

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.

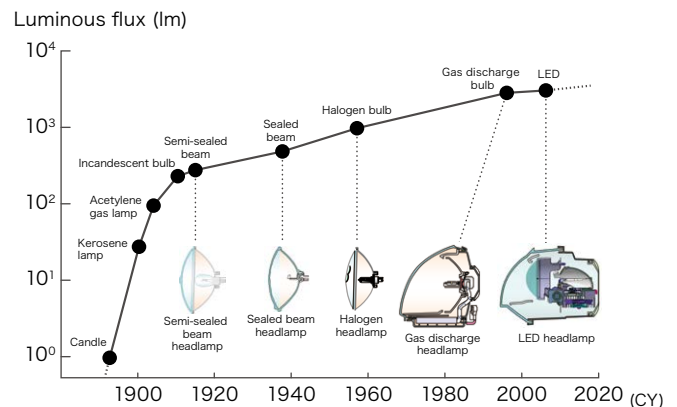
Development of Technologies and Products to Improve Safety and Security

●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

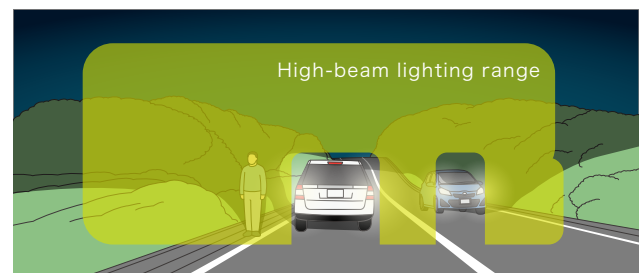


●Adaptive Driving Beam (ADB)

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.

■Image of ADB photometry



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

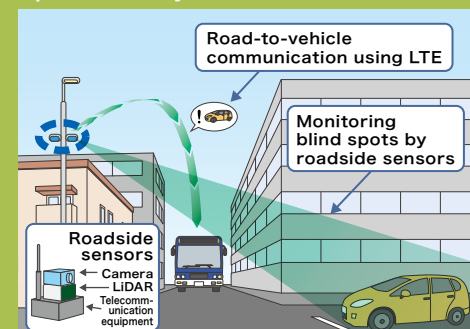
Verification of Blind Spot Information Provision System in the Autonomous Driving Bus Demonstration Experiment

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 autonomous driving society.

Collaborating with KOITO ELECTRIC INDUSTRIES, a subsidiary manufactures and sells signaling systems and other transportation infrastructures, KOITO participated in a demonstration experiment conducted in Hitachi City, Ibaraki Prefecture using medium-sized autonomous driving bus from November 2020 to March 2021.

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

■Image of a blind spot information provision system



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.

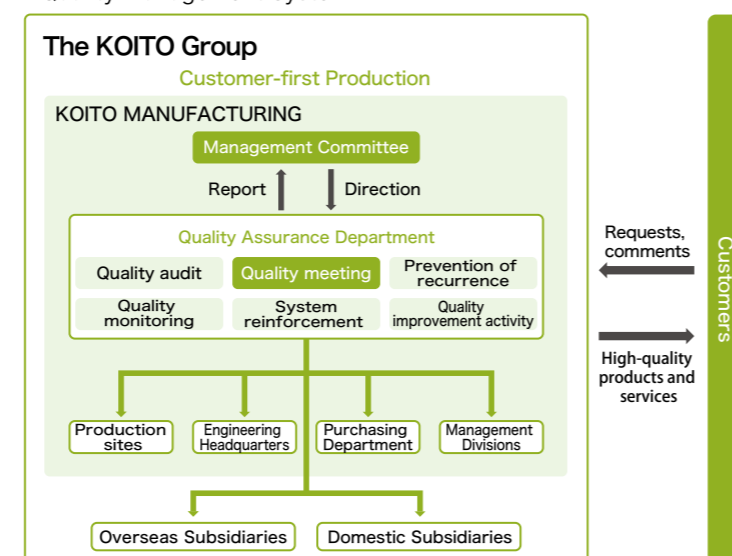
Quality Management Structure

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.

Quality Management System



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	IATF 16949
KOITO KYUSHU	North American Lighting (U.S.A.)
Aoitec	North American Lighting Mexico (Mexico)
Shizuokadensho	Koito Europe (U.K.)
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)
	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]

- ① Measures based on the "Guideline for the Right Transaction of Automobile Industry"
- ② Continuous investigation on the inclusion of environmental impact substances
- ③ Continuous annual investigation on conflict minerals
- ④ Thorough compliance with laws and regulations concerning human rights and labor
- ⑤ Thorough implementation of compliance issues in general (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 Sub-contract 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 nursing 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	63,181 hours	75,241 hours	42,960 hours
Average training time per employee	14.9 hours	16.9 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/humanresource.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.

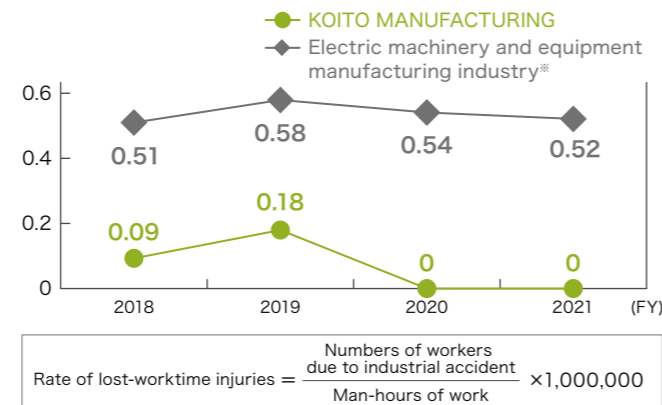
The job-rank based education consists of management training for specific qualifications and positions. The technical education includes 111 lectures in and outside of KOITO, such as advanced education on AI, IoT, and sensors. A total of 3,467 KOITO employees participated in these training and lectures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



■ KOITO's face shield

● Participation in Regional Activities at Production Sites

KOITO's production sites periodically holds round-table 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.



■ Summer festival (2019)



■ Children's visiting day (2019)

● 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.



■ Clean-up activities at Miho coastline (2019)



■ Weeding at Miho-no-Matsubara (2019)

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.