

*This document has been translated from the Japanese original. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.*

June 2, 2023

To our shareholders:

Michiaki Kato  
President

**KOITO MANUFACTURING CO., LTD.**

Sumitomo Fudosan Osaki Twin Bldg. East, 5-1-18 Kitashinagawa, Shinagawa-ku, Tokyo

**NOTICE OF THE 123RD ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 123rd Ordinary General Meeting of Shareholders of KOITO MANUFACTURING CO., LTD. (the “Company”), which will be held as described below.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (items for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information on the Company’s website. Please access the website by using the Internet address shown below to review the information.

“General Meeting of Shareholders” on the Company’s website

<https://www.koito.co.jp/ir/generalmeeting/> (in Japanese)

In addition to posting items subject to measures for electronic provision on the Company’s website, the Company also posts this information on the website of Tokyo Stock Exchange, Inc. (TSE). Please access the website by using the Internet address shown below to review the information.

The Tokyo Stock Exchange website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(Access the TSE website by using the Internet address shown above, enter the Company’s name or securities code “7276,” and click “Search,” and then click “Basic information” and select “Documents for public inspection/PR information.”)

**Exercising Voting Rights**

[For those attending the meeting]

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

[For those exercising voting rights by mail]

Please use the voting form to indicate your approval or disapproval and resend it so it reaches us by 5:00 p.m., Wednesday, June 28, 2023 (Japan Standard Time), the day before the Ordinary General Meeting of Shareholders.

[For those exercising voting rights by the Internet]

Please access the voting website (<https://evote.tr.mufg.jp/>) to submit votes of approval or disapproval.

Votes can be submitted until 5:00 p.m., Wednesday, June 28, 2023 (Japan Standard Time).

### Meeting Details

**1. Date and time:** Thursday, June 29, 2023 at 10:00 a.m. (Japan Standard Time)  
\*Reception desk opens at 9:00 a.m.

**2. Venue:** Shinagawa Prince Hotel, Main Tower 24th floor, Crystal 24  
4-10-30, Takanawa, Minato-ku, Tokyo

**3. Agenda of the General Meeting of Shareholders:**

**Items to be reported:**

1. Business Report and Consolidated Financial Statements for the 123rd Term (from April 1, 2022 to March 31, 2023), as well as the results of audit of the Consolidated Financial Statements by the Independent Auditors and the Audit and Supervisory Board.
2. Financial Statements for the 123rd Term (from April 1, 2022 to March 31, 2023)

**Items to be resolved:**

**Proposal 1:** Dividends of surplus

**Proposal 2:** Election of nine (9) Directors

**Proposal 3:** Election of two (2) Audit and Supervisory Board Member

For this general meeting of shareholders, we have delivered paper-based documents stating the items subject to measures for electronic provision to all shareholders, regardless of whether or not they have requested them. However, among the items subject to measures for electronic provision, the items listed below are not described in the attached materials of this convocation notice in accordance with the provisions of laws and regulations and Article 15 of the Articles of Incorporation of the Company.

- (i) “Subscription rights to shares, etc. of the Company,” “System for ensuring appropriate business execution” and “Summary of operation of system for ensuring appropriate business execution” of the Business Report
- (ii) “Consolidated Statement of Changes in Shareholders’ Equity” and “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements
- (iii) “Non-consolidated Statement of Changes in Shareholders’ Equity” and “Notes to Financial Statements” in the Financial Statements

These items are included in the Business Report, the Consolidated Financial Statements audited by the Audit and Supervisory Board Members in preparing the Audit Report and the Independent Auditor in preparing the Accounting Audit Report.

\* If revisions to the items subject to measures for electronic provision arise, a notice of the revisions and the details of the items before and after the revisions will be posted on the Company’s website and the TSE website.

If you are attending the general meeting of shareholders in person, please check your own physical condition and consider measures to prevent the spread of COVID-19, etc., such as wearing a mask.

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Dividends of surplus

The Company's policy is to continuously pay stable dividends to shareholders based on the comprehensive evaluation of our present business results, business climate, etc.

As a result of consideration based on the Company's policy, the year-end dividend of this term is scheduled to be ¥16 per share.

### Matters related to year-end dividend

1. Type of dividend property:

**Cash**

2. Allocation of dividend property and total amount thereof

**¥16 per common share of the Company**

**Total amount: ¥5,143,877,648**

3. Effective date of distribution of dividends of surplus

June 30, 2023

Note: The Company conducted a 2-for-1 share split of common shares, effective as of October 1, 2022. By calculating assuming that the split was conducted at the beginning of the 122nd term (fiscal 2022), the full year dividend, including the interim dividend, is scheduled to be ¥28 per share, which is ¥1 higher than the previous fiscal year.

**Proposal 2: Election of nine (9) Directors**

The tenure of all the incumbent nine (9) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. In that regard, the Company proposes the election of nine (9) Directors.

The candidates for Directors are as follows:

No. 1	Masahiro Otake (born on March 15, 1947)	Up for re-election
Number of shares of the Company held: 175,000 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1977	Joined the Company
	June 1987	Director
	June 1993	Managing Director
	June 1999	Senior Managing Director
	June 2005	Executive Vice President
	June 2007	President
	June 2015	Chairman (present position)

**Reasons for nomination as candidate for Director**

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

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

No.2	<b>Michiaki Kato</b> (born on June 23, 1959)	Up for re-election
Number of shares of the Company held: 25,700 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1982	Joined the Company
	October 2004	General Manager of Euro-American Operations
	June 2005	Director
	June 2011	Managing Director
	June 2012	Managing Corporate Officer
	June 2013	Director and Managing Corporate Officer
	June 2017	Senior Managing Director Sales Headquarters International Operations Headquarters
	June 2021	President (present position)

**Reasons for nomination as candidate for Director**

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

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

No.3	<b>Masami Uchiyama</b> (born on May 12, 1959)	Up for re-election
Number of shares of the Company held: 13,700 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1983	Joined the Company
	June 2005	General Manager of Personnel Department
	June 2007	Director
	June 2011	Managing Director
	June 2012	Director and Managing Corporate Officer
	June 2017	Senior Managing Director
	June 2021	Executive Vice President (present position)
		Production Headquarters Shizuoka Plant In charge of Sustainability Promotion Office General Affairs Department, Shizuoka Logistics Department Safety Environment Department Production Control Department Electronics Products Production Department (present position)

**Reasons for nomination as candidate for Director**

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

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

No.4	<b>Hideharu Konagaya</b> (born on June 17, 1963)	Up for re-election
Number of shares of the Company held: 28,700 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1987	Joined the Company
	April 2006	General Manager of Accounting Department
	June 2009	Director
	June 2012	Corporate Officer
	June 2013	Managing Corporate Officer
	June 2015	Director and Managing Corporate Officer
	June 2017	Senior Managing Director (present position) Finance & Accounting Headquarters Procurement Headquarters (present position)

**Reasons for nomination as candidate for Director**

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

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

No.5	<b>Katsuyuki Kusakawa</b> (born on July 30, 1956)	Up for re-election
Number of shares of the Company held: 25,900 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1980	Joined Toyota Motor Co., Ltd. (currently TOYOTA MOTOR CORPORATION)
	January 2009	Seconded to Toyota Motor Sales, U.S.A., Inc.
	March 2011	Standing Adviser, the Company
	June 2011	Managing Director
	June 2012	Director and Managing Corporate Officer
	June 2019	Senior Managing Director (present position)
		In charge of Corporate Planning Department Compliance Department Personnel Department Cost Administration Department DX Promotion (present position)

**Reasons for nomination as candidate for Director**

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

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

No.6	<b>Jun Toyota</b> (born on August 24, 1959)	First-time candidate
Number of shares of the Company held: 14,500 shares	<b>Career history, position and responsibility, and important positions concurrently held</b>	
	April 1983	Joined the Company
	January 2005	Director, Koito Europe NV (KENV)
	June 2005	Director, the Company
	June 2012	Corporate Officer
	June 2013	Managing Corporate Officer
	June 2015	President, North American Lighting, Inc. (NAL)
	June 2017	Director and Managing Corporate Officer
	June 2021	Senior Managing Director
	June 2022	Senior Managing Corporate Officer (present position)
		International Operations Headquarters (present position)

**Reasons for nomination as candidate for Director**

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

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

No. 7	Haruya Uehara (born on July 25, 1946)	Up for re-election Outside Independent executive
Number of shares of the Company held:  0 shares	<b>Career history, position and responsibility, and important positions concurrently held</b> April 1969      Joined The Mitsubishi Trust and Banking Corporation (currently Mitsubishi UFJ Trust and Banking Corporation) June 1996      Director June 1998      Managing Director June 2001      Senior Managing Director June 2002      Director, Deputy President April 2004      President October 2005    President, Mitsubishi UFJ Trust and Banking Corporation June 2008      Chairman April 2012      Senior Advisor (present position) June 2013      Outside Director, the Company (present position) (Significant concurrent positions outside the Company) Senior Advisor, Mitsubishi UFJ Trust and Banking Corporation	

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

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

No.8	<b>Kingo Sakurai</b> (born on May 5, 1943)	Up for re-election Outside Independent executive
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Number of shares  
of the Company held:  
20,000 shares

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

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

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

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

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

No.9	<b>Chika Igarashi</b> (born on March 26, 1971)	Up for re-election Outside Independent executive Female
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Number of shares  
of the Company held:  
0 shares

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

April 1997	Registered as an attorney Joined a law firm in Tokyo
July 2006	Joined Nishimura & Asahi (present position)
June 2007	Registered as an attorney at law in New York State
June 2022	Outside Director, the Company (present position)

(Significant concurrent positions outside the Company)  
Partner attorney, Nishimura & Asahi

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

Ms. Chika Igarashi is an attorney, and the Company proposes her re-election as an Outside Director so that her knowledge and experience may be reflected in the Company's management and she may fulfill a supervisory function from this perspective.

Ms. Igarashi has never been directly involved with a company's management other than being an outside executive. However, she has been engaged in corporate legal affairs in Japan and overseas as an attorney for many years, and she has a high degree of legal expertise and international perspective in corporate legal affairs. As a result, the Company believes that Ms. Igarashi can perform the duties of an Outside Director properly.

Ms. Igarashi is a partner at Nishimura & Asahi. The Company has a business relationship with Nishimura & Asahi concerning legal services. However, the Company and said law office have not entered into an advisory agreement.

The average amount of legal fees paid to said law office including Nishimura & Asahi LPC with which said law office conducts joint legal operations, and so on below amounted to less than 1% of the Company's net sales and less than 2% of said law office's total revenue. Therefore, there is no risk of a conflict of interest with general shareholders and Ms. Igarashi's independence is unaffected.

Notes:

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

<Reference>

Skill Matrix of Board of Directors

	Name	Corporate Management	Sales, Purchasing	Engineering, R&D	Production, Quality Management, Safe & Environment	Overseas segment	Finance & Accounting	Corporate Planning, Legal, Personnel
1	Masahiro Otake	○	○			○	○	○
2	Michiaki Kato	○	○			○		
3	Masami Uchiyama	○			○	○		○
4	Hideharu Konagaya	○	○			○	○	
5	Katsuyuki Kusakawa	○		○		○		○
6	Jun Toyota	○	○			○		
7	Haruya Uehara	○				○	○	
8	Kingo Sakurai						○	
9	Chika Igarashi							○

Note : Above chart does not represent every skill of each directors.

**Proposal 3: Election of one (2) Audit and Supervisory Board Member**

The term of office of Audit and Supervisory Board Member Hiroshi Kimeda will expire at the conclusion of this meeting and Mr. Yukinobu Suzuki will resign as Audit and Supervisory Board Member at the conclusion of this meeting. Accordingly, the Company proposes the election of two (2) Audit and Supervisory Board Members. Furthermore, candidate for Audit and Supervisory Board Member Hidemi Yamaguchi has been nominated as a substitute for Audit and Supervisory Board Member Yukinobu Suzuki. Accordingly, as provided for in the Company’s Articles of Incorporation, his tenure will be until the expiration date of the retiring Audit and Supervisory Board Member’s tenure.

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

The candidates for Audit and Supervisory Board Member are as follows:

No. 1	<b>Hiroshi Kimeda</b> (born on September 26, 1967)	Up for re-election Outside Independent executive
Number of shares of the Company held: 0 shares	<b>Career history, position and important positions concurrently held</b>	
	April 1993	Public Prosecutor, Tokyo District Public Prosecutors Office
	April 1997	Public Prosecutor, Special Investigation Department, Tokyo District Public Prosecutors Office
	August 1998	Visiting scholar, Notre Dame Law School in U.S.A.
	June 1999	Public Prosecutor, Criminal Affairs Bureau, Ministry of Justice
	June 2001	Assistant Division Chief, Planning and Legal Division, Financial Services Agency
	August 2002	Registered as an attorney Joined Nishimura & Partners (currently Nishimura & Asahi) (present position)
	December 2011	Outside Director, Advance Create Co., Ltd. (present position)
	January 2019	Outside Audit and Supervisory Board Member, the Company (present position)
	(Significant concurrent positions outside the Company) Partner attorney, Nishimura & Asahi Outside Director, Advance Create Co., Ltd.	

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

Mr. Hiroshi Kimeda is an attorney. The Company proposes his re-election as an Outside Audit and Supervisory Board Member for the purpose of using his knowledge and experience to strengthen the Company’s auditing activities.

The candidate, Mr. Hiroshi Kimeda, is a partner at Nishimura & Asahi. The Company has a business relationship with Nishimura & Asahi concerning legal services. However, the Company and said law office have not entered into an advisory agreement.

The average amount of legal fees paid to said law office including Nishimura & Asahi LPC with which said law office conducts joint legal operations, and so on below amounted to less than 1% of the Company’s net sales and less than 2% of said law office’s total revenue. Therefore, there is no risk of a conflict of interest with general shareholders and Mr. Hiroshi Kimeda’s independence is unaffected.

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**Reason for determining that the candidate can properly perform the duties of an Outside Audit and Supervisory Board Member**

Mr. Kimeda has never been directly involved with a company's management other than being an outside executive. However, he has sufficient knowledge as an expert in corporate legal affairs and adequate insight for governing corporate management as an attorney. As a result, the Company believes that Mr. Kimeda can perform the duties of an Outside Audit and Supervisory Board Member properly.

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

No.2

**Hidemi Yamaguchi** (born on January 2, 1954)

First-time candidate  
Outside  
Independent executive

Number of shares of  
the Company held:  
0 shares

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

April 1972	Joined Tokyo Regional Taxation Bureau
July 2002	Deputy District Director, Sumiyoshi Tax Office
July 2007	Director, Planning Division, Management and Co-ordination Department, Tokyo Regional Taxation Bureau
July 2008	District Director, Kitazawa Tax Office
July 2013	Assistant Regional Commissioner, Second Large Enterprise Examination Department, Tokyo Regional Taxation Bureau
August 2014	Registered as certified tax accountant
July 2016	Adviser (part time), the Company (present position)
September 2016	Outside Director (Audit & Supervisory Committee Member), TOYO DRILUBE CO., LTD. (present position)
June 2021	Independent Audit & Supervisory Board Member, Dainichiseika Color & Chemicals Mfg. Co., Ltd. (present position)

(Significant concurrent positions outside the Company)

Outside Director (Audit & Supervisory Committee Member), TOYO DRILUBE CO., LTD.

Independent Audit & Supervisory Board Member, Dainichiseika Color & Chemicals Mfg. Co., Ltd.

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

Mr. Hidemi Yamaguchi is a certified tax accountant. The Company proposes his election as an Outside Audit and Supervisory Board Member for the purpose of using his knowledge and experience to strengthen the Company's auditing activities.

Since July 2016, he has served as part-time Adviser for the Company. However, the annual amount of his advisory fees is less than ¥4 million. Therefore, there is no risk of a conflict of interest with general shareholders and Mr. Yamaguchi's independence is unaffected.

**Reason for determining that the candidate can properly perform the duties of an Outside Audit and Supervisory Board Member**

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

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

Notes:

1. Mr. Hiroshi Kimeda and Mr. Hidemi Yamaguchi are the candidates for Outside Audit and Supervisory Board Member. In addition, Mr. Yamaguchi is a first-time candidate for Outside Audit and Supervisory Board Member.
2. Matters to the candidate for Outside Audit and Supervisory Board Member are as follows.
  - (1) The Company has submitted a notice to the Tokyo Stock Exchange that Mr. Kimeda has been designated as an independent executive in accordance with the regulations of this exchange. If his re-election is approved, the Company plans for his appointment as an independent executive to continue. In addition, Mr. Yamaguchi fulfills the requirements for independence stipulated by the Tokyo Stock Exchange and, if his election is approved, the Company plans to submit a notice to this exchange that Mr. Yamaguchi is an independent executive.
  - (2) Mr. Kimeda assumed office as Outside Audit and Supervisory Board Member on January 31, 2019, in conjunction with the resignation of Outside Audit and Supervisory Board Member Koichi Kusano. Therefore, his tenure as Outside Audit and Supervisory Board Member will be four years and five months at the conclusion of this General Meeting of Shareholders.
  - (3) Liability limitation agreements with Outside Audit and Supervisory Board Members  
To enable Outside Audit and Supervisory Board Members to perform their duties as expected, current Articles of Incorporation provide for agreements that limit the liability of Outside Audit and Supervisory Board Members for matters specified by laws and regulations concerning liability in Article 423, paragraph 1 of the Companies Act and in accordance with Article 427, paragraph 1 of this act.  
These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations. Outside Audit and Supervisory Board Member candidate Mr. Kimeda has established the agreement with the Company. If he is re-elected, the Company plans to renew the agreement with him. In addition, if Outside Audit and Supervisory Board Member candidate Mr. Yamaguchi is elected, the Company plans to enter into the agreement with him.
  - (4) Directors and officers liability insurance policies covering Outside Audit and Supervisory Board Member candidates  
The Company has taken out a directors and officers liability insurance policy with an insurance company, in accordance with Article 430-3, paragraph 1 of the Companies Act, uses this insurance policy to cover any damages incurred by the insured parties including Audit and Supervisory Board Members of the Company should they receive a claim related their assumption or pursuit of responsibilities in connection with the performance of their duties, and bears the expense of all insurance premiums.  
If the candidates are elected as Outside Audit and Supervisory Board Members, they will be included among the persons insured by this insurance policy.  
Moreover, the Company plans to renew the policy with the same policy details at the next policy renewal date.

## **BUSINESS REPORT** (from April 1, 2022 to March 31, 2023)

### **1. Matters related to the KOITO Group**

#### **1) Performance and results of business activities**

Regarding the economic condition in Japan and overseas during fiscal 2023, although there has been a sign of normalization from prolonged COVID-19 effects, the recovery was slow and the outlook remained uncertain due to re-expansion of infection in China, rapid rising prices and geopolitical risks, etc.

As for the global automobile production volume, although the recovery was delayed in Japan and China due to the re-expansion of infections and the continuing shortage of semiconductors, it increased from the previous year due to a recovery in each region, especially in North America and Asia.

In this climate, the consolidated net sales in Japan increased slightly, decreased in China due to the decrease in the automobile production for Japanese vehicles. However, the consolidated net sales considerably increased 13.7% year on year to ¥864.7 billion which is the historically highest due to the recovery of automobile production in each region, mainly in North America and Asia, increased new orders, a shift in automobile lamps to LED and the effect of foreign exchange conversion.

Results by geographical segment are outlined as follows:

Japan	Although the automobile production volume increased year on year, the net sales increased only 2.8% year on year to ¥321.0 billion due to the shortage of semiconductors especially for premium cars.	Composition of sales 37.1%
North America	The net sales increased 34.9% year on year to ¥250.3 billion yen due to a recovery in automobile production, new orders and a shift in automobile lamps to LED and effect of foreign exchange conversion.	Composition of sales 29.0%
China	The net sales decreased 15.4% year on year to ¥93.0 billion yen due to the decrease of automobile production for Japanese vehicles by re-expansion of infections and the continuing shortage of semiconductors.	Composition of sales 10.8%
Asia	The net sales increased 31.9% year on year to ¥145.6 billion due to an increase in the automobile production volume, new orders, a shift in automobile lamps to LED and the effect of foreign exchange conversion.	Composition of sales 16.8%
Europe	The net sales increased 24.5% year on year to ¥41.5 billion due to a recovery in the automobile production volume and a shift in automobile lamps to LED.	Composition of sales 4.8%
Other regions (NAL Brasil)	The net sales increased 43.1% year on year to ¥13.0 billion due to a recovery in the automobile production volume, new orders, and the effect of foreign exchange conversion.	Composition of sales 1.5%

Regarding profits, although each segment promoted initiatives to improve and rationalize operations, the operating income decreased 12.3% year on year to ¥46.8 billion, and recurring profit decreased 19.9% year on year to ¥48.5 billion, the net income attributable to the owners of the parent decreased 22.6% year on year to ¥29.6 billion, due to a rise in various costs such as raw material costs, distribution and utility costs around the world, increased labor costs caused by the tight employment situations mainly in North America and Europe, and increased in fixed cost due to the sudden fluctuations in production in Japan and China.

## **2) Capital expenditures**

Capital expenditures totaled ¥42.4 billion. Outlays were centered on the automotive lighting equipment segment, primarily for equipment, molds, and buildings & structures for adapting to new products and model changes, and investments for carbon neutrality in Japan and overseas.

## **3) Financing**

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

## **4) Key issues**

The KOITO Group's key issues are to respond flexibly to rapid changes in the management environment, such as the advance of electrification and autonomous driving for next-generation mobility, to increase our corporate value, and to contribute to the realization of a sustainable society. To meet these challenges, we have formulated the KOITO VISION, "Lighting the Way for Our Sustainable Future," under which we are working towards "Enforcement of Corporate Foundation," "Sustainable Growth," and "Coexistence with the Earth and Society."

For "Enforcement of Corporate Foundation," we aim to strengthen and reform "manufacturing and human development" by combining the Group's accumulated technologies and expertise with the latest IT in addition to strengthening our development, production and sales structure, and developing human resources that will drive the Group's development.

Furthermore, by strengthening product safety and quality assurance, legal compliance, and internal controls and information security, we are working to enhance our corporate governance to gain the trust of all stakeholders.

For "Sustainable Growth," we will quickly bring attractive products to market in order to deliver safety and peace of mind to a multitude of people around the world.

We will gain customer satisfaction and trust by popularizing Adaptive Driving Beam (ADB) headlamps, which contribute to reducing traffic accidents, and by developing and providing LiDAR, all-weather cameras, and communication lamps, looking ahead to an autonomous driving society.

For "Coexistence with the Earth and Society," we are strengthening our activities aiming to reduce CO<sub>2</sub> emissions by 50% from fiscal 2013 levels by fiscal 2030 and to achieve carbon neutrality by fiscal 2050, in order to realize a decarbonized society. At the same time, we are promoting the "Eco-friendly Manufacturing for People and the Earth," such as reduction of environmental impact substances, recycling of materials, and other activities.

In addition, we will aim to become a company where all employees can fulfill their potential through work style reform and promotion of diversity.

Under the corporate message of “Lighting for Your Safety,” the KOITO Group will contribute as a global supplier to the safety and peace of mind of the transport society. We ask our shareholders for their continued understanding and support.

(Reference) The KOITO Group's materiality

We have identified priority issues (materiality) that we will focus on through our business activities and formulated a declaration of initiatives from the perspectives of "environment," "safety / peace of mind," and "corporate foundation," aiming to become a company that coexists with the Earth and contributes to a sustainable society by resolving social issues, including the SDGs.

	Materiality	Relevant SDGs	Declaration of KOITO's initiatives
Environment	<ul style="list-style-type: none"> <li>Prevention of global warming</li> <li>Reduction of environmental impact substances and waste</li> <li>Conservation of water resources</li> </ul>		<ul style="list-style-type: none"> <li>We will promote reduction of CO2 emissions and environmental impact substances, and resource recycling guided by the theme of "Eco-friendly Manufacturing for People and the Earth."</li> <li>We will contribute to the reduction of CO2 emissions by further improving the light emission efficiency and reducing the weight of mainstay products.</li> </ul>
	<ul style="list-style-type: none"> <li>Reduction of traffic accidents</li> <li>Technological development contributes to materialize a sustainable society</li> <li>Enhancement of product quality</li> </ul>		<ul style="list-style-type: none"> <li>We will strive to achieve sustainable growth and resolve social issues by developing and providing socially beneficial and safe products and services.</li> <li>Looking ahead to autonomous driving society, we will promote product development of sensors (LiDARs and cameras).</li> <li>We will gain customers' satisfaction and trust through developing and providing safe and high-quality products and services.</li> </ul>
Corporate foundation	<ul style="list-style-type: none"> <li>Compliance</li> <li>Corporate governance</li> </ul>		<ul style="list-style-type: none"> <li>We will enhance corporate governance and strengthen compliance to establish sound management system.</li> </ul>
	<ul style="list-style-type: none"> <li>Information security</li> </ul>		<ul style="list-style-type: none"> <li>We will strive to protect information assets by preparing for risks on information security.</li> </ul>
	<ul style="list-style-type: none"> <li>Human resource development</li> <li>Healthy and safe working environment</li> <li>Workstyle reform</li> </ul>		<ul style="list-style-type: none"> <li>We will strive to provide a healthy and safe workplace environment in which all employees can make the best use of their capabilities and fulfill their potential.</li> </ul>
	<ul style="list-style-type: none"> <li>Protection of human rights</li> </ul>		<ul style="list-style-type: none"> <li>We will promote initiatives to respect the human rights of all persons.</li> </ul>
	<ul style="list-style-type: none"> <li>Disaster prevention</li> </ul>		<ul style="list-style-type: none"> <li>We will strengthen our disaster prevention system throughout the supply chain.</li> </ul>

## 5) Changes in assets and profit (loss)

	million yen (except per share amounts)			
	120th Term	121st Term	122nd Term	<b>123rd Term</b>
	April 1, 2019 – March 31, 2020	April 1, 2020 – March 31, 2021	April 1, 2021 – March 31, 2022	<b>April 1, 2022 – March 31, 2023</b>
<b>Net sales</b>	800,928	706,376	760,719	<b>864,719</b>
<b>Profit attributable to owners of parent</b>	58,022	37,612	38,340	<b>29,660</b>
<b>Net income per share (yen)</b>	180.49	117.00	119.26	<b>92.26</b>
<b>Total assets</b>	729,715	782,163	855,237	<b>905,909</b>
<b>Net assets</b>	513,524	569,438	627,315	<b>670,506</b>

Notes:

1. Net income per share is based on the average number of shares issued in each fiscal year after deducting treasury stock.
2. The Company conducted a 2-for-1 share split of common shares, effective as of October 1, 2022. Net income per share is calculated assuming that the split was conducted at the beginning of the 120th term (fiscal 2020).

## 6) Significant subsidiaries

### i. Significant subsidiaries

#### 1) Domestic subsidiaries

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

Note:

Percentages in parentheses represent the equity ownership percentage for subsidiaries and are included in the total.

## 2) Overseas subsidiaries

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

Note:

Percentages in parentheses represent the equity ownership percentage for subsidiaries and are included in the total.

ii. Technology alliances

The Company has technology alliances primarily with the following companies.

1) Agreements to provide technological support

Company name	Country
Industrias Arteb S.A.	Brazil
Farba Otomotiv A.S.	Turkey
Lumotech (Pty.) Ltd.	South Africa
AuVitronics Limited	Pakistan

2) Agreements to receive technological support

Company name	Country
PTI Technologies Inc.	USA

**7) Description of principal businesses (as of March 31,2023)**

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

## 8) Main offices and plants (as of March 31, 2023)

### i. The Company

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

Note: The Head Office, Tokyo Branch and Tokyo Sales Office of the Company have been moved from Minato-ku, Tokyo to Shinagawa-ku, Tokyo as of March 1, 2023.

### ii. Subsidiaries

#### 1) Domestic subsidiaries

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

Note: Koito Insurance Services Co., Ltd. has been moved from Minato-ku, Tokyo to Shinagawa-ku, Tokyo as of March 1, 2023.

## 2) Overseas subsidiaries

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

## 9) Employees (as of March 31, 2023)

Number of employees	Change from previous fiscal year
23,488	+34

## 10) Principal lenders (as of March 31, 2023)

Lender	Outstanding amount of loan (million yen)
MUFG Bank, Ltd.	13,855
Sumitomo Mitsui Banking Corporation	3,278
Mizuho Bank, Ltd.	2,248

## 2. Shares (as of March 31, 2023)

### 1) Total number of shares authorized to be issued 640,000,000 shares

Note: The total number of shares authorized to be issued has increased by 320,000,000 shares due to the share split (2-for-1 share split of common shares) conducted on October 1, 2022.

### 2) Total number of shares issued 321,578,872 shares

Note: The total number of shares issued has increased by 160,789,436 shares due to the share split (2-for-1 share split of common shares) conducted on October 1, 2022.

### 3) Number of shareholders 8,263

### 4) Principal shareholders

Shareholders	Number of shares held (thousand shares)	Ratio of shares held (%)
TOYOTA MOTOR CORPORATION	64,316	20.0
The Master Trust Bank of Japan, Ltd. (Trust account)	44,208	13.8
STATE STREET BANK AND TRUST COMPANY 505223	10,904	3.4
Sumitomo Mitsui Banking Corporation	10,885	3.4
Custody Bank of Japan, Ltd. (Trust account)	10,611	3.3
MUFG Bank, Ltd.	10,308	3.2
Nippon Life Insurance Company	9,688	3.0
The Dai-ichi Life Insurance Company, Limited	8,001	2.5
JP MORGAN CHASE BANK 385632	7,561	2.4
Aioi Nissay Dowa Insurance Co., Ltd.	5,702	1.8

Note: Ratio of shares held is calculated by deducting treasury stock (86,519 shares).

#### <Reference> Distribution by owners

Financial institution	37.7%
Foreign corporation, etc.	32.5%
Other domestic corporation	25.3%
Individual, etc.	3.7%
Financial instruments business operator (brokerage house)	0.8%

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

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

Name	First Issue of Subscription Rights to Shares (Stock compensation-type stock options)
Date of issuance resolution	June 26, 2015
Status of subscription rights to shares held by executives	Number of holders: 6 Directors (except Outside Directors)
Number of subscription rights to shares	180
Type and number of shares subject to subscription rights to shares	Common shares 36,000 shares
Amount to be paid upon exercise of subscription rights to shares	One (1) yen per share
Exercise period of subscription rights to shares	July 30, 2015 - July 29, 2045
Primary condition for exercise of subscription rights to shares	Once an individual is no longer the Company's Director or Corporate Officer, any subscription rights to shares held can be exercised only during the 10-day period starting on the next day following the day the Company's position ended.

#### 4. Company's executives

##### 1) Directors and Audit and Supervisory Board Members (as of March 31, 2023)

Position	Name	In charge of/Important positions concurrently held
Chairman	Masahiro Otake	
President	Michiaki Kato	
Executive Vice President	Kenji Arima	Engineering Headquarters Sales Headquarters Mobility Strategy Department Research & Development Department DX Promotion
Executive Vice President	Masami Uchiyama	Production Headquarters Shizuoka Plant Sustainability Promotion Office General Affairs Department, Shizuoka Logistics Department Safety Environment Department Production Control Department Electronics Products Production Department
Senior Managing Director	Hideharu Konagaya	Finance & Accounting Headquarters Purchasing Headquarters
Senior Managing Director	Katsuyuki Kusakawa	Corporate Planning Department Compliance Department Personnel Department Cost Administration Department DX Promotion
Director (Outside) (Independent executive)	Haruya Uehara	Senior Advisor, Mitsubishi UFJ Trust and Banking Corporation
Director (Outside) (Independent executive)	Kingo Sakurai	Certified public accountant
Director (Outside) (Independent executive)	Chika Igarashi	Attorney, Partner of Nishimura & Asahi
Standing Audit and Supervisory Board Member	Mitsuo Kikuchi	
Standing Audit and Supervisory Board Member	Koichi Sakakibara	
Audit and Supervisory Board Member (Outside) (Independent executive)	Yukinobu Suzuki	Certified tax accountant Audit and Supervisory Board Member, Koito Insurance Services Co., Ltd.
Audit and Supervisory Board Member (Outside) (Independent executive)	Hiroshi Kimeda	Attorney, Partner of Nishimura & Asahi Outside Director, Advance Create Co., Ltd.

Notes:

1. Director Haruya Uehara, Director Kingo Sakurai and Director Chika Igarashi are Outside Directors.
2. Audit and Supervisory Board Members Yukinobu Suzuki and Hiroshi Kimeda are Outside Audit and Supervisory Board Members.
3. Audit and Supervisory Board Member Yukinobu Suzuki is a certified tax accountant who has considerable expertise in the fields of finance and accounting.
4. The Company has submitted a notice to the Tokyo Stock Exchange that Director Haruya Uehara, Director Kingo Sakurai, Director Chika Igarashi, Audit and Supervisory Board Member Yukinobu Suzuki and Audit and Supervisory Board Member Hiroshi Kimeda have been designated as independent executive in accordance with the regulations of this exchange.
5. On the basis of the stipulations of Article 427, paragraph 1 of the Companies Act, the Company and its Outside Directors and its Outside Audit and Supervisory Board Members have concluded an agreement limiting restitution liability for Article 423, paragraph 1 of the same act. These agreements limit the monetary liability to the minimum liability amount specified by laws and regulations.
6. The Company has taken out a directors and officers liability insurance policy with an insurance company in accordance with Article 430-3, paragraph 1 of the Companies Act.  
The scope of insured persons under this policy covers Directors, Audit and Supervisory Board Members, and Corporate Officers of the Company, and the Company bears the expense of all insurance premiums.  
This insurance policy covers damages incurred by the insured parties should they receive a claim or pursuit of responsibilities in connection with the performance of their duties.  
However, in order to ensure that the appropriateness of an insured party's execution of his or her duties is not impaired, the policy does not cover claims for damages arising from willful misconduct or gross negligence.

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

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

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

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

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

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

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

The goal of stock compensation-type stock options is to motivate company managers to contribute to improving business performance and corporate value in the medium to long term by sharing the benefit of rising stock prices and the risk of falling stock prices with shareholders. The number of stock options granted is based on each Director's status of business execution and level of contribution, etc., and Directors are able to exercises their options once they have lost their position as Director.

The Board of Directors consults the Remuneration Committee regarding the policy for determining remuneration, etc. and the policy, etc. for determining the remuneration for individual Directors.

The remuneration for individual Directors is determined by consultations among Representative Directors based on the authorization of the Board of Directors and in consideration of the deliberations and decisions of the Remuneration Committee.

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

ii. The remuneration of Audit and Supervisory Board Members

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

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

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

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

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

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

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

The remuneration for individual Directors is determined by consultations among Representative Directors based on the authorization of the Board of Directors and in consideration of the deliberations and decisions of the Remuneration Committee.

The Remuneration Committee is an advisory body for the Board of Directors. To ensure objectivity and transparency with respect to the procedures for determining the remuneration of Directors, etc., the committee comprises three (3) independent Outside Directors and two (2) inside Directors.

The remuneration for each Director in the fiscal year under review was determined by consultation among Chairman Masahiro Otake, President Michiaki Kato, Executive Vice President Kenji Arima, and Executive Vice President Masami Uchiyama, who are Representative Directors, based on the authorization of the Board of Directors. Each person in charge is as described on page 32.

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

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

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

	Number of eligible officers	Total amount of remuneration, etc. by type (million yen)		Total amount of remuneration, etc. (million yen)
		Fixed remuneration	Performance-linked remuneration	
For Directors	15	570	241	811
For Audit and Supervisory Board Members	4	103	—	103
<b>Total</b>	<b>19</b>	<b>673</b>	<b>241</b>	<b>915</b>

Notes:

1. The above table includes six retired Directors at the conclusion of the 122nd Ordinary General Meeting of Shareholders held on June 29, 2022.
2. Aggregate remuneration for the Outside Directors and Outside Audit and Supervisory Board Members, a total of five individuals, was ¥64 million. (Fixed remuneration only.)

3. In addition to the above, the Company resolved to abolish its Directors' and Audit and Supervisory Board Members' executive retirement bonuses payment system at the conclusion of the 112nd Ordinary General Meeting of Shareholders held on June 28, 2012 and to grant executive retirement bonuses, at the time of the retirement of each person involved, to cover the period in post up to the abolition of the system to Directors and Audit and Supervisory Board Members continuing in post subsequent to the conclusion of the aforementioned General Meeting of Shareholders. On the basis of this resolution, an executive retirement bonus of ¥525 million was paid to three retired Directors. These amounts included ¥197 million, which were transferred from provision for Directors' retirement benefits included in the total remuneration, etc. to executives in the business report for past years.
4. Besides the above, one Outside Audit and Supervisory Board Member receives executives' remuneration of ¥0 million from Koito Insurance Services Co., Ltd., a subsidiary of the Company.
5. For Performance-linked remuneration, recurring profit is used as an indicator since it reflects the overall results of the Company's management activities, and the remuneration is calculated giving consideration to the year-on-year change in this indicator. The amounts listed for recurring profit for the fiscal year under review and for the previous fiscal year are the amounts presented in the non-consolidated statements of income.

### **3) Outside executives**

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

Director Haruya Uehara is a Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation.

Director Chika Igarashi is a Partner of Nishimura & Asahi. The Company has a business relationship with Nishimura & Asahi concerning legal services.

Audit and Supervisory Board Member Yukinobu Suzuki is an Audit and Supervisory Board Member of Koito Insurance Services Co., Ltd., which is a subsidiary of the Company. The Company has a business relationship related to insurance agency services with Koito Insurance Services Co., Ltd.

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

ii. Major activities during the fiscal year ended March 2023

	Name	Attendance at the Board of Directors Meetings	Attendance at the Audit and Supervisory Board Meetings	Major activities and status of duties conducted in relation to expected role as Outside Director
Outside Director	Haruya Uehara	11 of the 12 meetings (91.7%)	–	Mr. Haruya Uehara played an appropriate role in ensuring the adequacy and appropriateness of decisions by the Board of Directors, such as providing opinions and other information based on his knowledge and experience concerning corporate management. He also performed a supervisory function, such as sharing information through meetings with the audit department.
Outside Director	Kingo Sakurai	All 12 meetings (100.0%)	–	Mr. Kingo Sakurai played an appropriate role in ensuring the adequacy and appropriateness of decisions by the Board of Directors, such as providing opinions and other information based on his knowledge and experience as a certified public accountant. He also performed a supervisory function, such as sharing information through meetings with the audit department.
Outside Director	Chika Igarashi	9 of the 10 meetings (90.0%)	–	Ms. Chika Igarashi played an appropriate role in ensuring the adequacy and appropriateness of decisions by the Board of Directors, such as providing opinions and other information based on her knowledge and experience as an attorney. She also performed a supervisory function, such as sharing information through meetings with the audit department.
Outside Audit and Supervisory Board Member	Yukinobu Suzuki	All 12 meetings (100.0%)	All 8 meetings (100.0%)	Mr. Yukinobu Suzuki provided opinions primarily by using his financial and tax practice expertise and performed other activities for verifying the adequacy and appropriateness of decisions by the Board of Directors, etc. and offering other advice and ideas.

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

Note: As Director Chika Igarashi was elected at the 122nd Ordinary General Meeting of Shareholders on June 29, 2022, the number of the Board of Directors meetings held during the fiscal year which she could attend is different from that of the other Outside Directors.

## 5. Independent Auditors

### 1) Name of Independent Auditors

ARK LLC

### 2) Remuneration, etc. to the Independent Auditors

	Amount paid (million yen)
1. Amount of remuneration, etc. paid by the Company	70
2. Total amount of money and other property benefits paid by the Company and its subsidiaries	73

Notes:

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

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

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

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

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

### **6. System for ensuring appropriate business execution**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **1) Compliance system**

To strengthen our compliance system, the Company has established the Compliance Committee, Compliance Department, Internal Audit Department, and whistle-blower internal reporting desks (corporate ethics consulting desks).

The Compliance Committee meets regularly to confirm and follow up on the activity plans and results of the Compliance Department and Internal Audit Department, the operation status of the corporate ethics consulting desks, and responses to risks, among others.

The Compliance Department disseminates the KOITO Group Corporate Behavior Charter and related rules and regulations, conducts compliance training programs by hierarchy and by topics such as the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, conducts awareness surveys regarding the KOITO Group Corporate Behavior Charter and compliance, promotes use of the corporate ethics consulting desks, and fosters compliance awareness among employees.

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

Corporate ethics consulting desks have been established both internally and externally (at a law firm). All employees and affiliated companies are informed of the contact information for the corporate ethics consulting desks, and internal regulations are in place to protect the privacy of informants and to ensure that they are not disadvantaged in the workplace, thereby aiming to improve its viability. The operational situation of the corporate ethics consulting desks is also regularly reported to the Board of Directors and other relevant bodies.

### **2) System concerning the execution of duties by Directors**

At the Company, based on the Company's regulations, management decisions and supervision are conducted by the Board of Directors, the execution of duties is conducted by Directors and Corporate Officers, and the execution of duties is audited by Audit and Supervisory Board Members. The Board of Directors, which comprises 9 Directors (including 3 Outside Directors), in principle meets once per month and is attended by Directors and Audit and Supervisory Board Members. It reports on progress in the execution of duties and makes decisions on important matters.

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

### **3) Risk management system**

The Company has Risk Management Regulations in order to be prepared for a quick and accurate response in the event of a risk that has a serious impact on business operations. Risk factors

involving laws and regulations, the start of overseas operations, product quality, information security, natural disasters and other items are examined by every business unit and there are measures to maintain and improve risk management system.

#### **4) System for management of Group companies**

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

#### **5) System concerning Audit and Supervisory Board Members**

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

## **8. Basic policy concerning corporate control**

### **1) Explanation of basic policy**

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

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

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

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

### **2) Initiative to enhance corporate value**

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

Strategies for taking KOITO forward are as follows:

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

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

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

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

# FINANCIAL STATEMENTS, ETC.

## Consolidated Balance Sheet

(¥ millions)

	Fiscal 2022 As of March 31, 2022	Fiscal 2023 As of March 31, 2023
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	323,943	315,039
Trade notes	3,797	5,060
Electronically recorded monetary claims-operating	9,888	9,391
Accounts receivable	113,437	131,104
Contract Assets	918	3,136
Inventories	90,760	95,669
Other current assets	36,723	34,912
Allowance for doubtful accounts	(382)	(271)
<b>Total current assets</b>	<b>579,086</b>	<b>594,042</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures (net)	55,831	56,363
Machinery and transportation equipment (net)	75,334	78,745
Fixtures, equipment and tools (net)	17,453	18,462
Land	16,181	18,572
Construction in progress	17,054	16,804
Other property, plant and equipment	752	5,372
<b>Total property, plant and equipment</b>	<b>182,608</b>	<b>194,320</b>
<b>Intangible fixed assets</b>	<b>3,103</b>	<b>2,692</b>
<b>Investments and other assets:</b>		
Investment securities		
Marketable Securities	73,856	95,510
Claims provable in bankruptcy, claims provable in rehabilitation and other	16	270
Deferred income tax assets	10,863	13,288
Net defined assets for retirement benefits	2,804	2,849
Other investments	3,034	3,325
Allowance for doubtful accounts	(136)	(390)
<b>Total investments and other assets</b>	<b>90,438</b>	<b>114,853</b>
<b>Total non-current assets</b>	<b>276,150</b>	<b>311,866</b>
<b>Total assets</b>	<b>855,237</b>	<b>905,909</b>

Note: Yen in millions, rounded down

(¥ millions)

	Fiscal 2022 As of March 31, 2022	Fiscal 2023 As of March 31, 2023
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade notes and accounts payable	102,641	107,216
Electronically recorded monetary obligations-operating	5,050	3,712
Short-term loans	24,531	22,647
Accrued expenses	23,781	24,693
Income taxes payable	7,319	7,225
Contract liabilities	1,872	2,017
Allowance for employees' bonuses	5,527	6,386
Reserve for product warranties	3,108	3,560
Other current liabilities	7,573	9,457
<b>Total current liabilities</b>	<b>181,404</b>	<b>186,918</b>
<b>Non-current liabilities:</b>		
Long-term debt	490	—
Deferred income tax liabilities	15,473	17,567
Allowance for directors' and corporate auditors' retirement benefits	298	321
Reserve for product warranties	5,151	4,105
Allowance for environmental strategies	10	—
Net defined liability for retirement benefits	23,097	20,987
Other non-current liabilities	1,995	5,500
<b>Total non-current liabilities</b>	<b>46,517</b>	<b>48,483</b>
<b>Total liabilities</b>	<b>227,922</b>	<b>235,402</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Common stock	14,270	14,270
Additional paid-in capital	13,399	13,420
Retained earnings	509,958	530,939
Treasury common stock, at cost	(49)	(45)
<b>Total shareholders' equity</b>	<b>537,578</b>	<b>558,585</b>
<b>Accumulated other comprehensive income:</b>		
Valuation adjustment on marketable securities	23,560	24,942
Translation adjustments	27,924	43,019
Adjustments in defined benefit plans	1,895	2,111
<b>Total accumulated other comprehensive income</b>	<b>53,379</b>	<b>70,073</b>
<b>Subscription rights to shares</b>	<b>199</b>	<b>171</b>
<b>Non-controlling interests</b>	<b>36,157</b>	<b>41,675</b>
<b>Total net assets</b>	<b>627,315</b>	<b>670,506</b>
<b>Total liabilities and net assets</b>	<b>855,237</b>	<b>905,909</b>

Note: Yen in millions, rounded down

## Consolidated Statement of Income

(¥ millions)

	Fiscal 2022 April 1, 2021 to March 31, 2022	Fiscal 2023 April 1, 2022 to March 31, 2023
<b>Net sales</b>	760,719	864,719
Cost of sales	664,669	768,889
<b>Gross profit</b>	96,050	95,829
Selling, general and administrative expenses:		
selling expenses	14,937	15,709
General and administrative expenses	27,678	33,273
Selling, general and administrative expenses	42,615	48,982
<b>Operating income</b>	53,434	46,847
Non-operating income:		
Interest income	1,329	1,842
Dividends	1,271	1,416
Foreign exchange gains	1,793	—
Gain on operation of Investment Business Association	1,092	—
Royalty income, other	553	560
Other non-operating income	3,116	2,540
Total non-operating income	9,157	6,360
Non-operating expenses:		
Interest expenses	781	921
Shares of loss of entities accounted for using equity method	656	684
Foreign exchange losses	—	2,009
539Other non-operating expenses	539	1,060
Total non-operating expenses	1,978	4,675
<b>Recurring profit</b>	60,613	48,532
Extraordinary gains:		
Gain on sales of property and equipment	49	12,000
Gain on sales of investment securities	1,067	—
Other extra ordinary gains	—	487
Total extraordinary gains	1,117	12,488
Extraordinary losses:		
Loss on sales and disposal of property and equipment	479	855
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	10	10,109
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	68	—
Impairment loss	—	609
Loss on disasters	—	371
Total extraordinary losses	558	11,945
<b>Income before income taxes</b>	61,172	49,074
Income tax, inhabitant tax and business tax	16,511	13,947
Income tax adjustment	2,676	876
Total income taxes	19,188	14,824
<b>Profit</b>	41,984	34,250
(Breakdown)		
Profit attributable to owners of parent	38,340	29,660
Profit attributable to non-controlling interests	3,644	4,589

Note: Yen in millions, rounded down

**Consolidated Statement of Changes in Shareholders' Equity**

Fiscal 2023 (April 1, 2022 to March 31, 2023)

(¥ millions)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	14,270	13,399	509,958	(49)	537,578
Changes during fiscal year					
Dividends from retained earnings	—	—	(8,680)	—	(8,680)
Profit attributable to owners of parent	—	—	29,660	—	29,660
Purchases of treasury stock	—	—	—	(1)	(1)
Disposal of treasury stock	—	21	—	6	27
Changes in items other than shareholders' equity during fiscal year (net)	—	—	—	—	—
Total changes during fiscal year	—	21	20,980	4	21,006
Balance at fiscal year-end	14,270	13,420	530,939	(45)	558,585

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation adjustment on marketable	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	23,560	27,924	1,895	53,379	199	36,157	627,315
Changes during fiscal year							
Dividends from retained earnings	—	—	—	—	—	—	(8,680)
Profit attributable to owners of parent	—	—	—	—	—	—	29,660
Purchases of treasury stock	—	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	—	—	—	—	27
Changes in items other than shareholders' equity during fiscal year (net)	1,382	15,095	216	16,694	(27)	5,517	22,184
Total changes during fiscal year	1,382	15,095	216	16,694	(27)	5,517	43,191
Balance at fiscal year-end	24,942	43,019	2,111	70,073	171	41,675	670,506

Note: Yen in millions, rounded down

## Notes to consolidated financial statements

### 1. Significant Basis of preparation for consolidated financial statements

#### (1) Scope of consolidation

##### i. Consolidated subsidiaries

Number of consolidated subsidiaries: 27

Names of primary consolidated subsidiaries:

KOITO KYUSHU LIMITED and others 13 domestic subsidiaries

North American Lighting, Inc. and others 14 overseas subsidiaries

##### ii. Non-consolidated subsidiaries

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

Reason for exclusion from the scope of consolidation:

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

#### (2) Application of the equity method

##### i. Equity-method affiliates

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

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

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

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

Reason for not applying the equity method:

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

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

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

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

#### (4) Accounting policy

##### i. Valuation basis and methods for significant assets

a. Securities being held for trading: Market value method (Sales cost of securities is principally determined by the moving-average method)

b. Bonds being held to maturity: Cost amortization method (straight-line method)

c. Other securities:

Securities other than shares without market value, etc.

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

Shares without market value, etc.

Cost method based on the moving-average method

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

d. Derivatives: Market value method

e. Money trusts for investments: Market value method

f. Inventories:

The Company and its consolidated subsidiaries in Japan state inventories principally at cost as determined by the weighted average method (book values of inventories are lowered in accordance with declines in profitability). Foreign consolidated subsidiaries state inventories at the lower of cost or market as determined by the moving-average method.

ii. Depreciation and amortization method for principal assets

a. Property, plant and equipment (excluding leased assets):

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

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

b. Intangible fixed assets (excluding leased assets):

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

c. Leased assets: Leased assets under finance lease transactions that do not transfer ownership

Leased assets are depreciated with the straight-line method with the lease term regarded as the useful life and a residual value of zero.

iii. Significant allowances

a. Allowance for doubtful accounts:

The allowance for doubtful accounts for the Company and its consolidated subsidiaries in Japan is calculated by using the actual loss ratio for ordinary receivables and recording an estimate of the amount that cannot be recovered for specific doubtful receivables after determining the likelihood of collection. Foreign consolidated subsidiaries primarily record estimated amounts that cannot be recovered for specific receivables.

- b. Allowance for employees' bonuses:

The allowance for employees' bonuses for the Company and some of its consolidated subsidiaries in Japan is the estimated amount of bonuses to be paid to employees based on their services provided during the fiscal year.
- c. Reserve for product warranties:

Reserve for product warranties for the Company and some of its consolidated subsidiaries is the estimated amount of expenses associated with product warranties in accordance with the designated standards.
- d. Allowance for directors' and corporate auditors' retirement benefits:

Some consolidated subsidiaries in Japan recorded the amount of required payments at the end of the fiscal year in accordance with the benefit rules, to cover the payment of executive retirement bonuses paid at the time of retirement.
- iv. Recognition of significant revenues and expenses

The following is a summary of the principal performance obligations of the Company and its consolidated subsidiaries' principal businesses relating to revenue from contracts with customers and the usual time at which such performance obligations are satisfied (the usual time at which revenue is recognized).

  - Automotive lighting equipment segment

This segment's main business is manufacturing and marketing of automotive lighting equipment. For the sale of such products, revenue is recognized when the products are delivered to the customer or inspected by the customer.

Revenue is measured at the consideration promised in the contract with the customer, less returns, discounts and rebates.

The consideration for transactions is received within one year of satisfaction of the performance obligation and does not include significant financial elements.
- v. Standard for conversions into yen of major assets and liabilities denominated in foreign currencies

Foreign currency-denominated assets and liabilities are converted into yen using the spot exchange rate at the end of the fiscal year and any differences are recorded as gains or losses. At foreign consolidated subsidiaries, assets and liabilities are converted into yen using the spot exchange rate at the end of the fiscal year and income and expenses are converted into yen using the average fiscal year exchange rate. Differences are included in translation adjustments and non-controlling interests, which are part of net assets.
- vi. Principal methods of hedge accounting
  - a. Methods of hedge accounting:

In principle, the deferral hedge accounting is applied. Exceptional accounting method is applied to interest rate swaps that meet the requirements.
  - b. Hedging instruments and hedged items:

Items to be hedged are exchange rate fluctuation risks in transactions denominated in foreign currencies and interest rate fluctuation risks in loans. The Company adopts foreign

exchange contracts to hedge exchange rate fluctuation risks and interest rate swap agreements to hedge interest rate fluctuation risks.

c. Hedging policy:

The Company carries out hedging to avoid risks from foreign exchange and interest rate fluctuations pertaining to the hedged items. The Company in principle refrains from using hedges for the purpose of speculative transactions.

d. Hedge effectiveness evaluation methods:

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

vii. Amortization method and amortization period for goodwill:

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

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

viii. Other important basis of preparation for consolidated financial statements

Accounting method associated with retirement benefits:

To prepare for net defined assets and liability for retirement benefits to employees, provision has been made based on an estimate of the projected retirement benefit liability at the end of the fiscal year under review minus the fair value of the pension fund assets. When calculating retirement benefit obligation, the benefit formula basis is used to allocate estimated retirement benefits to the period up to this fiscal year-end. Actuarial gains and losses are amortized by the straight-line method over a certain period (mainly five years), which is within the average remaining service period of employees at the time of recognition, starting from the fiscal year following the respective fiscal year of recognition. In calculating retirement benefits, part of consolidated subsidiaries uses the simplified method of assuming their benefit obligations to be equal to the benefits payable that would be required if all employees retired at fiscal year-end.

## **2. Changes in accounting policies**

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021, Accounting Standards Board of Japan) from the beginning of the fiscal 2023. The Company has prospectively applied new accounting policies based on the Implementation Guidance on Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Article 27-2 of Accounting Standard for Fair Value Measurement. There is no impact on consolidated financial statements for the fiscal 2023 by this application.

(Application of FASB Accounting Standards Codification (ASC) Topic 842, “Leases”)

The Company’s overseas subsidiaries that apply U.S. GAAP have adopted ASC Topic 842, “Leases,” effective as of the beginning of the fiscal 2023. Consequently, the Company recognizes all leases as assets and liabilities on its balance sheets.

As a result, at the end of the fiscal 2023, other property, plant and equipment increased by ¥4,426 million, other current liabilities increased by ¥631 million, and other non-current liabilities increased by ¥3,795 million. The impact on the consolidated statements of income for the fiscal 2023 is immaterial.

### 3. Notes concerning accounting estimates

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

(Expenses for a product recall and other market treatment related to specific vehicle models)

There are expenses for a product recall and other market treatment related to specific vehicle models (¥4,062 million) included in accrued expenses. In estimating these liabilities, the Company records such expenses based on assumptions about likelihood of occurrence, cost burden ratio, and other factors, and actual incurrence may differ from the estimates.

(Convertible non-voting preference shares with no voting rights)

There are ¥13,307 million of convertible non-voting preference shares which are convertible to common shares and have no voting rights, included in investment securities. As classified shares with no market price, these preference shares are tested for impairment, with their substantial value determined by an option pricing model. In addition, observable information of companies similar to the issuer of the preference shares is used in the determination of information used in the calculation of the substantial value. If any change in the market or unforeseeable change in preconditions affects the calculation of the substantial value and the substantial value significantly declines compared with the cost in the future, recording of an impairment loss may be required.

### 4. Notes to consolidated balance sheets

- Accumulated depreciation of property, plant and equipment: ¥445,719 million

### 5. Notes to consolidated statements of changes in equity

(1) Total number of shares issued

Type of shares	Number of shares at the beginning of the fiscal 2023			(thousand shares)	
	Number of shares at the beginning of the fiscal 2023	Increase	Decrease	Number of shares at the end of the fiscal 2023	
Common shares	160,789	160,789	—	321,578	

Note:

A 2-for-1 stock split of common stock was conducted on October 1, 2022. As a result, the total number of shares issued increased by 160,789 thousand shares to 321,578 thousand shares.

(2) Type and number of treasury stock

Type of shares	Number of shares at the	Increase	Decrease	(thousand shares)
	beginning of the fiscal 2023			Number of shares at the end of the fiscal 2023
Common shares	48	43	6	86

Notes:

1. A 2-for-1 stock split of common stock was conducted on October 1, 2022. The increase in the number of treasury stock is due to an increase of 42 thousand shares resulting from the stock split, and an increase of 0 thousand shares resulting from the Company's purchase of fractional shares less than one unit.
2. The decrease in the number of treasury stock is due to the exercise of stock options.

(3) Dividends of surplus

i. Cash dividends

- a. Matters concerning dividends based on resolutions at the 122nd General Meeting of Shareholders (June 29, 2022)

Type of shares	Common shares
Aggregate dividends	¥4,822 million
Dividend per share	¥30
Record date	March 31, 2022
Effective date	June 30, 2022

- b. Matters concerning dividends based on resolutions at the Board of Directors Meeting (October 27, 2022)

Type of shares	Common shares
Aggregate dividends	¥3,857 million
Dividend per share	¥24
Record date	September 30, 2022
Effective date	December 5, 2022

Note:

A 2-for-1 stock split of common stock was conducted, effective as of October 1, 2022. Dividend per share shows the actual amount of dividend before the stock split.

- ii. Of the dividends whose record date falls within the fiscal 2023, the following is a dividend whose effective date will fall within the fiscal 2024

The Company plans to present a proposal on that dividend as follows for resolution at the 123rd General Meeting of Shareholders to be held on June 29, 2023.

Type of shares	Common shares
Aggregate dividends	¥5,143 million
Funds for the dividend	Retained earnings
Dividend per share	¥16
Record date	March 31, 2023
Effective date	June 30, 2023

Note:

A 2-for-1 stock split of common stock was conducted, effective as of October 1, 2022. Dividend per share shows the actual amount of dividend after the stock split.

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

Common shares	74,000 shares
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Note:

A 2-for-1 stock split of common stock was conducted on October 1, 2022. The number of shares shows the number of shares after the stock split.

## 6. Notes to financial instruments

### (1) Financial instruments

The KOITO Group places emphasis on safe investments of funds, prioritizing the preservation of principal. The Group has a policy of raising necessary funds by internal funds and bank loans. Trade receivables—trade notes, electronically recorded monetary claims-operating, and accounts receivable—are exposed to credit risks in relation to customers. The Group lowers those risks by performing maturity date management and balance management for each business partner.

Investment securities face risks of market price fluctuations, but they are mainly shares related to companies in business alliances and debt securities purchased with surplus funds, and the Group regularly monitors market prices of those securities.

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

(2) Fair value of financial instruments

The following table shows amounts recognized on the consolidated balance sheets, fair values, and the differences between them on March 31, 2023.

	Balance sheet amount	Fair value	(million yen) Difference
(1) Marketable Securities	75,500	75,312	(187)
Bonds being held to maturity	27,800	27,612	(187)
Other securities	47,700	47,700	–
(2) Claims provable in bankruptcy, claims provable in rehabilitation and other	270		
Allowance for doubtful accounts (*2)	(270)		
Total assets	75,500	75,312	(187)

(\*1) Notes for “Cash” are omitted. Also, notes for “Time deposits,” “Trade notes,” “Electronically recorded monetary claims-operating,” “Accounts receivable,” “Trade notes and accounts payable,” “Electronically recorded monetary obligations-operating,” “Short-term loans,” “Accrued expenses,” and “Income taxes payable,” are omitted as they are settled in short terms and therefore their fair values are roughly equal to their book values.

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

Note:

Explanation of valuation techniques and inputs used to determine fair value

The fair values of financial instruments are classified into the following three levels according to the observability and importance of inputs used to determine fair value.

Level 1 Fair Value: Fair value calculated using quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Fair Value: Fair value calculated using observable inputs other than Level 1 inputs to the calculation of fair value, either directly or indirectly.

Level 3 Fair Value: Fair value calculated using significant unobservable inputs related to the calculation of fair value.

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

### Investment securities

Listed stocks are valued using quoted market prices. Because listed stocks are traded in active markets, their fair values are classified as Level 1 fair value. Debt securities are valued using reference prices published by the Japan Securities Dealers Association or quoted market prices provided by financial institutions and are classified as Level 2 or Level 3 fair value. Investment trusts are valued using net asset values provided by financial institutions and are classified as Level 2 fair value. Unlisted stocks with no market value (consolidated balance sheet amount: ¥16,462 million) and investments in investment partnerships (¥3,547 million) are not included. Furthermore, for investment in limited partnerships, etc., the measures provided for in Implementation Guidance on Accounting Standard for Fair Value Measurement, paragraph 24-16 are applied and no notes are provided concerning matters set forth in Implementation Guidance on Disclosures about Fair Value of Financial Instruments, paragraph 4 (1).

- (1) Financial instruments recorded on the Consolidated Balance Sheets at fair value  
Fiscal 2023 (As of March 31, 2023)

(¥ millions)

Segments	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Shares	44,748			44,748
Bonds		1,582	768	2,350
Investment trusts		600		600
Total assets	44,748	2,182	768	47,700

- (2) Financial instruments other than those recorded on the Consolidated Balance Sheets at fair value  
Fiscal 2023 (As of March 31, 2023)

(¥ millions)

Segments	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Bonds being held to maturity				
Bonds payable		27,612		27,612
Total assets	–	27,612	–	27,612

## **7. Notes to revenue recognition**

- (1) The information on disaggregation of revenue from contracts with customers

Net sales of the Group consist mainly of the revenue recognized from contracts with customers. The following table shows the disaggregation of net sales of each reporting segment based on type of goods or services.

Fiscal 2023 (April 1, 2022 to March 31, 2023)

(¥ millions)

	Japan	North America	China	Asia	Europe	Other regions	Total
Automotive lighting equipment segment	268,446	249,594	93,031	144,868	41,576	13,009	810,526
Others	52,628	770	–	794	–	–	54,192
Revenue from contracts with customers	321,074	250,365	93,031	145,662	41,576	13,009	864,719
Other revenue	–	–	–	–	–	–	–
Sales to outside customers	321,074	250,365	93,031	145,662	41,576	13,009	864,719

(2) Information on basis for understanding revenues

Information on basis for understanding revenues is as described in “1. Basis of preparation for consolidated financial statements (4) Accounting Policy (iv) Recognition of significant revenues and expenses.”

(3) Information for understanding the amount of revenue in the fiscal 2023 and fiscal 2024

i. Balance of contract assets and contract liabilities, etc.

Contract assets are in principle a right of revenue recognized over a certain period for a portion of transactions of subsidiaries.

Contract liabilities are in principle are the consideration received from the customer before the product delivery.

The remaining balance of contract liabilities at the end of fiscal 2022 of ¥1,872 million has been recognized as revenue in almost its full amount in fiscal 2023.

ii. Transaction price allocated to the remaining performance obligations

Information on amounts of revenue from existing contracts expected to be recognized in fiscal 2024 or later has been omitted due to its immateriality.

Moreover, practical expedients have been applied for contracts with periods initially expected to be within 1 year, and that information has been omitted.

**8. Notes to per share information**

(1) Net assets per share                    ¥1,955.44

(2) Net income per share                ¥92.26

Note:

A 2-for-1 stock split of common stock was conducted on October 1, 2022. “Net assets per share” and “Net income per share” are calculated assuming that the stock split was conducted at the beginning of the fiscal 2023.

## **9. Notes concerning significant subsequent events**

(Acquisition of treasury stock)

The Company announces that it has resolved, at a meeting of the Board of Directors held on April 26, 2023, the matters concerning the acquisition of treasury stock pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act. The details are described below.

- 1 Reason for acquisition of treasury stock  
Improvement in capital efficiency and returns to shareholders as part of the capital policy
- 2 Details of matters related to acquisition
  - (1) Class of shares to be acquired  
Common shares
  - (2) Total number of shares to be acquired  
16,000,000 shares (maximum) (5.0% of total number of shares issued (excluding treasury stock))
  - (3) Total amount of share acquisition costs  
¥35 billion (maximum)
  - (4) Acquisition period  
From April 27, 2023 to January 31, 2024
  - (5) Method of acquisition  
Market purchase on the Tokyo Stock Exchange

**Non-consolidated Balance Sheets**

(¥ millions)

	Fiscal 2022 As of March 31, 2022	Fiscal 2023 As of March 31, 2023
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	203,659	184,757
Notes receivable	480	33
Electronically recorded monetary claims-operating	8,027	7,560
Accounts receivable	42,708	51,431
Finished products	7,239	6,527
Work in progress	1,159	1,050
Raw materials and supplies	8,814	10,703
Accrued income	6,427	7,641
Short-term loans of affiliated companies	—	9,600
Other current assets	830	94
Less: Allowance for doubtful receivables	(159)	(168)
<b>Total current assets</b>	<b>279,186</b>	<b>279,232</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings (net)	11,783	11,805
Structures (net)	722	699
Machinery (net)	5,067	5,997
Transportation equipment (net)	177	221
Fixtures, equipment and tools (net)	3,483	4,154
Land	7,314	9,509
Construction in progress	2,344	404
<b>Total property, plant and equipment</b>	<b>30,892</b>	<b>32,792</b>
<b>Intangible fixed assets:</b>		
Telephone subscription rights	37	37
Other intangible fixed assets	1,693	1,291
<b>Total intangible fixed assets</b>	<b>1,730</b>	<b>1,328</b>
<b>Investments and other assets:</b>		
Investment securities	47,351	73,255
Shares of affiliated companies	91,224	87,497
Investments in affiliated companies	21,118	21,118
Long-term loans of affiliated companies	122	133
Claims provable in bankruptcy, claims provable in rehabilitation and other	16	12
Deferred income tax assets	3,269	2,788
Other investments	510	711
Less: Allowance for doubtful accounts	(251)	(265)
<b>Total investments and other assets</b>	<b>163,360</b>	<b>185,251</b>
<b>Total non-current assets</b>	<b>195,984</b>	<b>219,372</b>
<b>Total assets</b>	<b>475,170</b>	<b>498,605</b>

Note: Yen in millions, rounded down

(¥ millions)

	Fiscal 2022 As of March 31, 2022	Fiscal 2023 As of March 31, 2023
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable	53,042	60,529
Electronically recorded monetary obligations-operating	1,286	—
Accrued amount payable	2,337	2,836
Accrued expenses	5,544	7,295
Income taxes payable	3,528	4,605
Contract liabilities	69	75
Allowance for employees' bonuses	3,438	3,418
Reserve for product warranties	2,688	2,319
Other current liabilities	462	1,520
<b>Total current liabilities</b>	<b>72,396</b>	<b>82,599</b>
<b>Non-current liabilities:</b>		
Allowance for retirement benefits	14,302	12,600
Allowance for losses on overseas investments	3,250	1,462
Reserve for product warranties	4,688	3,616
Allowance for environmental strategies	10	—
Other non-current liabilities	869	344
<b>Total non-current liabilities</b>	<b>23,119</b>	<b>18,023</b>
<b>Total liabilities</b>	<b>95,516</b>	<b>100,622</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Common stock	14,270	14,270
Additional paid-in capital		
Capital reserve	17,107	17,107
Other additional paid-in capital	211	232
Total additional paid-in capital	<b>17,319</b>	<b>17,340</b>
Retained earnings		
Profit reserve	3,567	3,567
Other retained earnings		
Reserve for reductions of asset costs	894	949
Other reserve	100,000	100,000
Retained earnings brought forward	220,018	236,944
Total retained earnings	<b>324,480</b>	<b>341,461</b>
Treasury common stock, at cost	(49)	(45)
<b>Total shareholders' equity</b>	<b>356,020</b>	<b>373,028</b>
<b>Revaluations and translation adjustments:</b>		
Valuation adjustment on marketable securities	23,434	24,783
Total revaluations and translation adjustments	<b>23,434</b>	<b>24,783</b>
<b>Subscription rights to shares</b>	<b>199</b>	<b>171</b>
<b>Total net assets</b>	<b>379,654</b>	<b>397,982</b>
<b>Total liabilities and net assets</b>	<b>475,170</b>	<b>498,605</b>

Note: Yen in millions, rounded down

## Non-consolidated Statement of Income

(¥ millions)

	Fiscal 2022 April 1, 2021 to March 31, 2022	Fiscal 2023 April 1, 2022 to March 31, 2023
<b>Net sales</b>	294,463	297,838
Cost of sales	255,217	261,621
<b>Gross profit</b>	39,246	36,216
Total selling, general and administrative expenses	21,485	23,858
<b>Operating income</b>	17,760	12,358
Non-operating income:		
Interest income	110	135
Interest on securities	44	84
Dividend income	11,587	11,084
Royalty income, other	7,009	8,309
Rent income	350	262
Foreign exchange gains	990	—
Miscellaneous income	1,527	2,201
Total non-operating income	21,620	22,078
Non-operating expenses:		
Foreign exchange losses	—	821
Reserve for allowance for overseas investment loss	563	—
Miscellaneous expenses	402	435
Total non-operating expenses	965	1,256
<b>Recurring profit</b>	38,416	33,180
Extraordinary gains:		
Gain on sale of fixed assets	8	11,964
Gain on sale of investment securities	1,067	—
Other extraordinary gains	—	378
Total extraordinary gains	1,075	12,343
Extraordinary losses:		
Loss on sale and disposal of fixed assets	377	465
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	10	10,109
Impairment loss	—	609
Loss on disasters	—	283
Loss on valuation of investment in affiliated companies	5,215	—
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	68	—
Total extraordinary losses	5,671	11,467
<b>Income before income taxes</b>	33,820	34,056
Income taxes	6,646	7,414
Income tax adjustment	3,920	980
Total income taxes	10,566	8,394
<b>Net income</b>	23,253	25,661

Note: Yen in millions, rounded down

**Non-Consolidated Statement of Changes in Shareholders' Equity**  
Fiscal 2023 (April 1, 2022 to March 31, 2023)

(¥ millions)

	Shareholders' equity								
	Common stock	Additional paid-in capital				Retained earnings			
		Legal capital surplus	Other additional paid-in capital	Total additional paid-in capital	Retained earnings	Other retained earnings			Total retained earnings
						Reserve for reduction of asset costs	General reserve	Retained earnings brought forward	
Balance at beginning of year	14,270	17,107	211	17,319	3,567	894	100,000	220,018	324,480
Changes during fiscal year									
Provision of reserve for reduction of asset costs	-	-	-	-	-	80	-	(80)	-
Reversal of reserve for reduction of asset costs	-	-	-	-	-	(25)	-	25	-
Dividends from retained earnings	-	-	-	-	-	-	-	(8,680)	(8,680)
Profit	-	-	-	-	-	-	-	25,661	25,661
Purchases of treasury stock	-	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	21	21	-	-	-	-	-
Changes in items other than shareholders' equity during fiscal year (net)	-	-	-	-	-	-	-	-	-
Total changes during fiscal Year	-	-	21	21	-	54	-	16,926	16,981
Balance at fiscal year-end	14,270	17,107	232	17,340	3,567	949	100,000	236,944	341,461

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to share	Total net assets
	Treasury stock	Total shareholders' equity	Valuation adjustment on investment securities	Total valuation and Translation adjustments		
Balance at beginning of year	(49)	356,020	23,434	23,434	199	379,654
Changes during fiscal year						
Provision of reserve for reduction of asset costs	-	-	-	-	-	-
Reversal of reserve for reduction of asset costs	-	-	-	-	-	-
Dividends from retained earnings	-	(8,680)	-	-	-	(8,680)
Profit	-	25,661	-	-	-	25,661
Purchases of treasury stock	(1)	(1)	-	-	-	(1)
Disposal of treasury stock	6	27	-	-	-	27
Changes in items other than shareholders' equity during fiscal year (net)	-	-	1,348	1,348	(27)	1320
Total changes during fiscal year	4	17,007	1,348	1,348	(27)	18,328
Balance at fiscal year-end	(45)	373,028	24,783	24,783	171	397,982

Note: Yen in millions, rounded down

## Notes to non-consolidated financial statements

### 1. Significant accounting policies

#### (1) Valuation basis and methods for securities

- i. Shares of subsidiaries and affiliates: Cost method based on the moving-average method
- ii. Bonds being held to maturity: Cost amortization method (straight-line method)
- iii. Other securities:

Securities other than shares without market value, etc.

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

Shares without market value, etc.

Cost method based on the moving-average method

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

#### (2) Valuation basis and methods for derivatives and others

- i. Derivatives: Market value method
- ii. Money trusts for investments: Market value method

#### (3) Valuation basis and methods for inventories

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

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

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

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

Buildings and structures: 7-50 years

Machinery and transportation equipment: 3-7 years

Fixtures, equipment and tools: 2-20 years

- ii. Intangible fixed assets

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

Other intangible fixed assets: Straight-line method

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

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

#### (6) Allowances

- i. Less: Allowance for doubtful receivables

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

ii. Allowance for employees' bonuses

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

iii. Reserve for product warranties

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

iv. Allowance for retirement benefits

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

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

v. Allowance for losses on overseas investments

To prepare for losses associated with overseas investments, the Company reports an estimated loss amount, considering financial positions of overseas affiliates.

(7) Recognition of significant revenues and expenses

The following is the summary of the principal performance obligations of the Company's principal businesses relating to revenue from contracts with customers and the usual time at which such performance obligations are satisfied (the usual time at which revenue is recognized).

-Automotive lighting equipment segment

This segment's main business is manufacturing and marketing of automotive lighting equipment. For the sale of such products, revenue is recognized when the products are delivered to the customer or inspected by the customer. Note that revenue is recognized upon shipment for cases when the period from shipment of the product, etc. to transfer of control of it to the customer is a standard period.

Revenue is measured at the consideration promised in the contract with the customer, less returns, discounts and rebates.

The consideration for transactions is received within one year of satisfaction of the performance obligation and does not include significant financial elements.

(8) Method of hedge accounting

In principle, the deferral hedge accounting is applied. Exceptional accounting method is applied to interest rate swaps that meet the requirements.

(9) Other important basis of preparation for financial statements

Accounting standard for retirement benefits

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

## **2. Changes in accounting policies**

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021, Accounting Standards Board of Japan) from the beginning of the fiscal 2023. The Company has prospectively applied new accounting policies based on the Implementation Guidance on Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Article 27-2 of Accounting Standard for Fair Value Measurement. There is no impact on non-consolidated financial statements for the fiscal 2023 by this application.

## **3. Notes concerning accounting estimates**

The items recorded in the Non-consolidated Financial Statements for the fiscal year under review based on accounting estimates and that may have a significant impact on the Non-consolidated Financial Statements for the next fiscal year are as follows.

(Expenses for a product recall and other market treatment related to specific vehicle models)

There are expenses for a product recall and other market treatment related to specific vehicle models (¥2,097 million) included in accrued expenses. In estimating these liabilities, the Company records such expenses based on assumptions about likelihood of occurrence, cost burden ratio, and other factors, and actual incurrence may differ from the estimates.

(Convertible non-voting preference shares with no voting rights)

There are ¥13,307 million of convertible non-voting preference shares which are convertible to common shares and have no voting rights, included in investment securities. As classified shares with no market price, these preference shares are tested for impairment, with their substantial value determined by an option pricing model. In addition, observable information of companies similar to the issuer of the preference shares is used in the determination of information used in the calculation of the substantial value. If any change in the market or unforeseeable change in preconditions affects the calculation of the substantial value and the substantial value significantly declines compared with the cost in the future, recording of an impairment loss may be required.

#### 4. Notes to non-consolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment: ¥117,949 million

(2) Contingent liabilities

- Guarantee liabilities

The Company guarantees following loans obtained by affiliates.

NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	¥10,249 million
Koito Europe Limited	¥2,483 million
<b>Total</b>	<b>¥12,732 million</b>

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

i. Short-term credits	¥38,589 million
ii. Short-term debits	¥22,155 million

#### 5. Note to non-consolidated statements of income

Transactions with affiliates

i. Net sales	¥144,434 million
ii. Purchase of goods	¥154,800 million
iii. Other business transactions	¥6,462 million
iv. Transactions excluding business transaction	¥18,329 million

#### 6. Note to non-consolidated statements of changes in equity

Type and number of treasury stock

Type of shares				(thousand shares)	
	Number of shares at the beginning of the fiscal 2023	Increase	Decrease	Number of shares at the end of the fiscal 2023	
Common shares	48	43	6	86	

Notes:

1. A 2-for-1 stock split of common stock was conducted on October 1, 2022. The increase in the number of treasury stock is due to an increase of 42 thousand shares resulting from the stock split, and an increase of 0 thousand shares resulting from the Company's purchase of fractional shares less than one unit.
2. The decrease in the number of treasury stock is due to the exercise of stock options.

#### 7. Note to tax effect accounting

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

## 8. Notes to transactions with related parties

### (1) Parent companies and major corporate shareholders

Relationship	Company name	Location	Capital or investments (¥ millions)	Description of businesses or job	Voting rights holding	Relationship with related parties		Description of transactions	Transaction amount (¥ millions)	Account	Ending balance (¥ millions)
						Interlocking of officers	Business relationships				
Other affiliate	TOYOTA MOTOR CORPORATION	Toyota City, Aichi Prefecture	635,402	Manufacturing and marketing of motor vehicles and automobile parts, marketing of industrial vehicles, manufacturing and marketing of houses, and others	(Owned) Directly held 20%	-	Marketing of automotive lighting equipment	Marketing of automotive lighting equipment	121,715	Electronically recorded monetary claims-operating	4,042
										Accounts receivable	14,377
								Receipt of materials	5,273	Accounts payable	1,238

### (2) Subsidiaries

Relationship	Company name	Location	Capital or investments	Description of businesses or job	Voting rights holding	Relationship with related parties		Description of transactions	Transaction amount (¥ millions)	Account	Ending balance (¥ millions)
						Interlocking of officers	Business relationships				
Consolidated subsidiary	KOITO KYUSHU LIMITED	Saga City, Saga Prefecture	¥3,000 million	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 100%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the subsidiary's products	56,373	Accounts payable	10,279
								Supply of materials	22,770	Accrued income	1,113
Consolidated subsidiary	Aoitec Co., Ltd.	Hamamatsu City, Shizuoka Prefecture	¥100 million	Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery	(Ownership) Directly holding 98%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the subsidiary's products	31,003	Accounts payable	3,308
Consolidated subsidiary	Shizuokadense Co., Ltd.	Shizuoka City, Shizuoka Prefecture	¥76 million	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 65%	There are concurrent services of officers	Manufacturing of the Company's products	Purchase of the subsidiary's products	28,635	Accounts payable	2,101
								Supply of materials	22,258	Accrued income	1,019
Consolidated subsidiary	Koito Europe Limited	Droitwich City, Worcestershire, U.K.	65,000 thousand Sterling pounds	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 100%	There are concurrent services of officers	Manufacturing and marketing of the subsidiary's products mainly in the U.K. There is a technological support agreement Debt guarantee	Debt guarantee	2,483	-	-
Consolidated subsidiary	NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	San Paulo, Brazil	303,000 thousand Brazilian reais	Manufacturing and marketing of automotive lighting equipment	(Ownership) Directly holding 75%	-	Manufacturing and marketing of the subsidiary's products mainly in Brazil There is a technological support agreement Debt guarantee	Debt guarantee	10,249	-	-
								Loans receivable	9,600	Short-term loans of affiliated companies	9,600

#### Notes:

#### 1. The terms and conditions of the above transactions and their decision policy

As in general transactions, the Company takes market prices and total costs into consideration in determining the transactions.

2. The Company provides guarantees for loans from financial institutions and receives guarantee fees decided through consultation.
3. For loans receivable, the Company takes market interest rates into consideration in determining the interest rate.

(3) Officers and major individual shareholders

Relationship	Name	Capital or investments (¥ millions)	Description of businesses or job	Voting rights holding	Relationship with related parties	Description of transactions	Transaction amount (¥ millions)	Account	Ending balance (¥ millions)
Former officer	Takashi Ohtake	-	Senior Adviser of the Company	(Owned) Directly holding 0%	-	Exercise of stock options	13	-	-
						Purchase of land and buildings	122	-	-
Former officer	Hiroshi Mihara	-	Senior Adviser of the Company	(Owned) Directly holding 0%	-	Exercise of stock options	13	-	-

Notes:

1. The table shows the exercise of stock options granted in accordance with the resolution at the Board of Directors meeting held on June 26, 2015.
2. The purchase price was determined based on appraisal value provided by real-estate appraising institutions.

**9. Notes to revenue recognition**

Notes are omitted as the same information is presented in the Notes to Consolidated Financial Statements (Notes to Revenue Recognition) regarding information on the basis for understanding revenue.

**10. Notes to per share information**

- |                          |           |
|--------------------------|-----------|
| (1) Net assets per share | ¥1,237.39 |
| (2) Net income per share | ¥79.82    |

Note:

A 2-for-1 stock split of common stock was conducted on October 1, 2022. “Net assets per share” and “Net income per share” are calculated assuming that the stock split was conducted at the beginning of the fiscal 2023.

**11. Notes concerning significant subsequent events**

(Acquisition of treasury stock)

Notes are omitted concerning the acquisition of treasury stock as the same information is presented in the Notes to Consolidated Financial Statements (9. Notes concerning significant subsequent events).

## **Independent Auditor's Report**

May 20, 2023

The Board of Directors  
KOITO MANUFACTURING CO., LTD.

ARK LLC  
Tokyo Head Office

Yoshio Hinazuru  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Kenji Okada  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

### Audit Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements of KOITO MANUFACTURING CO., LTD., which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and the notes to consolidated financial statements applicable to the fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2023 in accordance with accounting principles generally accepted in Japan.

### Basis for Audit Opinion

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

### Highlighted matters

As described in significant subsequent events, at the meeting of the Board of Directors held on April 26, 2023, the Company resolved to acquire treasury stock. This matter does not affect our opinion.

### Other Statements

Other statements consist of the Business Report and its supporting schedules. Management

is responsible for the preparation and disclosure of the other statements. Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other statements.

The subject of our audit opinion on the consolidated financial statements does not include other statements, and we express no opinion on them.

Our responsibility in the audit of the consolidated financial statements is to read the other statements in full and, in the course of reading the other statements, to consider whether there are material differences between the other statements and the consolidated financial statements or knowledge we acquired in the course of the audit, and to pay attention to whether there is any indication of material errors in the other statements other than such material differences.

Based on the work we performed, if it is determined that there are material errors in the other statements, we are required to report those facts.

With respect to the other statements, there are no matters we should report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

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

#### Conflicts of Interest

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

## **Independent Auditor's Report**

May 20, 2023

The Board of Directors  
KOITO MANUFACTURING CO., LTD.

ARK LLC  
Tokyo Head Office

Yoshio Hinazuru  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Kenji Okada  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

### Audit Opinion

Pursuant to Article 436, paragraph 2, Item 1 of the Companies Act, we have audited the financial statements of KOITO MANUFACTURING CO., LTD. (“the Company”), which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders’ equity and the notes to financial statements, and the supporting schedules (“Financial Statements and Others”) applicable to the 123rd business year from April 1, 2022 through March 31, 2023.

In our opinion, the Financial Statements and Others referred to above present fairly, in all material respects, the financial position and results of operations, applicable to the business year ended March 31, 2023 in accordance with accounting principles generally accepted in Japan.

### Basis for Audit Opinion

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

### Highlighted matters

As described in significant subsequent events, at the meeting of the Board of Directors held on April 26, 2023, the Company resolved to acquire treasury stock.

This matter does not affect our opinion.

### Other Statements

Other statements consist of the Business Report and its supporting schedules. Management is responsible for the preparation and disclosure of the other statements. Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing the Directors’ performance of duties within the maintenance and operation of

the reporting process for the other statements.

The subject of our audit opinion on the Financial Statements and Others does not include other statements, and we express no opinion on them.

Our responsibility in the audit of the Financial Statements and Others is to read the other statements in full and, in the course of reading the other statements, to consider whether there are material differences between the other statements and the Financial Statements and Others or knowledge we acquired in the course of the audit, and to pay attention to whether there is any indication of material errors in the other statements other than such material differences.

Based on the work we performed, if it is determined that there are material errors in the other statements, we are required to report those facts.

With respect to the other statements, there are no matters we should report.

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

Management is responsible for the preparation and fair presentation of the Financial Statements and Others in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the Financial Statements and Others that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the Financial Statements and Others, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.

- Conclude on the appropriateness of preparing the Financial Statements and Others with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the Financial Statements and Others or, if the notes to the Financial Statements and Others on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Financial Statements and Others. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the Financial Statements and Others and notes to the Financial Statements and Others are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the Financial Statements and Others, including the related notes thereto, and whether the Financial Statements and Others fairly present the underlying transactions and accounting events.

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

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

#### Conflicts of Interest

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

## AUDIT REPORT

Regarding the execution of Directors' duties during the 123rd business year from April 1, 2022 to March 31, 2023, we, the Audit and Supervisory Board of KOITO MANUFACTURING CO., LTD. ("the Company"), hereby submits its audit report, which has been prepared through discussions based on the audit reports prepared by the respective Audit and Supervisory Board Members.

### 1. Method and details of audit

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

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

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

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

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

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

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

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

## 2. Results of audit

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

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

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

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

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

### (2) Results of audit of consolidated financial statements

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

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

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

May 23, 2023

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

Standing Audit and Supervisory Board Member  
Mitsuo Kikuchi (Seal)

Standing Audit and Supervisory Board Member  
Koichi Sakakibara (Seal)

Outside Audit and Supervisory Board Member  
Yukinobu Suzuki (Seal)

Outside Audit and Supervisory Board Member  
Hiroshi Kimeda (Seal)