

Last Update: August 31, 2022

KOITO MANUFACTURING CO., LTD.

Michiaki Kato

Representative Director, President

Contact: +81-3-3443-7111

Securities Code: 7276

<https://www.koito.co.jp/english/>

The corporate governance of KOITO MANUFACTURING CO., LTD. (“the Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

The Company’s basic approach to corporate governance is to recognize the importance of ethical standards and sound management in order to retain the trust of all its stakeholders. Based on this approach, the Company is making efforts to enhance corporate governance and strengthen compliance.

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company has implemented each principle of the Corporate Governance Code.

#### [Disclosure Based on the Principles of the Corporate Governance Code]

##### [Principle 1.4 Cross-Shareholdings]

Based on the management strategies and plans, the Company believes that it is necessary to strengthen business relationships with other companies in order to expand business and to achieve sustainable growth. From this perspective, in a comprehensive manner, the Company holds shares that are not purposed for net investments and discloses them in the securities report together with the purpose of the cross-shareholdings.

In addition, the Company periodically reviews and examines whether cross-shareholdings are commensurate with dividend yields and capital costs, and determines the appropriateness of shareholdings.

As for voting, the Company does not exercise votes based on uniform criteria but based on the perspective of whether or not such votes lead to the sustainable growth of the Company and to improvements in corporate value over the mid- to long- term.

##### [Principle 1.7 Related Party Transactions]

As for transactions with Directors, the Company is required to deliberate and resolve the details at the Board of Directors. The conditions and other matters with regard to transactions are to be disclosed in the notice to the general meeting of shareholders or in the financial report.

Transactions with major shareholders are determined under the same manner as general transaction conditions and take market prices, total costs and other factors into account.

##### [Principle 2.4.1 Ensuring Diversity, Including Active Participation of Women]

The Company defines in the KOITO Group Corporate Behavior Charter that “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.”

We have also identified “workstyle reform” and “respect for human rights” as part of our material issues (materiality) which must be solved through our business activities to promote diversity and active roles performed by various human resources, such as women, foreign nationals, and mid-career hires.

Regarding our targets to ensure diversity, refer to the “Human Resource Management” of our website below.

(<https://www.koito.co.jp/english/csr/social/humanresource.html>)

#### **[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]**

The Company operates the corporate pension fund through KOITO MANUFACTURING Corporate Pension Fund.

Asset management is entrusted to asset management institutions with sufficient investment performance.

Regarding the fact that the operation of corporate pension funds not only affects employees' stable asset formation but also their financial condition, and that there should be appropriate management of possible conflicts of interest between the beneficiaries of the Corporate Pension and the Company, management committees composed of representatives from Corporate Planning, Finance, Accounting and Personnel Department and the management companies meet four times a year to monitor the investment status.

The Corporate Pension Fund has a Diet Members' Council, which meets twice a year, in principle. Members of the Diet consist of representatives of the Company and an executive officer of the labor union. They resolve the budget, business plan, business report and financial report for each fiscal year.

In addition, the Company ensures that conflicts of interest which could arise between the pension fund beneficiaries and companies are appropriately managed, and gives consideration not to harm the benefits of beneficiaries, by leaving decisions entirely to asset management institutions in the case where the Corporate Pension Fund exercises its voting rights of shares of the companies which the Corporate Pension Fund invests in, and other cases.

#### **[Principle 3.1 Full Disclosure]**

##### **1. Corporate Principles, Management Strategies, and Plans**

The corporate principles of the Company consist of the following statements: “We will contribute to social development through lighting,” “We will step forward to realize our employees' dreams,” and “We will support a sustainable society as one of its members”.

To realize these principles, the Company conducts business activities through its group companies, based on the following four strategies and plans:

- (1) To address the automobile industry's expansion of globally optimal production systems, the KOITO Group will work to enhance its system to respond to the five major regions of the world (Japan, Americas, Europe, China and Asia). To this end, the Group will further reinforce product development, manufacturing, and the sales functions of its overseas bases, among other measures.
- (2) The KOITO Group will respond to future changes in mobility, such as connectivity, autonomous driving, sharing, and electric vehicles. The Group will also develop cutting-edge technologies that stay ahead of customer and market needs and commercialize products at the earliest opportunity. Moreover, we will bring attractive products to market in a timely manner.
- (3) The KOITO Group aims to pursue the highest quality and safety standards, while advancing the protection of the environment and strengthening compliance.
- (4) The KOITO Group plans to further reinforce its profit structure and operations by securing and effectively allocating resources.

In the automotive industry, where globalization and further competition is expected to intensify, as a “Global No. 1 Supplier,” the Company will continue to develop its business with three key phrases:

- 1) World-leading Technology and Advancement, 2) Sustainable Growth, and 3) A Trustworthy Company.

##### **2. Basic Philosophy and Policy on Corporate Governance**

To realize corporate principles, management strategies and plans, the Company recognizes the importance of ethical standards and sound management in order to retain the trust of all stakeholders. Based on this approach, the Company is making efforts to enhance corporate governance and strengthen compliance.

As for the corporate governance structure, the Board of Directors manages decision-making and exercises supervision in accordance with Company regulations, Directors and Executive Officers execute the business of the Company, and Audit and Supervisory Board Members audit the execution. The Board of Directors, which comprises 9 Directors (including 3 Outside Directors), in principle, meets once per month, and Directors and Audit and Supervisory Board Members attend such meetings. The Board reports on the progress of business execution and makes decisions on important matters.

The Managing Committee comprises the full-time Directors and Corporate Officers as a body that assists the Board of Directors. The committee meets, in principle, 3 times per month, determines business execution, reports on progress, and follows up on business execution.

The Audit and Supervisory Board comprises four Audit and Supervisory Board Members (including 2 outside Audit and Supervisory Board Members). Each Audit and Supervisory Board Member audits the performance of Directors in line with the auditing policies through participation in meetings of the Board of Directors and surveys the Company's operations and financial condition. Moreover, standing Audit and Supervisory Board Members attend the Managing Committee and other important meetings or committees to audit business execution by Directors.

### **3. Remuneration of Directors**

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

The Directors' remuneration system consists of fixed remuneration, paid monthly, and performance-linked remuneration. Based on the Company's internal standards on Director's remuneration, the Company comprehensively determines the amount of remuneration by taking several factors into account: corporate performance, the amount of dividends to shareholders, remuneration amount of other companies, the amount of employees' salaries, as well as the Director's management capabilities, achievements, and their contributions.

The fixed remuneration amount is calculated by setting a basic amount in based on the size of the role of each Director and their position, then setting the upper and lower limit amount for each position, the status difference by position, and the difference by the number of years in the position.

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

The goal of stock compensation-type stock options is to motivate company managers to contribute to improving business performance and corporate value in the med- 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 exercise their options once they have lost their position as Director.

The Board of Directors consults with the Remuneration Committee regarding the policy to determine the remuneration and the policy, etc. to determine the remuneration of each Director.

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

To ensure objectivity and transparency of the Director's remuneration determination procedure and others, the Remuneration Committee, an advisory body to the Board of Directors, consists of 2 Inside Directors and 3 Independent Outside Directors.

For Outside Directors, only fixed remuneration is paid, and no performance-linked remuneration is paid.

### **4. Election and Dismissal of Directors and Audit and Supervisory Board Member Candidates**

The Company's policy is to elect Director candidates who respond to the delegation of management by shareholders, possesses a wealth of experience and insight into management, and who can fulfill directors' duties and responsibilities.

Based on this policy, the Nomination Committee shall be deliberate and resolve a draft of Director candidates, and then the Director candidates are determined by the Board of Directors.

To ensure objectivity and transparency of the nominations of the Director candidates, the Nomination Committee, and advisory body to the Board of Directors, consist of 2 Inside Directors and 3 Independent Outside Directors.

With regard to Audit and Supervisory Board Members, the Company's policy is to select candidates who have good personalities, insight, and high ethical standards that enable them to properly, fairly, and efficiently execute audits of the execution of director's duties. Based on this policy, Audit and Supervisory Board Member candidates are elected by the Board of Directors with the consent of the Audit and Supervisory Board.

In the event of a situation that deviates from the above-mentioned policy, the Board of Directors shall decide on dismissal after a resolution at a General Meeting of Shareholders.

Corporate Officer Regulations stipulate that the appointment and dismissal of corporate officers shall be subject to a resolution of the Board of Directors.

#### **5. Election and Dismissal of Individual Candidate**

For Director candidates, the Board of Directors appoints a person who occupies an important position in each division, has a thorough knowledge of the duties and of the Company's operations, and has made a significant contribution to the Company's performance and corporate value. The candidates are to be elected at the General Meeting of Shareholders.

As for Outside Director and Audit and Supervisory Board Member candidates, the Board of Directors appoints a person with extensive knowledge and experience in corporate management or with expertise in legal and financial matters. Outside Directors and Audit and Supervisory Board Member are also elected at the General Meeting of shareholders.

The reasons for the election of Directors and Audit and Supervisory Board Members are described in the reference document of the Notice of the General Meeting of Shareholders. In the event of dismissal, the reason for such dismissal shall be stated in the reference document of the Notice of the General Meeting of Shareholders.

The election and dismissal of each corporate officer has been decided by the Board of Directors.

#### **[Principle 3.1.3 Initiatives on Sustainability]**

To contribute to materialize a sustainable society through our business activities, the Company has established "the KOITO Group Corporate Behavior Charter" through a resolution of the Board of Directors and carried out to the whole company.

Moreover, to promote business activities that contribute to materialize a sustainable society, the Board of Directors has identified material issues (materiality) which must be solved through the company business activities, based on the United Nations "Sustainable Development Goals" (SDGs) which are mid- to long-term social issues.

Particularly, the climate change is one of the essential issues in our environmental activities therefore, we established the "prevention of global warming" as one materiality (priority) to promote such activities.

In December 2021, the company announced its support for the "Task Force on Climate-related Financial Disclosures (TCFD)", and has been collecting and analyzing the necessary data towards identification of risks and opportunities related to climate change.

As the details of activities for Sustainability, refer to "INTEGRATED REPORT" of our website below: (<https://www.koito.co.jp/english/ir/info/integrated.html>)

#### **[Supplementary Principle 4.1.1 Roles and Responsibilities of the Board]**

The Company's Board of Directors discusses, reports, and makes decisions on matters stipulated in the Board of Directors' Regulations, including those stipulated by laws, regulations and the Articles of Incorporation. Other matters are determined in accordance with the rules of the Managing Committee Regulations and the Decision-Making Regulations, depending on the scale and agenda.

#### **[Principle 4.9 Independence Standards and Qualification for Independent Directors]**

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

#### **[Principle 4.10.1 Use of voluntary system]**

The Company has established the Nomination committee and the Remuneration committee comprised of a majority of independent Outside Directors as advisory bodies. The Nomination committee and the Remuneration committee shall be deliberate and resolve drafts and policies regarding Director candidates and remuneration of Directors, thus the company ensures objectivity and transparency in these procedures.

**[Supplementary Principle 4.11.1 Preconditions for Board and Audit and Supervisory Board Effectiveness]**

The Company has introduced a corporate officer system to distinguish between the management decision-making and supervisory functions and the business execution functions. Currently, the Company has 9 Director members, and we believe that this is an appropriate scale for prompt and appropriate decision-making.

Each Director has thorough knowledge of the management of each business. Including Outside Directors, Directors are structured in a way that balances expertise, experience, and capabilities. Regarding the skill matrix of the Directors, refer to the “Corporate Governance” of our website below.  
(<https://www.koito.co.jp/english/csr/governance/>)

When selecting Directors, the Nomination Committee deliberates and resolves a draft of Director candidates, and then the Director candidates are determined by the Board of Directors.

**[Supplementary Principle 4.11.2 Preconditions for Board and Audit and Supervisory Board Effectiveness]**

In the event that the Company’s Director or Audit and Supervisory Board Member concurrently serves as an executive of another listed company, the Company endeavors to limit the appointment to the extent reasonable.

Additionally, Directors’ important concurrent posts are stated in the Notice of the Ordinary General Meeting of Shareholders every year.

**[Supplementary Principle 4.11.3 Preconditions for Board and Audit and Supervisory Board Effectiveness]**

The results of self-analyses and evaluations of the effectiveness of the Board of Directors are summarized as shown below.

- (1) In principle, the Board of Directors meets once a month to discuss important issues in a timely and appropriate manner in accordance with the Board of Directors’ regulations.
- (2) Prior to the beginning of the fiscal year, the annual meeting schedules are announced to Directors and Audit and Supervisory Board Members, including its outside members, making it easier for them to attend the meetings. To facilitate discussion on management issues of the Board of Directors, the matters to be deliberated and reported at the meeting and the content of the materials are discussed in advance.
- (3) In addition to Directors, who have experience in the various business divisions such as management, sales, technical, production and others, the Board of Directors also receives advice and proposals from outside Directors with extensive knowledge and experience of corporate management, or with expertise in legal and financial matters. The Board of Directors ensures sufficient time and discusses management issues from a variety of perspectives.

In the future, the Company will further strengthen its functions as the highest decision-making organization for management and improve the speed of management decision-making in order to enhance the effectiveness of the Board of Directors.

**[Supplementary Principle 4.14.2 Director and Audit and Supervisory Board Member Training]**

The Company provides training for Directors and Corporate Officers to promote knowledge acquisition and an understanding of their roles and responsibilities as necessary.

**[Principle 5.1 Policy for Constructive Dialogue with Shareholders]**

The Company defines “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” in “4. Fair information disclosure and constructive dialogue” of the KOITO Group Corporate Behavior Charter. In order to achieve sustainable growth and increase corporate value over the mid- to long-term, we have been conducting constructive dialogue while providing accurate information to shareholders and investors in a fair manner.

- (1) The Company assigns the General Affairs Department and the Public Relations Department to administer dialogues with shareholders and investors, managers and persons in charge of gathering and disclosing information are assigned to the Department. In cooperation with related departments, the responsible Departments disclose information in a timely, fair, and appropriate manner.
- (2) The Company strives to promote investing opportunities and disclose information by holding semiannual earnings release conferences and publishing fact books and integrated reports.
- (3) In order to reflect shareholders’ opinions into corporate management, any matter that is objectively important for a review is reported to the management and the Board of Directors.

(4) In order to prevent unauthorized disclosure of financial statements and ensure fairness, the Company has set a quiet period and refrains from discussing financial results during that period. The Company also strives to control insider information in accordance with our Insider Trading Regulations.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
----------------------------	---------------

### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
TOYOTA MOTOR CORPORATION	32,158,233	20.00
The Master Trust Bank of Japan, Ltd. (Trust account)	19,678,000	12.24
Sumitomo Mitsui Banking Corporation	5,442,674	3.38
STATE STREET BANK AND TRUST COMPANY 505223	5,354,972	3.33
Custody Bank of Japan, Ltd. (Trust account)	5,332,100	3.31
MUFG Bank, Ltd.	5,154,225	3.20
Nippon Life Insurance Company	4,844,050	3.01
The Dai-ichi Life Insurance Company, Limited	4,000,828	2.48
JP MORGAN CHASE BANK 385632	3,736,068	2.32
Aioi Nissay Dowa Insurance Co., Ltd.	2,851,104	1.77

Controlling Shareholder (except for Parent Company)	_____
Parent Company	None

### Supplementary Explanation

The status of the above major shareholders is as of March 31, 2022.

The percentage of shares owned is calculated by deducting treasury stock (48,905 shares).

As of February 4, 2022, Massachusetts Financial Services Company and another joint holder have been reported to have held 12,468 thousand shares (percentage of shares: 7.8%) in the Report on Large Volume Holdings published by Massachusetts Financial Services Company on January 31, 2022. However, the actual number of shares held by Massachusetts Financial Services Company as of the record date of exercising voting rights has not been confirmed by the Company.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

_____
-------

**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

_____
-------

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Board
-------------------	--

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Number of Outside Directors	3
Number of Independent Directors	3

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Haruya Uehara	From another company											
Kingo Sakurai	CPA											
Chika Igarashi	Attorney											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/kansayaku

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/kansayaku are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others



Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Haruya Uehara	○	Mitsubishi UFJ Trust and Banking Corporation, senior advisor	<p>Mr. Uehara is a senior advisor at Mitsubishi UFJ Trust and Banking Corporation and has been selected as an Outside Director to reflect his expertise and experience in the Company's management, in order to achieve a supervisory function from such a point of view.</p> <p>The Company recognizes him as a highly independent Outside Director because he is not from the parent company, affiliated company, major shareholders, or major business partners, and others.</p> <p>Because of his independence and full knowledge, the Company judged that he was qualified as an independent Director of the Company and appointed him an independent Director.</p> <p>The Company does not owe any debts or loans to Mitsubishi UFJ Trust and Banking Corporation.</p>
Kingo Sakurai	○	CPA	<p>As a CPA, Mr. Sakurai was appointed an Outside Director to reflect his financial and accounting knowledge and experience in to the Company's management, in order to achieve a supervisory function from such a point of view.</p> <p>The Company recognizes him as a highly independent Outside Director, because he is not from the parent company, affiliated company, major shareholders, or major business partners, and others.</p> <p>Because of his independence and full knowledge, the Company judged that he was qualified as an independent Director of the Company and appointed him an independent Director.</p>
Chika Igarashi	○	Attorney Nishimura & Asahi, partner	<p>Ms. Igarashi, an attorney engaged in corporate legal affairs in Japan and overseas for many years, was appointed an Outside Director to reflect a high degree of legal expertise and international perspective in corporate legal affairs in the Company's management, in order to achieve a supervisory function from such a point of view.</p>

			<p>The Company recognizes her as a highly independent Outside Director, because she is not from the parent company, affiliated company, major shareholders, or major business partners, and others. Because of her independence and full knowledge, the Company judged that she was qualified as an independent Director of the Company and appointed her an independent Director.</p> <p>The Company has a business relationship with Nishimura &amp; Asahi, where Ms. Igarashi is a partner, but the Company is aware that the relationship is highly independent because the Company does not have a corporate attorney contract with Nishimura &amp; Asahi.</p>
--	--	--	---

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
---	-------------

#### Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Committee	Remuneration Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

#### Supplementary Explanation

For the purpose of enhancing the independence, objectivity and accountability of the functions of the Board of Directors related to the nomination and the remuneration of Directors, the Company established a Nomination Committee and a Remuneration Committee comprised of 5 Directors, including Masahiro Otake (Chairman and CEO, Chairperson), Michiaki Kato (President and COO) and 3 Independent Outside Directors (Haruya Uehara, Kingo Sakurai and Chika Igarashi).

The Nomination Committee holds deliberations according to the consultations of the Board of Directors on matters related to the nomination of Directors, and determines draft proposals and policies.

The Remuneration Committee holds deliberations according to the consultations of the Board of Directors on matters related to the remuneration of Directors, and determines draft proposals and policies.

**[Audit and Supervisory Board]**

Establishment of Audit and Supervisory Board	Established
Maximum Number of Audit and Supervisory Board Member Stipulated in Articles of Incorporation	5
Number of Audit and Supervisory Board Member	4

**Cooperation among Audit and Supervisory Board Member, Accounting Auditors and Internal Audit Departments**

The Company's Internal Audit Department, an independent organization, performs internal audits of the operations, finance, compliance, and other areas based on annual audit plans. The results are reported to the Directors and Audit and Supervisory Board Members.

The Audit and Supervisory Board comprises 2 standing Audit and Supervisory Board Members and 2 outside Audit and Supervisory Board Members. The Audit and Supervisory Board Members participate in 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 operation of the internal control system by site visiting plants and branches, interviewing the administrative divisions, and auditing domestic and overseas subsidiaries. Moreover, the Audit and Supervisory Board Members attend the audits performed by the independent auditors and the Internal Audit Department, along with working to promote collaboration by exchanging information through regular meetings with the independent auditors, the in-house Compliance Department, and the Internal Audit Department.

Appointment of Outside Audit and Supervisory Board Member	Appointed
Number of Outside Audit and Supervisory Board Member	2
Number of Independent Audit and Supervisory Board Member	2

**Outside Audit and Supervisory Board's Relationship with the Company (1)**

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yukinobu Suzuki	Tax Accountant													
Hiroshi Kimeda	Attorney													

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Audit and Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit and Supervisory Board Member

- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit and Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/ Audit and Supervisory Board Member are mutually appointed (the Audit and Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit and Supervisory Board Member himself/herself only)
- m. Others

Outside Audit and Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit and Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Yukinobu Suzuki	○	Tax Accountant	As a tax accountant, Mr. Suzuki was appointed an Outside Director to reflect his financial and accounting knowledge and experience in the Company's auditing system. The Company recognizes him as a highly independent outside Audit and Supervisory Board Member because he is not from the parent company, affiliated company, major shareholders, or major business partners, and others. Because of his high independence and full knowledge, the Company judged that he was qualified as an independent Audit and Supervisory Board Member of the Company and appointed him an independent Audit and Supervisory Board Member.
Hiroshi Kimeda	○	Attorney Nishimura & Asahi, partner	Mr. Kimeda, an attorney with thorough knowledge of corporate legal affairs, was appointed an outside Audit and Supervisory Board Member to reflect his knowledge and experiences in the enhancement of the Company's auditing system. The Company has a business relationship with Nishimura & Asahi, where Mr. Kimeda is a partner, but the Company is aware that the relationship is highly independent because the Company does not have a corporate attorney contract with Nishimura & Asahi.

**[Independent Directors/ Audit and Supervisory Board Member]**

Number of Independent Directors/Audit and Supervisory Board Member

5

Matters relating to Independent Directors/ Audit and Supervisory Board Member

All Outside Members of the Board of Directors / Audit & Supervisory Board Members that qualify as Independent Members of the Board of Directors / Audit & Supervisory Board Members have been designated as Independent Members of the Board of Directors / Audit & Supervisory Board Members.

## [Incentives]

Incentive Policies for Directors	Stock Options / Other
----------------------------------	-----------------------

### Supplementary Explanation

Under the recognition that the corporate performance and stock value closely relates or correlates, shareholders and corporate managers share the benefits and risks caused by stock price fluctuations. For the purpose of raising corporate managers' willingness to contribute to the improvement of business performance and corporate value over the mid- to long- term, the Company has introduced stock compensation-type stock options (stock subscription rights granted). 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 exercise their options once they have lost their position as Director.

Recipients of Stock Options	Inside Directors
-----------------------------	------------------

### Supplementary Explanation

The Company's Directors (excluding external Directors) are granted stock options no more than ¥200 million a year. Stock compensation-type stock options are also granted to the Company's corporate officers under the same conditions.

## [Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
--	--------------------

### Supplementary Explanation

In the securities report, the Company discloses the total remuneration, the amount by different types of remuneration, and the number of Directors or Corporate Officers eligible for such remuneration, and individually discloses the Directors with remuneration of ¥100 million or more.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
--	-------------

### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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

The Directors' remuneration system consists of fixed remuneration, paid monthly, and performance-linked remuneration. Based on the Company's internal standards on Director's remuneration, the Company comprehensively determines the amount of remuneration by taking several factors into account: corporate performance, the amount of dividends to shareholders, remuneration amount of other companies, the amount of employees' salaries, as well as the Director's management capabilities, achievements, and their contributions.

The fixed remuneration amount is calculated by setting a basic amount in based on the size of the role of each Director and their position, then setting the upper and lower limit amount for each position, the status difference by position, and the difference by the number of years in the position.

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

The goal of stock compensation-type stock options is to motivate company managers to contribute to improving business performance and corporate value in the med- 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 exercise their options once they have lost their position as Director.

The Board of Directors consults with the Remuneration Committee regarding the policy to determine the remuneration, etc., and the policy, etc. to determine the remuneration of each Director.

The remuneration of each Director shall be determined by consultations among the Representative Directors, based on the above determination policy authorized by the Board of Directors.

As a consultative body of the Board of Directors, the Remuneration Committee consists of 2 Inside Directors and 3 Independent Outside Directors, in order to ensure objectivity and transparency of the remuneration determination procedure, etc. of the directors, etc.

For Outside Directors, only fixed remuneration is paid, and no performance-linked remuneration is paid.

#### **[Supporting System for Outside Directors and/or Audit and Supervisory Board Members]**

Outside Directors are supported by the General Affairs Department, and outside Audit and Supervisory Board members are supported by Audit and Supervisory Board member office personnel.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

### **[Board of Directors]**

The Board of Directors is chaired by the President, and comprises 9 Directors (including 3 Outside Directors). In principle, the Board of Directors meets once per month.

The Company's Board of Directors discusses, reports, and makes decisions on matters stipulated in the Board of Directors' Regulations, including those stipulated by laws, regulations, and the Articles of Incorporation, and supervises the execution of director's business execution. In addition, all Audit and Supervisory Board Members attend the Board of Directors to monitor Director's business operations.

The Managing Committee comprises full-time Directors and a Corporate Officer as a body to aid the Board of Directors. The committee meets, in principle, 3 times per month, determines business execution, reports on progress and follows up on business execution.

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

### **[Audit and Supervisory Board]**

The Audit and Supervisory Board comprises 4 Audit and Supervisory Board Members (2 standing Audit and Supervisory Board Members and 2 outside Audit and Supervisory Board Members) and the meetings are held regularly.

Other than the Board of Directors, the standing Audit and Supervisory Board Members attend the Managing Committee and other important meetings or committees to express their opinions as needed. This structure enables Audit and Supervisory Board Members to constantly monitor the Director's business executions. The Company also strives to improve its auditing functions through close collaboration between Audit and Supervisory Board Members, Internal Audit Department and independent auditors, by allowing them to exchange information and opinions as needed, and to hold regular meetings.

### **[Nomination Committee]**

For the purpose of enhancing the independency, objectivity and accountability of the functions of the Board of Directors related to the nomination of Directors, the company established a Nomination Committee comprised of 5 Directors, including Masahiro Otake (Chairman and CEO, Chairperson), Michiaki Kato (President and COO), and 3 Independent Outside Directors (Haruya Uehara, Kingo Sakurai and Chika Igarashi).

The Nomination Committee holds deliberations according to the consultations of the Board of Directors on matters related to the nomination of Directors, and determines draft proposals and policies.

**[Remuneration Committee]**

For the purpose of enhancing the independency, objectivity and accountability of the functions of the Board of Directors related to the remuneration of Directors, the company established a Remuneration Committee comprised of 5 Directors, including Masahiro Otake (Chairman and CEO, Chairperson), Michiaki Kato (President and COO), and 3 Independent Outside Directors (Haruya Uehara, Kingo Sakurai and Chika Igarashi).

The Remuneration Committee holds deliberations according to the consultations of the Board of Directors on matters related to the remuneration of Directors, and determines draft proposals and policies.

**[Status of Audits]**

Based on the annual audit plans, the Company'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 the Company'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 discusses and establishes the annual activity policy, the division of each Audit & Supervisory Board member, and the annual audit plan. The audit is conducted based on the plan. Other than attending and expressing opinions at the Board of Directors, Audit and Supervisory Board Members audit the execution of Directors' duties, legality and appropriateness of the Company's decision-making based on their knowledge and experience in each specialized field. In addition to Audit and Supervisory Board Members' on-site audits and interviews with administrative divisions, Audit and Supervisory Board Members attend the audits performed by the independent auditors and the Internal Audit Department. Audit and Supervisory Board Members strive to improve the effectiveness of audit by maintaining collaboration with relevant parties, including outside Directors by exchanging information as needed. Full-time auditors also share the contents and results of routine audits with Outside Auditors as required. Outside Audit and Supervisory Board Members contribute to the Company's management strategies planning and the enhancement of corporate governance. This is achieved through inquiries and comments made at liaison meetings with the Board of Directors, Audit and Supervisory Board, independent auditors and outside Directors, based on their knowledge in each specialized field as well as information from Audit and Supervisory Board Members. In addition, the Company has established an Audit and Supervisory Board Member's Office so that independent staffs can assist Audit and Supervisory Board Members with their duties.

In fiscal 2022 (from April 31, 2021 to March 31, 2022), a total of 8 Audit and Supervisory Board were held, and all Audit and Supervisory Board Members, including outside Audit and Supervisory Board Members, have attended to all meetings. The main matters discussed in the Audit and Supervisory Board are evaluation, reappointment, and remuneration agreement with the independent auditors, legality or appropriateness of matters discussed in the Ordinary General Meeting of Shareholders, the deliberation and preparation of Audit Report, and preparation of Audit Plan.

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

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

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

**[Outline of Contents of Limited Liability Agreement]**

In accordance with Article 427, Paragraph 1 of the Corporation Act, the Company, its Outside Directors, and its outside Audit and Supervisory Board Members have concluded contracts to limit liability for damages as set forth in Article 423, Paragraph 1 of the law. The maximum amount of liability under such contracts is the same as the minimum amount of liability prescribed by laws and regulations.

### **3. Reasons for Adoption of Current Corporate Governance System**

Regarding corporate governance, the Company believes that objective and neutral external monitoring function is essential for the Board of Directors, which has the functions of management decision-making and supervising business executions. Along with the policy, 3 Outside Directors monitor, advise, and provide guidance, and audits are conducted by 2 outside Audit and Supervisory Board Members.



## II. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends notices of the general meeting of shareholders three weeks prior to the date of the meeting. Prior to delivery, the Company posts the notices on the Tokyo Stock Exchange website and on the Company's website.
Allowing Electronic Exercise of Voting Rights	Voting rights can be exercised via the Internet.
Participation in Electronic Voting Platform	The Company participates in the voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	Notices of the general meetings of shareholders in English have been prepared and posted on the Tokyo Stock Exchange website, the voting platform for institutional investors, and the Company's website.
Other	At general meetings of shareholders, the Company will respond to questions from shareholders in good faith.

### 2. IR Activities

	Supplementary Explanations
Regular Investor Briefings for Analysts and Institutional Investors	Regular briefings are held at the beginning of May and early November. At the briefings, the President, Vice President, and Directors in charge provide explanations and answer questions.
Posting of IR Materials on Website	Notices of general meetings of shareholders (Japanese and English), earnings report (Japanese and English), materials for earnings release conferences (Japanese and English), various press releases, financial reports, quarterly reports, fact books (annually and interim), and integrated report (English and Japanese) are posted on the website. (URL: <a href="https://www.koito.co.jp/english/ir/">https://www.koito.co.jp/english/ir/</a> )
Establishment of Department and/or Manager in Charge of IR	Department in charge of IR: Public Relations Department Person in charge of IR: Hideo Yamamoto, Managing Corporate Officer, Public Relations Department

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The KOITO Group's basic management policy is to create customer needs and contribute to the progress of society, while fostering mutually beneficial relationships with all stakeholders, including shareholders, customers, employees, and business partners, under the theme "Light". The Company defines its policies in the KOITO Group Corporate Behavior Charter.
Implementation of Environmental Activities, CSR Activities etc.	The environmental report and other information regarding CSR activities are available on the Company's website. (URL: <a href="https://www.koito.co.jp/english/csr/">https://www.koito.co.jp/english/csr/</a> ) (Note) The environmental report is published in Japanese only.

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

At the Board of Directors held on May 26, 2006, the Basic Policy on Internal Control System was resolved. The Company revised the policy at the Board of Directors meeting held on April 24, 2015, and establishes internal control systems based on the following basic policies.

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

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

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

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

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

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

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

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

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

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

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

- i . Based on the Affiliates Management Regulations etc., KOITO will specify matters to be reported by affiliates, enhance the Group's reporting system, and ensure that Group companies file periodic reports with KOITO.
- ii . Based on the Affiliates Management Regulations etc., KOITO will monitor the risks to the Group as a whole in a comprehensive and centralized manner. Whenever it finds insufficiency in a Group company's action, KOITO will give guidance or implement other collective measures.
- iii . KOITO will ensure that Group companies prepare and keep their regulations, organizations, and systems to ensure periodic Board of Directors' and directors' fulfillment of their duties. For important affiliates, directors of KOITO may concurrently hold offices of directors of such affiliates.
- iv . Based on the KOITO Group Corporate Behavior Charter, KOITO will ensure that Group companies achieve compliance (with laws and ordinances) and KOITO's Administrative and Internal Audit Departments audit affiliates' operations and accounting. Further, based on the Affiliates Management Regulations KOITO will specify matters subject to KOITO's approval, and ensure that Group companies first obtain KOITO's approval before carrying out such matters.

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

An Audit and Supervisory Board Member's Office will be established to help the Audit and Supervisory Board Members execute their duties under the instructions and orders of the Audit and Supervisory Board Members and the Audit and Supervisory Board. Moreover, assignment of personnel to the Audit and Supervisory Board Members' office shall be decided upon approval by the Audit and Supervisory Board to ensure independence from directors.

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

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

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

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

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

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

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

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

## **2. Basic Views on Eliminating Anti-Social Forces**

The Company stipulates that "antisocial forces that threaten the order and safety of civil society shall be firmly intercepted and resolutely dealt with" in the KOITO Group Corporate Behavior Charter. The General Affairs Department serves as its management department and regularly works with outside specialized organizations to collect and manage information on antisocial forces. The Company will continue efforts to educate its employees and strengthen the system.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

#### Supplementary Explanation

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

As a company listed on the stock exchange, the Company respects the free trading of its shares in the market. We do not generally deny a large-scale purchase of the Company's shares by a particular person, as long as it contributes to securing and improving the Group's corporate value and the common interests of shareholders. In addition, the Company believes that whether or not the Company will ultimately accept a large-scale purchase of shares should be left to the decision of all shareholders.

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

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

### 2. Other Matters Concerning to Corporate Governance System

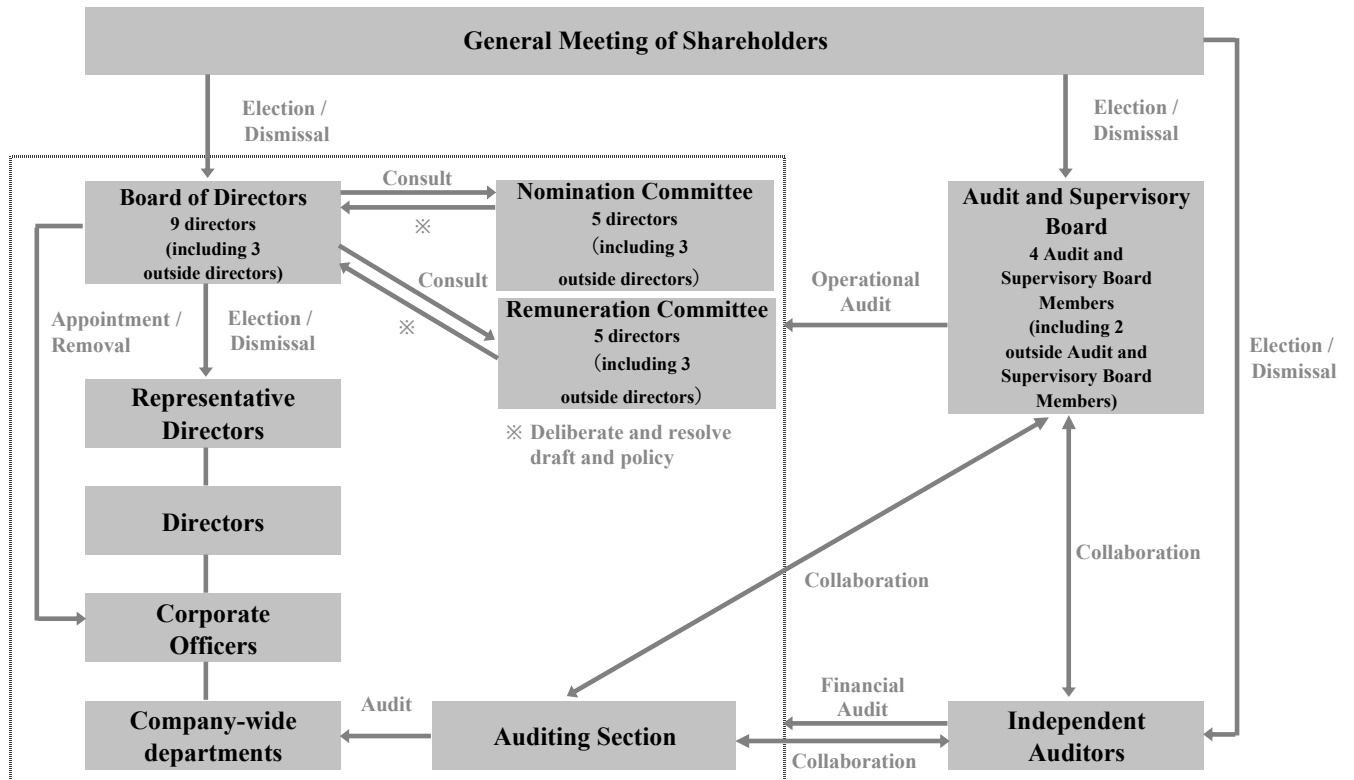
#### [Basic approach and Management Structure on Compliance]

The Company 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." The Company has identified reinforcement of "compliance" as one of our materiality. To foster an organization and atmosphere to place importance on compliance, the entire KOITO Group is committed to engage in compliance activities.

To strengthen its compliance system, the Company has established the Compliance Committee, Compliance Promotion Office, Internal Audit Office, and whistle-blowing desk (Corporate Ethics Consulting Desk). The Compliance Committee meets regularly to confirm and follow up on the action plans and results of the Compliance Promotion Office and the Internal Audit Office, the operational status of the Corporate Ethics Consulting Desk, and responses to risks.

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, the Company promotes compliance-related initiatives in the entire Group.

## (1) Corporate Governance System



## (2) Internal System for Timely Disclosure

