

# 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.



Chairman and CEO

*Signature of Chairman and CEO*

President and COO

*Signature of President and COO*

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.”



## 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.

## R&D Network in Five Major Regions of the World



## 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 CO<sub>2</sub> 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.

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