key challenges

[Social requests]

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

Promotion of Fair Procurement Activities

In order to further strengthen our fair procurement activities, KOITO holds training sessions on the Subcontract Act for employees of relevant administrative divisions and business partners (subcontractors and others) periodically. In FY 2021, a total of 394 people participated in this training, and we are working to improve their knowledge of procurement activities.

Measures on Conflict Minerals

It has become an international concern that some minerals mined in the Democratic Republic of the Congo and nearby nations have been the source of financing for armed forces engaging in human rights violations. The United States defined four types of minerals of tin, tantalum, tungsten and gold produced in these regions as "conflict minerals" in the Dodd-Frank Wall Street Reform and Consumer Protection Act and mandated annual investigations of the use of these minerals and disclose the information.

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

Human Resource Management

KOITO has identified "human resource development," "healthy and safe working environment," "workstyle reform" and "protection of human rights" as part of our materialities. With the keywords of "communication and collaboration," KOITO encourages every employee to share their knowledge, experience, findings, and problem awareness through various means to build energetic worksites where every member can work on tackling problems.

KOITO is also building a systematic education and training system with an expanded range and curriculum for employees to acquire technical knowledge and skills, as well as logical thinking and various methods of expression. At the same time, achievement evaluation systems are being reorganized so that every employee can experience growth and become motivated to take on new challenges.

To achieve the KOITO Group's further growth, we are improving work-life balance and diversity of our employees and renewing various human resource systems.

Work-life Balance

KOITO has been improving the work-life balance to create a work environment where every employee can make the best use of their capabilities and fulfill their potential. In addition, we are promoting flexible and diverse working styles. KOITO has introduced teleworking system as one of "New Normal" ways to work, following the COVID-19 pandemic.

[Reduction of long working hours]

Overtime working hours in each department is reported at the monthly Managing Committee, and work processes are being streamlined to reduce it.

[Acquisition of paid leaves]

•The Committee for the Acquisition of Paid Leaves promotes employees to take paid leaves of 15 or more days per year and confirms the acquisition status by each department.

[Support for childcare and nursing care]

- ·Improvement of childcare leave (up to the end of April after the child reaches three years old) and short working hour system for childcare (up to the end of March after the child reaches nine years old)
- ·Nursing care leave can be taken up to one year ·Implementation of seminars to balance work and nurs-
- ing care for employees

[Introduction of teleworking system]

·Applicants in administrative divisions can work from home

Promotion of Diversified Human Resources

To promote diversity, KOITO encourages active participation of a variety of human resources, including women, foreigners and the elderly, and is working to improve the treatment of non-regular employees.

[Women empowerment]

- •Expanding the number of women in regular position, senior management, newly and mid-career hires
- Provide education to women employees and for managers with women staff etc.

[Support for foreign employees]

- ·Employ foreign candidates to strengthen R&D
- •Strengthen the recruitment of exchange students by cooperating with universities etc.

[Support for senior employees]

·Rehiring of all applicants over 60 etc.

[Improve treatment for non-regular employees]

•Promote all non-regular employees as full-time employees (2019) etc.

■Personnel Data (KOITO MANUFACTURING)

	FY 2019	FY 2020	FY 2021
Number of employees (and women employees) in new hires	131 employees (24 employees)	142 employees (35 employees)	144 employees (27 employees)
Number (and percentage) of women in senior management	6 employees (1.0%)	6 employees (1.0%)	8 employees (1.3%)
Number (and percentage) of employment of staff with a disability	80 employees (2.27%)	85 employees (2.37%)	84 employees (2.31%)
Ratio of dispatched employees	19.7%	17.9%	17.7%
Average years employed by the company for all employees (and for women employees)	20.0 years (21.7 years)	19.6 years (20.9 years)	19.7 years (20.7 years)
Employee turn over rate (voluntary resignation)	1.1%	1.1%	0.8%
Monthly average overtime hours	23.7 hours	20.6 hours	9.9 hours
Number of paid leave per employees	16.0 days	16.2 days	14.7 days
Number of employees taking maternity leave	37 employees	34 employees	33 employees
Number of employees taking child care leave	63 employees	62 employees	79 employees
Employee training time Average training time per employee	63,181 hours 14.9 hours	75,241 hours 16.9 hours	42,960 hours 9.6 hours
Violation of human rights	None	None	None

Occupational Safety and Health

KOITO adopts "Safety comes first" as the basic approach to safety and health and aims to create the safe, secure, and comfortable work environment with the participation of all employees. Five Safety Rules are also set as the standard actions to follow in all activities that are to be practiced by the entire Group.

The Safe and Environmental Committee chaired by the Director meets monthly to discuss policies on employee safety and health measures, including measures to prevent and recur problems or accidents, as well as other important issues. The matters discussed at the Safe and Environmental Committee are presented to every employee through the Safe and Health Committee, and the Safe and Environmental Committee of each production site, or the worksite safety meetings conducted at their worksites.

Targeting all personnel working in the premise, KOITO repeatedly provides education and accident drills to develop human resources who follow safety rules and increase their awareness. We are also conducting risk assessment and risk detection activities to enhance the senses to find potential risks at the worksites. In addition, Directors and Managers conduct on-site inspections, identify unsafe conditions, and take preventive measures with the goal of zero labor disaster and traffic accidents.

KOITO Member Benefit

KOITO is working to enhance our member benefit and improve the workplace environment to increase our employees' motivation.

As for benefits, KOITO prepares dormitories, company housing, and cafeteria facilities for employees. We also introduce an employee stock purchase plan (ESPP) to support employees' property formation and share the company's medium- to long-term growth.

The improvement of the workplace environment includes the installation of security cameras at entrance gates and dormitories to enhance security, installation of automatic fire extinguishers as a fire safety measure, and replacing lights with LED lamps at work areas in production sites to reduce employees' workload.

For KOITO member benefit in overseas subsidiaries, please refer to our Human Resource Management website.

URL: https://www.koito.co.jp/english/csr/social/humanresourse.html

Human Resource Development

KOITO engages in human resource development through a wide variety of curriculums, and provides job-rank based education, technical education, and global education.

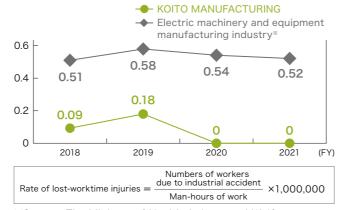
The job-rank based education consists of management training for specific qualifications and positions. The technical education includes 111 lectures in and outside of KOITO, such as advanced education on Al, loT, and sensors. A total of 3,467 KOITO employees participated in these training and lectures in FY 2021.

The global education focuses on multi-culture training, e-learning, language training.

Five Safety Rules

- · Safety comes first.
- · Follow every rule in all work operations.
- · Do not touch any moving objects.
- · Report immediately if any abnormality is found.
- · Negligence causes accidents.

■Rate of lost-time injuries (lost worktime)



%Source: The Ministry of Health, Labour and Welfare

Health and Hygiene

Based on five management elements of occupational health (work environment management, work management, health management, hygiene education, and hygiene management system), KOITO is implementing various activities to provide a healthy and safe workplace environment.

[Activities on health]

- Implementing periodic medical checkups and providing results to employees
- ·Influenza vaccination for applicants
- ·Implementing special health checkups to confirm there are no occupational illness
- ·Implementing life-saving seminars (including AED seminars and others)

[Efforts to maintain and promote mental health]

To prevent employees from mental health issues, we are providing "self-care" training for new employees and applicants, and "line-care" training for Managers and Chiefs. In FY 2021, a total of 210 employees participated in self-care and 79 in line-care training.

We conduct annual stress checks for all employees to encourage self-care, and support them by having individual counselings.

In addition, we are improving our support system by establishing an external consulting desk where employees can consult on mental health issues over the phone.

[Activities on hygiene]

- Implementing training for hazardous chemical substances
 Preventing accidents and health impairment through special education for organic solvents or powder handlers
- •Implementing health lectures during National Occupational Health Week
- •Preventing collective infections at dining halls (sanitary inspections, etc.)

Respect for Human Rights

One of our management philosophies is to "stepping forward to realize our employees' dreams," and we declare in the KOITO Group Corporate Behavior Charter that "we will respect the human rights of all persons."

By respecting human rights of all stakeholders while communicating with business partners, local communities and employees, KOITO strives to be a company that is trusted by international society.

We provide employee education on respecting human rights as a part of compliance education. Training to address specific issues, such as harassment training, is offered when necessary to raise every employee's awareness on respecting human rights.

Social Contribution Activities

To materialize one of our management philosophies, "fostering mutually beneficial relationships with all stakeholders as a member of the society," we declare in the KOITO Group Corporate Behavior Charter that "we will be conscious of our responsibility as a good corporate citizen, and actively engage in social contribution activities, and we will contribute to the realization of a prosperous society." Based on the statement, we are promoting various activities.

Donating Face Shields to Medical Associations and Institutions

As part of our social contribution activities in the COVID-19 pandemic, we are supporting medical professionals who are dedicating to diagnosing and treating the COVID-19 and to prevent the spread of infections. In FY 2021, KOITO has manufactured 5,000 face shields and donated them to medical associations and institutions in Shizuoka and other areas.

The face shield was developed and manufactured by KOITO to prevent airborne infection at manufacturing sites where it is difficult to secure social distance.



IKOITO's face shield

Participation in Regional Activities at Production Sites

KOITO's production sites periodically holds roundtable sessions with residents of regional communities and open the sites to local community associations during summer festivals.

We also host site tours for the residents and accept children's visits so that they can better understand our corporate activities.

Regional Environmental Beautification Activities

As a member of the local community, each factory continuously engages in clean-up activities of surrounding communities to improve and protect the nearby environment.



Summer festival (2019)



Clean-up activities at Miho coastline (2019)



Children's visiting day (2019)



Weeding at Miho-no-Matsubara

Stakeholder Engagement

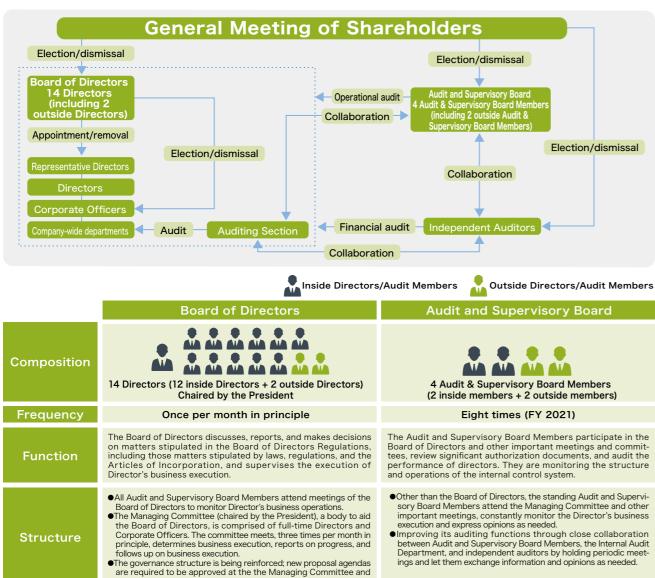
With the recognition that our business activities are realized by the trust of various stakeholders, we declare in the KOITO Group Corporate Behavior Charter to conduct "fair information disclosure and constructive dialogue."

In FY 2021, KOITO held the 120th Ordinary General Meeting of Shareholders and an earnings release conference for securities analysts and institutional investors. At the earnings release conference, we explained our Group's performance (results and plans), and received many questions and comments from the participants. Furthermore, we held a total of approximately 240 individual meetings with institutional investors. In principle, a Director participates in all meetings. The content of the meetings and comments or requests received from investors are reported to the top management, Directors and Corporate Officers, and reported to the Board of Directors. We are utilizing the knowledge gained from our dialogue to improve our management activities.

Governance

To retain the trust of all of our stakeholders, KOITO recognizes the importance of ethical standards and has identified enhancing "corporate governance" as one of our materialities. We are striving to establish a sound management structure.

Corporate Governance



Status of Audits

Based on the annual audit plans, KOITO's Internal Audit Department, an independent organization, conducts audits of the operations of internal control over financial reporting, as well as audits of the legality and appropriateness of operations against company-wide departments and KOITO's subsidiaries. The departments and subsidiaries implement the necessary improvements to improve internal control. The Internal Audit Department reports the results of the audits to Directors and Audit and Supervisory Board Members, and exchanges information with the Audit and Supervisory Board Members and the independent auditors on the status of audits to facilitate mutual cooperation.

The Audit and Supervisory Board comprises two standing Audit and Supervisory Board Members and two outside Audit and Supervisory Board Members. The Audit and Supervisory Board Members participate in the Board of Directors and other important meetings and committees, review significant authorization documents, and audit the performance of Directors. In addition, the Audit and Supervisory Board Member monitors the structure and operations of the internal control system by site visiting plants and branches, interviewing the administrative divisions, and auditing domestic and overseas subsidiaries. Moreover, the Audit and Supervisory Board Members attend the audits performed by the independent auditors and the Internal Audit Department, along with working to promote collaboration by exchanging information through regular meetings with the independent auditors, the in-house Compliance Department, and the Internal Audit Department.

Election Policy for Directors and Audit and Supervisory Board Members

KOITO's policy is to elect a person who is capable of responding to expectations of shareholders as a Director, has enough experience and advanced knowledge of business administration, and can fulfill the duties and responsibilities of a Director as a Director candidate.

Based on this policy, the President prepares the draft of Director candidates and proposes it to the Board of Directors which then finalizes the selection of Director candidates.

KOITO's policy on electing Audit and Supervisory Board Members is to select a person who has an excellent personality, as well as great ethical values, to properly, justly, and efficiently carry out the auditing of the execution of duties by Directors.

Based on this policy, the Board of Directors selects Audit and Supervisory Board Member candidates upon receiving an approval by the Audit and Supervisory Board.

The Board of Directors selects Director candidates who have been serving in important positions in their departments, are familiar with their tasks, as well as the overall operation of KOITO, and have made great contributions to improve the business performance and corporate values of KOITO. The General Meeting of Shareholders then reaches a conclusion on their appointments.

Reference Documents for the Notice of the General Meeting of Shareholders describe the reasons for selecting individual Directors and Audit and Supervisory Board Members. Reference Documents for the Notice of the General Meeting of Shareholders also describe the reasons for the dismissal of Directors or Audit and Supervisory Board Members. The Board of Directors makes decisions on the election and dismissal of individual Corporate Officers.

If a dismissal procedure deviates from the above policy, the Board of Directors approves of the procedure, which is then decided in a General Meeting of Shareholders. The Board of Directors' Regulations stipulate that the election and dismissal of Corporate Officers shall be carried out upon a decision by the Board of Directors.

Outside Directors and Audit and Supervisory Board Members

KOITO's policy on electing outside Directors is to appoint persons who satisfy the requirements for outside Directors in the Companies Act and requirements for independency in the independency standard for the independent officer system of Tokyo Stock Exchange.

Outside Directors shall have abundant knowledge and experience in corporate administration. Outside Audit and Supervisory Board Members shall have technical knowledge of laws and finance. Both outside Directors and Audit and Supervisory Board Members are elected upon a decision at a General Meeting of Shareholders.

When KOITO's own Directors and Audit and Supervisory Board Members also serve as officers at other listed companies, they are obliged to limit their involvement within the reasonable range.

Notice of the General Meeting of Shareholders describes the status of Directors and Audit and Supervisory Board Members as serving as officers of other listed companies.

Individual Directors have thorough knowledge of business operations and administration. The knowledge, experience, and abilities are well balanced among inside and outside Directors.

		Name	Attendance at the Board of Directors (FY 2021)	Attendance at the Audit and Supervisory Board (FY 2021)	Major activities
	Outside Director	Haruya Uehara	All 12 meetings (100%)	-	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.
		Kingo Sakurai	All 12 meetings (100%)	-	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.
	Outside Audit and Supervisory Board Member	Yukinobu Suzuki	All 12 meetings (100%)	All 8 meetings (100%)	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.
		Hiroshi Kimeda	All 12 meetings (100%)	All 8 meetings (100%)	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.

Director and Audit and Supervisory Board Member Diversity Policy

Individual Directors have thorough knowledge of business operations and administration. Their diversified knowledge, experience, and abilities are well balanced among inside and outside Directors. KOITO keeps seeking a desirable structure of the Board of Directors.

Also, KOITO's policy on electing Audit and Supervisory Board Members is to select candidates who have excellent personalities, as well as great ethical values, to properly, justly, and efficiently carry out the auditing of the execution of duties by Directors as Audit and Supervisory Board Members. Specifically, outside Audit and Supervisory Board Members are selected from those who have technical knowledge of laws and finance.

Director Effectiveness Evaluation

KOITO conducts annual surveys to evaluate the effectiveness of the Board of Directors. The Board of Directors evaluates itself based on the survey findings. The following is the outline of the results of analyzing and evaluating the effectiveness of the Board of Directors.

- 1. The Board of Directors meets monthly, in principle, and promptly and properly discusses important agenda items based on the Board of Directors Regulations.
- 2. Annual meeting schedules are announced to all Directors and Audit and Supervisory Board Members, including outside ones, before the start of the fiscal year. The schedule is designed for them to attend the meetings readily. Directors and Audit and Supervisory Board Members actively participate in discussions, and business topics are thoroughly examined.
- 3. The Board of Directors receives advice and suggestions from Directors who have worked in the various departments, such as management, sales, technology, and production, and outside Directors who have experience and knowledge of corporate administration. Outside Audit and Supervisory Board Members with technical knowledge of laws and finance also provide their opinions. The Board of Directors thereby discusses and examines business topics from various angles by taking enough time.

The Board of Directors also operates by reflecting the opinions of outside Directors, such as adding the results of self-evaluations, contents put on the agenda of the Managing Committee, trends in the industry, and the latest technical trends to the matters to be reported.

The Board of Directors will continue reinforcing its functions as the highest decision-making entity and improving the speed of making administrative decisions to increase its effectiveness.

Remuneration of 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 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, 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 our internal standards on Director's remuneration, KOITO 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.

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.

	The wombon of	Breakdown of	Total vancous avation	
	The number of eligible members	Fixed remuneration (million yen)	Performance-linked remuneration (million yen)	Total remuneration (million yen)
Directors	14	730	345	1,076
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, an outside Audit and Supervisory Board Member receives executives' remuneration of ¥0 million from Koito Insurance Services Co., Ltd., a subsidiary of KOITO

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.

Basic Policy of Internal Control System

The Basic Policy of the Internal Control System is set as follows to improve and reinforce internal control.

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

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

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

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

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

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

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

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

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

At the same time, the business duties will be executed according to specific plans that each division develops every fiscal year based on the President's policy.

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

KOITO and its group companies will acknowledge the KOITO Group Corporate Behavior Charter and develop a system for ensuring and administering the appropriate execution of business duties as follows.

- a.KOITO clarifies matters to be reported in the Subsidiary Company Management Regulations and other regulations and improves reporting system. Also, KOITO requests regular business reports to the group companies.
- b.KOITO comprehensively and thoroughly manages risks of the entire group based on the Subsidiary Company Management Regulation and other reg-

If actions of the group companies are insufficient, KOITO provides instructions and corrective actions.

- c.KOITO requests its group companies to develop and improve regulations, organizations, and systems for regular meetings of the Board of Directors and the execution of duties by the Directors. Officers serve in multiple posts in important group companies.
- d.KOITO ensures that group companies stay in compliance with laws and regulations based on the KOITO Group Corporate Behavior Charter and other regulations. Also, KOITO's Management Department and Internal Audit Department conduct audit and financial audit of group companies. KOITO also clarifies matters requiring approvals in the Subsidiary Company Management Regulations and other regulations so that the applicable business operations are to be executed upon approval by
- 6. Matters pertaining to the status of certain employees, independence from Directors, and the effectiveness of instruction in the event the Audit and Supervisory Board Members request 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 instructions and orders 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 the Directors.

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

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

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

8. Policy on expenses arising when the Audit and Supervisory Board Members execute their duties and system for enabling the Audit and Supervisory Board Members to conduct effective audits

The Company will pay all necessary expenses involved in the Audit and Supervisory Board Members' execution of their duties.

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

The Audit and Supervisory Board Members will exchange opinions periodically or as needed with Directors, Corporate Officers, financial auditors, and the Internal Audit Department, among others.

2021

Compliance

KOITO aims to continue being a company that is trusted by all stakeholders and declares in the KOITO Group Corporate Behavior Charter that "we will comply with all applicable laws and regulations and will engage in fair, transparent, and free market competition, as well as proper trade, and responsible procurement," and "in our global corporate activities, we will also comply with international rules and local laws, respect local culture and customs, and maintain sound relationships with government and government agencies." KOITO has identified reinforcement of "compliance" as one of our materialities. To foster an organization and atmosphere to place importance on compliance, the entire KOITO Group is committed to engage in compliance activities.

Compliance Management Structure

KOITO has formed the Compliance Committee chaired by a Representative Director to improve compliance. The Compliance Committee establishes a Compliance Policy, supervises the appropriate operation of "corporate ethics consulting desk," and determines countermeasures and preventive measures in case important compliance issues occur.

Personnel in charge of compliance are also appointed at the domestic and overseas subsidiaries to strengthen compliance and grasp the compliance status in close collaboration. In this way, KOITO promotes compliance-related initiatives in the entire Group.

Reinforcement of Compliance

Fostering Compliance Awareness and Promoting Education

The KOITO Group Corporate Behavior Charter is printed on portable cards and distributed to all employees for use as the guideline for their actions and to foster their awareness of compliance. Surveys targeting all employees are conducted every year to measure their knowledge and understanding of the Charter. Results are then reported to the Board of Directors and Compliance Committee.

As for education on compliance, KOITO provides various training for different roles and job duties. As for employees, KOITO provides education in the job-rank based and theme-based training in various fields, such as the Antimonopoly Act, the Subcontract Act, and harassment for employees. Compliance training by outside instructors is also provided to Directors and Corporate Officers.

In addition, KOITO also provides compliance education to suppliers. We are asking suppliers to ensure compliance at the annual procurement policy briefing session.

Anti-corruption Initiatives

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

The penalties imposed in the event of violations of laws are stipulated in our internal regulations.

Nobody in the Group was fined or dismissed for corruption in FY 2021.

Prevention of Anti-competitive Practices

Through establishing the "Antimonopoly Act Regulations" and implementing internal education, KOITO is working to prevent anti-competitive practices, such as market division, price-fixing, abuse of dominant position and dumping.

With the attendance of Audit and Supervisory Board Members, the Internal Audit Department conducts annual audit to departments concerned with the Antimonopoly Act and Subcontract Act, and the findings are reported to the Compliance Committee. If any problems were found during the audit, the details of the improvement are also reported to the Committee.

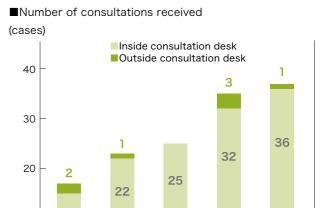
The penalties imposed in the event of violations of laws are stipulated in our internal regulations.

Nobody in the Group was fined or dismissed for anti-competitive practices in FY 2021.

Whistle-blowing System

KOITO has established "corporate ethics consulting desks" inside and outside the company which allows employees to report or consult on compliance and harassment issues. After investigating all cases reported or consulted, we are taking appropriate measures and report them to the Board of Directors and the Compliance Committee.

When operating the Corporate Ethics Consultation Desk, we are strictly managing information on whistleblowers so that users can report and consult with peace of mind. In addition, we are prohibiting disadvantageous treatment of whistleblowers, and stipulating penalties for its violations in our internal regulations.



2019

2020

2018

10

2017

54 KOITO INTEGRATED REPORT 2021 55

Risk Management

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

Departments are assigned to risk management, including the implementation of measures to reduce and avoid risks and daily management. The Quality Assurance Department is assigned risks associated with the safety of products, the Purchasing Department handles risks in the supply chain, and the Safety Environment Department handles risks of natural disasters. As such, each department assess relevant risks and implement preventive measures. Officers of assigned responsible departments act as the general managers. In addition, training on individual risks is provided to employees.

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

Natural Disaster Risks

Based on our basic policy "to prioritize human lives and maintain business continuity," KOITO examines disaster control, initial response, and restoration work to find problems and re-evaluate and reinforce response measures based on lessons learned through natural disasters such as the Great East Japan Earthquake, Kumamoto Earthquake, heavy rains, typhoons, and expected damage caused by the Nankai Trough Earthquake.

To control damage from natural disasters, such as earthquakes, KOITO implements aseismic reinforcement of production site buildings, anti-fall measures for facilities and equipment, installation of emergency earthquake notification systems, regular disaster drills including evacuation and firefighting, all-employee safety confirmation drills, and general inspections of the maintenance and management of evacuation routes. KOITO also intends to minimize the damage caused by disasters by hosting lectures on how to check hazard maps and evacuation.

To prevent fire, KOITO makes efforts to reinforce the system to ensure quick extinguishing through thorough management of hazardous materials and combustibles, such as organic solvents, increased installation and rearrangement of fire extinguishing equipment to prepare for fire, and implementation of initial firefighting training.

In addition, on-site inspections on safety, fire, and disaster prevention are being conducted at subsidiaries and suppliers. Subsidiaries in Japan are also mutually inspecting and improving each other's production sites in Subsidiaries Mutual Safety Inspections to improve the safety, fire, and disaster prevention level in the entire Group and the supply chain.



Fire fighting training using fire hydrant



Online disaster control seminar by Regional Management Center of Central Shizuoka

KOITO's Response to the Spread of COVID-19 Infections

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 COVID-19 pandemic.

- ·Hygiene in prevention (wearing masks and hand sanitizing)
- ·Periodically disinfecting areas where an unspecified number of people touch, such as doors, switches, etc.
- ·Installing partitions in offices, meeting rooms, and dining halls
- ·Implementing staggered eating
- ·Avoiding three Cs (closed spaces, crowded places, and close-contact settings) in daily life and implementing "new normal"
- ·Actions in line with the measures requested by the prefectural governments to prevent infectious diseases

[Commuting]

- Restricting employees to use public transportation for commuting regarding the infection status at our site location
- Promoting teleworking in administrative and indirect departments and let smallest number of employees to come to office
- •Measuring employees' temperature when entering the office etc.

[Business travels and meetings]

- ·Prohibiting employees to make overseas business travels
- •Only allowing essential or urgent domestic business travels (business travelers must submit application and receive permission in advance, and comply with implementing infection prevention measures)
- ·Promoting online meetings
- ·Self-restraint in face-to-face meetings with people outside the company
- •Measuring temperature and requesting hand sanitizing, submitting temperature record for the past two weeks, and wearing mask for outside visitors when entering the manufacturing sites etc.

Information Security

KOITO has identified "information security" as one of our materialities, and ensures the protection of personal information and confidential information based on the Information Security Policy while implementing proper information security measures to materialize safe and thorough management.

Information Security Policy

KOITO MANUFACTURING CO., LTD. ("KOITO") recognizes that the appropriate management of information is a critical management issue, and has formulated an "Information Security Policy" to gain the trust of customers and society at all times.

KOITO intends, from now on, to comply with this Information Security Policy, maintaining and improving information security by protecting information assets from various threats and handling information appropriately.

Establishment of information security management system

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

2. Development of internal information security-related rules

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

3. Implementation of appropriate information security measures

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

4. Implementation of internal information security audits

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

5. Enhancement of information security literacy

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

Organization for Information Security Activities

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

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

Information Security Management System

In order to protect information assets from the risk of leaks, theft, alternation, etc., the KOITO Group operates information security management based on management standards for the confidentiality, integrity, and availability of information. In particular, major functional divisions are assuring information security and promoting the improvement of security reliability. In 2020, divisions for designing and developing automotive lighting equipment and others have acquired ISO 27001, an international standard for information security.

The KOITO Group will continue to strive to further maintain and improve information security by improving our information security management system through continuous PDCA cycle and by expanding the scope of certification within the Group.

Information Security Measures

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

Intellectual Property Management

The KOITO Group places intellectual properties as the source of international competitiveness and develops business strategies by integrating R&D and intellectual property strategies. KOITO will continue to encourage activities to create intellectual properties and work to protect and utilize the intellectual property rights appropriately. At the same time, we will respect the intellectual property rights of others and strive to prevent infringements.

■R&D expenditures and number of patents

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
R&D expenditures (billion yen)	34.2	36.1	34.0	36.1	32.6
Number of patents applied	600	800	1,230	1,130	938
Number of patents held	2,490	2,630	2,890	2,830	2,813

Organization for Intellectual Property Management

The KOITO Group makes effort to reinforce the intellectual property management system of the entire Group to acquire intellectual property rights, conclude licensing contracts, and respond to the violation of rights globally by developing a management system with KOITO MANUFACTURING at the center to establish and execute intellectual property strategies integrated with business strategies.

Measures to Prevent Violation of Intellectual Property

Given the importance of intellectual properties, the KOITO Group provides training on intellectual property rights through the job-rank based education to increase the awareness of every employee.

In addition, KOITO has introduced a patent research system available to all researchers and designers to avoid violating intellectual property rights of others and preventing future conflicts.

KOITO's "Area Marker" was Registered as the First Domestic Design of Images

With the revision of the Design Law in April 2020, designs for buildings and images have been newly protected as intellectual property, and the Area Marker devised by KOITO has recently been registered as the first domestic design of images.

The projector mounted on the vehicle displays images of the vehicle's width on the road surface. It makes the surroundings easier to recognize the vehicle and also helps drivers to check the road surface conditions, and is expected to contribute to improve safety.



Tax Policy

The KOITO Group recognizes the importance of paying appropriate taxes and promotes sound tax activities in accordance with the tax laws and policies of each country and region while striving to build the proper tax governance system.

Tax Policy

1. Tax Compliance

KOITO MANUFACTURING CO., LTD. ("KOITO") and its subsidiaries ("the KOITO Group") comply with tax codes as well as relevant laws and regulations, file the proper tax returns and pay taxes in each country and region where we conduct businesses.

The KOITO Group does not engage in tax avoidance using tax havens, or use tax planning that does not coincide with business conditions.

2. Tax Governance System

The KOITO Group strives to properly comply with the tax laws, systems and administrative operations in each country with the cooperation between Group companies in an effort to minimize tax risks.

The tax risks of the KOITO Group are managed under the discretion of the Chief Financial Officer according to reports from each Group company.

In addition, the KOITO Group will seek the advice and guidance of external experts for any complex risks or grave matters of concern to respond after investigation, evaluation and deliberation.

3. Transfer Pricing

The KOITO Group will adhere to arm's length transaction principles with understand of the OECD Transfer Pricing Guidelines and domestic tax Base Erosion and Profit Shifting (BEPS) to set the price of transactions between Group companies.

In addition, the KOITO Group will seek the advice and guidance of external experts as necessary to reduce the tax risks related to transfer pricing.

4. Elimination of Dual Taxation

The KOITO Group applies tax treaties to eliminate dual taxation on the same economic profits from multiple countries and regions.

5. Relationship with Tax Authorities

The KOITO Group properly responds to any inquiries and requests for information from the tax authorities in each country and region where it does business with good faith and in a timely manner in an effort to build and maintain good relationships founded in trust with tax authorities.

If any question arises between the KOITO Group and tax authorities about tax practices, the understanding of tax codes or other tax-related matters, the KOITO Group will work together with each tax authority to resolve the matter in question.

58 KOITO INTEGRATED REPORT 2021

Executive Management (as of March 31, 2021)



Chairman and CEO Ma

as	ahiro	Otake	
oril	1977	Joined KOITO	16
ne	1987	Director	13
ne	1993	Managing Director	
ne	1999	Senior Managing Director	
ne	2005	Executive Vice President	
ne	2007	President	
ne	2015	Chairman (present position)	1 1 2 2 2 2
			A CONTRACTOR OF THE PARTY OF TH



President and COO Hiroshi Mihara

April	1978	Joined KOITO
June	2003	Director
June	2006	Managing Director
June	2011	Senior Managing Director
June	2013	Executive Vice President
June	2015	President (present position)



Director and Senior Adviser Takashi Ohtake

April	1962	Joined KOITO
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 Advi

(present position)



Director and Managing Corporate Officer Hideo Yamamoto

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, KOITO
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 and Inter-
		nal Audit Department (present
		position)



Executive Vice President Koichi Sakakibara

April	1975	Joined KOITO
June	1999	General Manager of Product
		Development Department
June	2001	Director
June	2007	Managing Director
June	2009	Senior Managing Director
June	2013	Executive Vice President (present
		position)
		In charge of Personnel Depart-
		ment, General Affairs Depart-
		ment, Shizuoka, Purchasing

Department (present position)



Executive Vice President Kenji Arima

April 1977 Joined KOITO

January	2005	Director, Kolto Europe INV (KEINV)
June	2005	Director, KOITO
June	2011	Managing Director
June	2012	Director and Managing Corpo-
		rate Officer
June	2013	Senior Managing Director
June	2019	Executive Vice President (pre-
		sent position)
		Engineering Headquarters, Ir
		charge of Mobility Strategy
		Department, Research & Devel-
		opment Department, Intellectua

Property Department (present



Director and Managing Corporate Officer Jun Toyota

April	1983	Joined KOITO
		Director, Koito Europe NV (KENV)
June	2005	Director, KOITO
June	2012	Corporate Officer
		Managing Corporate Officer
June	2015	President, North American
		Lighting, Inc. (NAL)
June	2017	Director and Managing Corporate
		Officer, KOITO (present position)
June	2019	International Operations Head-
		quarters (present position)



Director and Managing Corporate Officer Takayuki Katsuda

	1985	
,	2010	Chief Engineer, Lexus Center
April	2016	Standing Adviser, KOITO
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 Depart-
		ment, Toyota Design Depart-
		ment and Mobility Strategy
		Department (present position)



Senior Managing Director Masami Uchiyama

April 1983 Joined KOITO

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 Logis- tics Department, Safety Environment Department, Production Control Depart- ment and Electronics Products Produc- tion Department (present position)



Senior Managing Director Michiaki Kato

April	1982	Joined KOITO
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 Corpo-
		rate Officer

June 2017 Senior Managing Director (present position) Sales Headquarters and International Operations Headquar-



Outside Director

Haru	Haruya Uehara				
April	1969	Joined The Mitsubishi Trust and Banking Corporation (currently Mitsubishi UFJ Trust and Banking Corporation)			
June	1996	Director			
June	1998	Managing Director			
June	2001	Senior Managing Director			
June	2002	Director, Deputy President			
April	2004	President			
October	2005	President, Mitsubishi UFJ Trust and Banking Corporation			
June	2008	Chairman			
April	2012	Senior Adviser			
June	2013	Outside Director, KOITO (present position)			
July	2018	Senior Advisor, Mitsubishi UFJ Trust and Banking Corporation			

(present position)



Kingo Sakurai

Outside Director

March	1972	Registered as certified public
		accountant
June	1983	Independent Auditor, KOITO
June	2009	Resigned Independent Auditor
July	2009	Adviser (part time), KOITO
June	2017	Outside Director (present posi-
		tion)



Senior Managing Director Hideharu Konagaya

		Joined KOITO General Manager of Accounting
7 (pi ii	2000	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 Head-

quarters, In charge of Purchasing Department (present posi-



Senior Managing Director Katsuyuki Kusakawa

	April	1980	Joined Toyota Motor Co., Ltd.
			(currently Toyota Motor Corporation)
	January	2009	Seconded to Toyota Motor
			Sales, U.S.A., Inc.
ı	March	2011	Standing Adviser, KOITO
ı	June	2011	Managing Director
l	June	2012	Director and Managing Corpo-
l			rate Officer
	June	2019	Senior Managing Director (pre-
			sent position)
			Engineering Headquarters, In
			charge of Corporate Planning
			Department, Compliance Depart-
			ment, Cost Administration Depart-
			ment, Engineering Department
			and Mobility Strategy Department
			(present position)



60 KOITO INTEGRATED REPORT 2021 KOITO INTEGRATED REPORT 2021 61

Executive Management (as of March 31, 2021)



Standing Audit and Supervisory Board Member **Mitsuo Kikuchi**

Joined KOITO
General Manager, Production
Control Department
Director
Managing Director
Senior Managing Director
Executive Vice President

June 2013 Standing Audit and Superviso-

ry Board Member (present



Standing Audit and Supervisory Board Member **Yohei Kawaguchi**

	1074	I : II/OITO
		Joined KOITO
April	2002	General Manager of Purchasing
•		Department
June	2003	Director
June	2006	Managing Director
June	2012	Managing Corporate Officer
June	2013	Senior Managing Director
June	2017	Standing Audit and Superviso-
		ry Board Member (present



Outside Audit and Supervisory Board Member **Yukinobu Suzuki**

April	1965	Joined Sendai Regional Taxa- tion Bureau
July	1990	
July	1995	Deputy District Director, Hachioji Tax Office
December	1995	Acquired qualification as certified tax accountant
July	2005	Director-General, Takamatsu National Tax Tribunal
Julv	2009	Adviser (part time), KOITO
January	2010	Audit and Supervisory Board
•		Member, Koito Insurance
		Services Co., Ltd. (present
		position)
June	2016	Outside Audit and Supervisory



Outside Audit and Supervisory Board Member **Hiroshi Kimeda**

April 1993 Public Prosecutor, Tokyo District Public Prosecutors Office
April 1997 Public Prosecutor, Special Investi-

August 1998 Visiting scholar, Notre Dame
Law School in U.S.A.

June 1999 Public Prosecutor, Criminal Affairs

gation Department, Tokyo District Public Prosecutors Office

Julio	1000	Tublic Troscoutor, Orinnila Atrairs
		Bureau, Ministry of Justice
June	2001	Assistant Division Chief, Plan-
		ning and Legal Division, Finan-
		cial Services Agency
August	2002	Registered as an attorney
		Joined Nishimura & Partners
		(currently Nishimura & Asahi)
		(present position)
December	2011	Outside Director, Advance Create
		Co., Ltd. (present position)
January	2019	Outside Audit and Supervisory
		Board Member, KOITO (present

Managing Corporate Officer

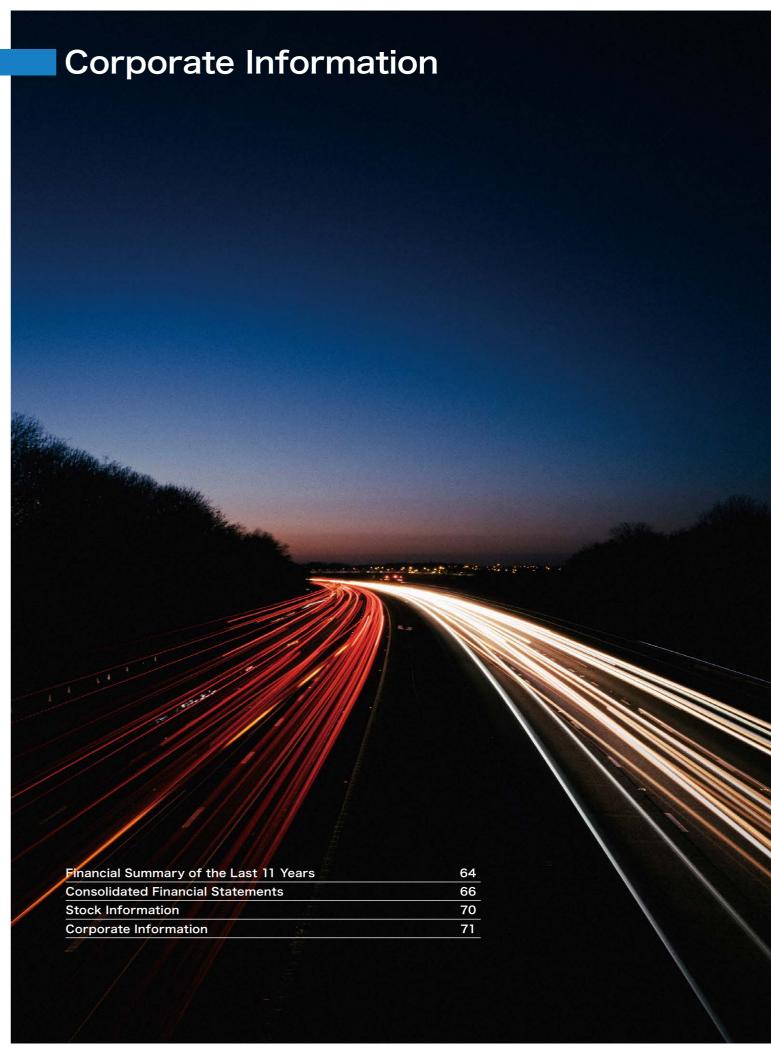
Atsushi Inoue Kiyoshi Sato Masatoshi Yoneyama Toshiyuki Katsumata Corporate Officer

position)

Koichi Toyoda Mamoru Murakoshi Masahiro Otake Yuji Higashi Hideki Ochiai Masataka Choji Kakuya Yamamoto

Board Member, KOITO (present

Kohei Yamasaki Kirk Gadberry Eisuke Shibata Takahito Otake Kazuhiro Aoshima Masayasu Ito Manabu Kobayashi



62 KOITO INTEGRATED REPORT 2021 63

Financial Summary of the Last 11 Years

KOITO MANUFACTURING and its consolidated subsidiaries

Financial Data of the Last 11 Years

		FY 2011	FY 2012	FY 2013	FY 2014
Net sales		428,977	430,929	472,843	597,502
Operating income		37,434	31,725	37,668	49,506
Recurring profit		34,319	31,496	40,007	51,895
Profit attributable to owners of parent		10,012	13,391	16,625	21,378
Cash flows from operating activities		50,988	32,074	42,138	35,572
Cash flows from investing activities		△37,787	△27,185	△41,947	△36,030
Cash flows from financing activities		△20,023	△4,604	△2,812	5,377
Cash and cash equivalents at end of year	ar	22,902	23,217	21,992	27,750
Depreciation		21,253	19,517	17,827	21,522
Capital expenditures		16,466	21,445	22,285	34,561
R&D expenses		17,177	17,611	20,085	24,761
As of the End of the Fiscal Year:					
Total assets		338,760	363,273	418,087	483,093
Net assets		168,414	182,916	218,131	256,072
Property, plant and equipment		81,490	85,068	99,193	114,080
Interest-bearing liabilities		26,229	25,737	30,097	43,510
Data Per Share:					
Net income	(yen)	62.30	83.33	103.46	133.04
Dividends	(yen)	19	19	22	26
Consolidated dividends payout ratio	(%)	30.5	22.8	21.3	19.5
Net assets	(yen)	912.55	997.38	1,180.61	1,368.72
Financial Indicators					
Operating income ratio on sales	(%)	8.7	7.4	8.0	8.3
Equity ratio	(%)	43.3	44.1	45.4	45.5
Return on equity (ROE)	(%)	6.8	8.7	9.5	10.4
Return on assets (ROA)	(%)	1.7	3.7	4.2	4.7
Price earnings ratio (PER) (ti	mes)	21.4	16.1	15.8	13.1
Price book-value Ratio (PBR) (ti	mes)	1.5	1.3	1.4	1.3

Notes: 1. "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019, therefore, the key performance indicators, etc., pertaining to the fiscal year ended March 31, 2018 are those after retrospective application of the relevant accounting standard.

(¥ millions)

						(+ 1111110113)
FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
706,470	813,477	841,456	848,868	826,257	800,928	706,376
64,155	82,218	92,523	103,785	101,534	82,411	56,707
66,880	84,296	95,336	107,945	105,494	85,264	61,107
36,060	46,303	56,692	83,397	72,895	58,022	37,612
73,289	73,828	98,388	94,793	96,666	84,972	74,962
△55,526	△62,777	△72,486	△67,260	△25,906	△44,728	△1,093
△14,376	△10,062	△16,624	△17,633	△13,063	△32,010	△18,324
33,082	31,886	39,500	41,050	97,993	104,202	161,855
25,919	31,719	31,721	32,287	32,060	36,066	37,962
48,470	41,322	40,284	33,759	54,053	56,737	37,887
27,955	32,642	34,226	36,101	34,024	36,121	32,671
575,268	588,683	658,341	672,055	738,175	729,715	782,163
316,826	329,671	381,000	444,808	503,564	513,524	569,438
140,859	139,300	141,538	133,935	158,769	170,082	171,615
41,500	41,249	35,057	28,929	32,482	29,526	20,945
224.41	288.15	352.80	518.90	453.52	360.99	234.00
40	36	54	96	92	72	50
17.8	12.5	15.3	18.5	20.3	19.9	21.4
1,674.91	1,780.94	2,090.87	2,551.48	2,870.24	2,989.43	3,344.65
9.1	10.1	11.0	12.2	12.3	10.3	8.0
46.8	48.6	51.0	61.0	62.5	65.8	68.7
14.8	16.7	18.2	22.4	16.7	12.3	7.4
6.8	8.0	9.1	12.5	10.3	7.9	5.0
16.1	17.7	16.4	14.2	13.8	10.1	31.7
2.2	2.9	2.8	2.9	2.2	1.2	2.2

64 KOITO INTEGRATED REPORT 2021 KOITO INTEGRATED REPORT 2021 65

^{2.} Return on assets (ROA) is calculated by "profit attributable to owners of parent / average total assets during the period."

Consolidated Financial Statements

Consolidated Balance Sheets

Total assets

		(¥ millions)
	FY 2020 (As of March 31, 2020)	FY 2021 (As of March 31, 2021)
Assets		
Current assets	492,150	538,416
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
Non-current assets	237,564	243,747
Property, plant and equipment	170,082	171,615
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
Intangible fixed assets	3,193	3,125
Investments and other assets	64,288	69,005
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

Liabilities		
Current liabilities	173,690	171,928
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
Non-current liabilities	42,500	40,796
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 liabilities	216,190	212,724

729,715

(¥ millions)

	FY 2020 (As of March 31, 2020)	FY 2021 (As of March 31, 2021)
Net assets		
Shareholders' equity	476,622	507,813
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
Accumulated other comprehensive income	3,880	29,792
Valuation adjustment on marketable securities	14,822	23,690
Translation adjustments	△9,333	4,291
Adjustments in defined benefit plans	△1,608	1,810
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

Consolidated Statements of Income and Loss

		(¥ millions)
	FY 2020	FY 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	45,626	40,537
Operating income	82,411	56,707
Non-operating income	5,289	6,100
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	2,697
Non-operating expenses	2,436	1,700
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
Recurring profit	85,264	61,107
Extraordinary gains	52	265
Extraordinary losses	1,258	1,943
Income before income taxes	84,058	59,429
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

66 KOITO INTEGRATED REPORT 2021 KOITO INTEGRATED REPORT 2021 67

782,163

Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

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

(¥ millions)

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

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

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

(¥ millions)

		Shareholder's 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	$\triangle 1$		
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 Non-controlling		Total net
	Valuation adjustment on marketable securities		Adjustments of defined benefit plans	Total accumulated other comprehensive income	rights to shares	interests	assets
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 Balance at fiscal year-end	8,867 23,690	13,625 4,291	3,418 1,810	25,911 29,792	_	△1,178 31,610	55,914 569,438

Consolidated Statements of Cash Flows

(¥ millions)

		(+ 1111110113)
	FY 2020 (April 1, 2019 to March 31, 2020)	FY 2021 (April 1, 2020 to March 31, 2021)
Income before income taxes	84,058	59,429
Depreciation	36,066	37,962
Increase or decrease in trade notes and accounts receivable	7,339	△7,796
Increase in inventories	△2,161	△8,429
Increase or decrease in trade notes and accounts payable	△8,621	7,635
Income taxes paid	△19,695	△16,567
Others	△12,014	2,728
Cash flows from operating activities	84,972	74,962
Increase or decrease in time deposits	19,596	29,101
Acquisition of property and equipment	△54,796	△33,533
Others	△9,528	3,339
Cash flows from investing activities	△44,728	△1,093
Increase or decrease in loans	△1,146	△9,501
Dividends paid	△19,100	△8,820
Others	△11,764	△3
Cash flows from financing activities	△32,010	△18,324
Effect of exchange rate changes on cash and cash equivalents	△2,024	2,108
Increase in cash and cash equivalents	6,209	57,652
Cash and cash equivalents at beginning of year	97,993	104,202
Cash and cash equivalents at end of year	104,202	161,855

68 KOITO INTEGRATED REPORT 2021 69

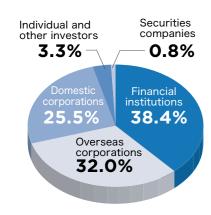
Stock Information (as of March 31, 2021)

Number of shares authorized 320,000,000 shares

Number of shares issued 160,789,436 shares

Number of shareholders 5,547 (Number of unit shareholders' in the above: 5,067)

State of Distribution of Stocks by Shareholders (in number of stocks)

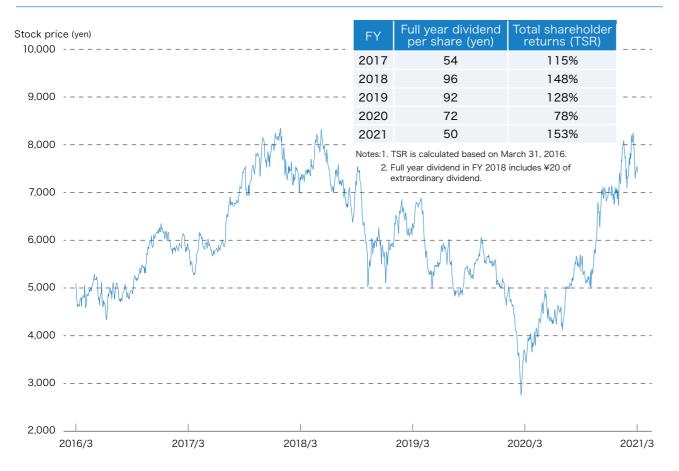


Major Shareholders

Shareholders	Shares (thousand stocks)
Toyota Motor Corporation	32,158
The Master Trust Bank of Japan, Ltd. (Trust account)	12,653
Custody Bank of Japan, Ltd. (Trust account)	6,115
Sumitomo Mitsui Banking Corporation	5,442
Nippon Life Insurance Company	5,382
MUFG Bank, Ltd.	5,154
STATE STREET BANK AND TRUST COMPANY 505223	4,914
The Dai-ichi Life Insurance Company, Limited	4,000
Aioi Nissay Dowa Insurance Co., Ltd.	2,851
JP MORGAN CHASE BANK 385632	2,701

Note: Fractions of less than one thousand stocks are disregarded.

Stock Price Transition/Total Shareholder Returns (TSR)



Corporate Information (as of March 31, 2021)

Company Name KOITO MANUFACTURING CO., LTD.

Founded April 1, 1915 Incorporated April 1, 1936

Capital ¥ 14,270 million

Number of employees [consolidated] 23,799

[non-consolidated] 4,482

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

Phone: +81-3-3443-7111 Fax: +81-3-3447-1520

The KOITO Group's Subsidiaries and Affiliates

Company Name	Capital	Business Lines
KOITO KYUSHU LIMITED	3 billion yen	Manufacturing and marketing of automotive lighting equipment
Koito Transport Co., Ltd.	40 million yen	Transportation services and logistics
Aoitec Co., Ltd.	100 million yen	Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery
Shizuokadenso Co., Ltd.	76 million yen	Manufacturing and marketing of automotive lighting equipment
Nissei Industries Co., Ltd.	51 million yen	Manufacturing and marketing of miniature bulbs and electrical equipment
Fujieda Auto Lighting Co., Ltd.	100 million yen	Manufacturing and marketing of automotive lighting equipment
Shizuoka Wire Harness Co., Ltd.	100 million yen	Manufacturing and marketing of automotive lighting equipment
Haibara Machine and Tools Co., Ltd.	50 million yen	Manufacturing and marketing of resin metal molds
Shizuoka Kanagata Co., Ltd.	20 million yen	Manufacturing and marketing of resin metal molds
Koito Insurance Services Co., Ltd.	10 million yen	Insurance agent
Takeda Suntech Co., Ltd.	15 million yen	Manufacturing and marketing of resin metal molds
New Fuji Co., Ltd.	10 million yen	Service businesses
KOITO ELECTRIC INDUSTRIES, LTD.	90 million yen	Manufacturing and marketing of railroad car control equipment, road traffic signals and traffic control systems, and seats for railroad cars, etc.
Minatsu, Ltd.	40 million yen	Maintenance and upkeep of traffic signals and safety equipment
Okayama Industry Co., Ltd.	50 million yen	Manufacturing and marketing of railroad car seats
North American Lighting, Inc.	130 million USD	Manufacturing and marketing of automotive lighting equipment
North American Lighting Mexico. S.A. de C.V.	750 million MXN	Manufacturing and marketing of automotive lighting equipment
KPS N.A., INC.	400 thousand USD	Manufacturing and marketing of railroad car electric components
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	303 million Real	Manufacturing and marketing of automotive lighting equipment
Koito Europe Limited	65 million Pound Sterling	Manufacturing and marketing of automotive lighting equipment
Koito Czech s.r.o.	1,000 million Czech Koruna	Manufacturing and marketing of automotive lighting equipment
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	4,000 million yen	Manufacturing and marketing of automotive lighting equipment
Hubei Koito Automotive Lamp Co., Ltd.	5,000 million yen	Manufacturing and marketing of automotive lighting equipment
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD	. 9,000 thousand USD	Manufacturing and marketing of automotive lighting equipment
THAI KOITO COMPANY LIMITED	365.2 million Thai Baht	Manufacturing and marketing of automotive lighting equipment
PT. INDONESIA KOITO	60 million USD	Manufacturing and marketing of automotive lighting equipment
Ta Yih Industrial Co., Ltd.	762.3 million Taiwan Dollar	Manufacturing and marketing of automotive lighting equipment
INDIA JAPAN LIGHTING PRIVATE LIMITED	4,099 million Indian Rupee	Manufacturing and marketing of automotive lighting equipment
KOITO MALAYSIA SDN. BHD.	200 million Ringgit	Manufacturing and marketing of automotive lighting equipment
	200 million milggit	manufacturing and marketing of automotive lighting equipment



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