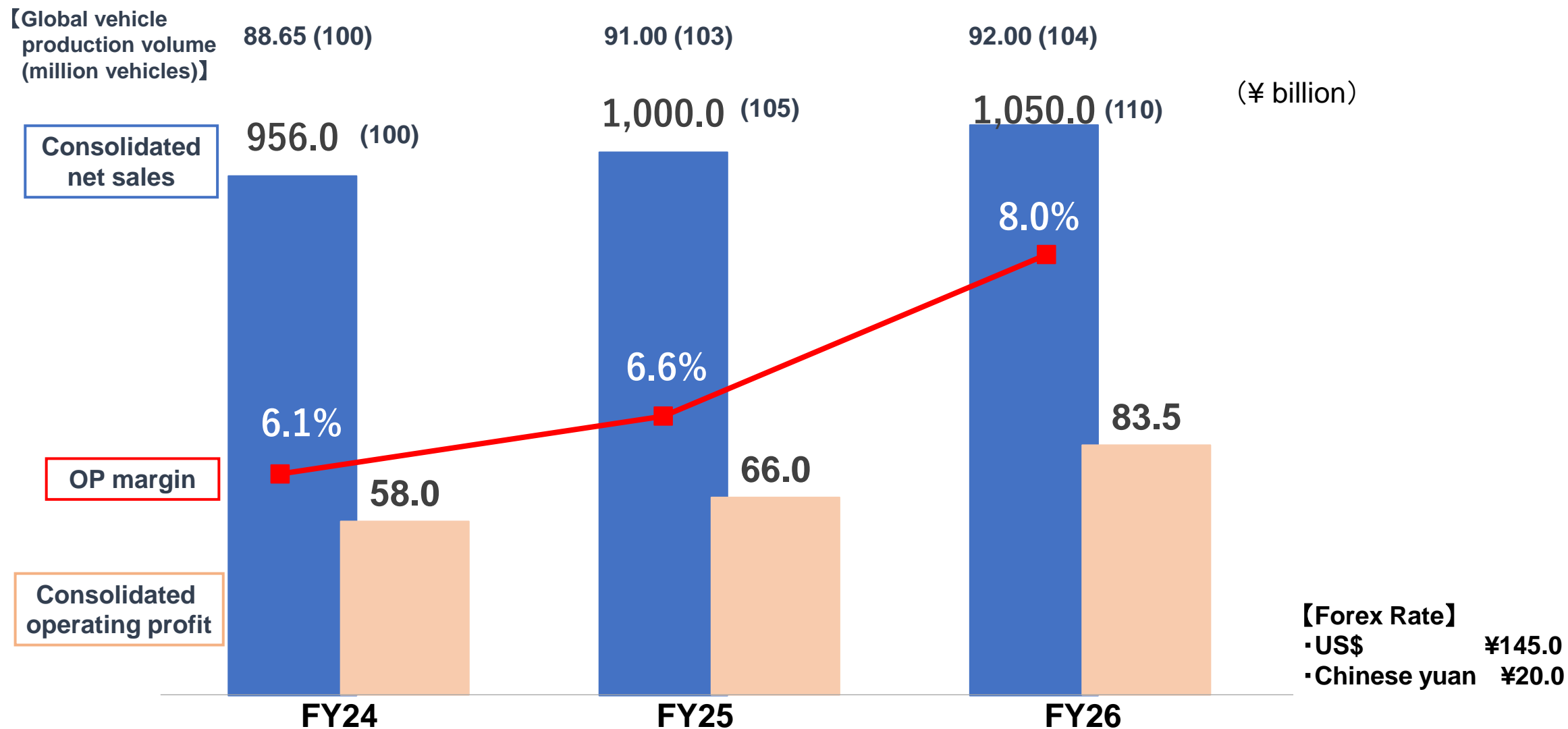


## **Ⅲ. The 1st Midium–Term Management Plan (Preliminary Estimate)**

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# (1) Medium-Term Business Plan

## ■ Target in the 1st Medium-Term Business Plan (announced in Mar. 2024)

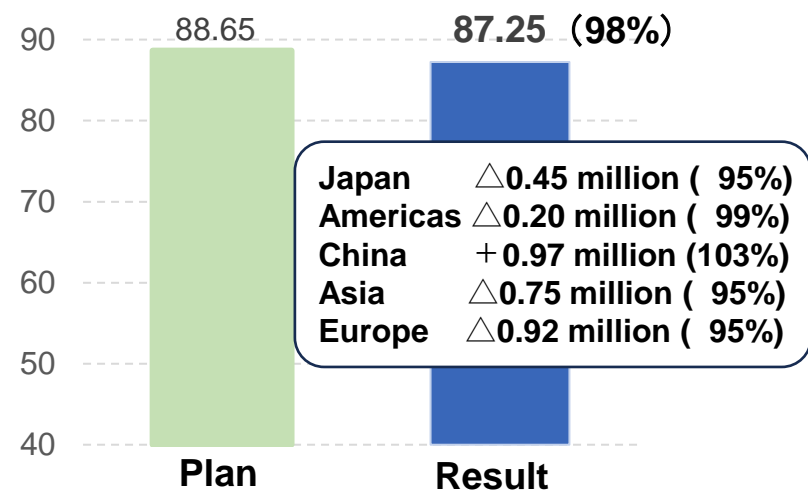


## (2) FY24 Result (Business plan vs Result)

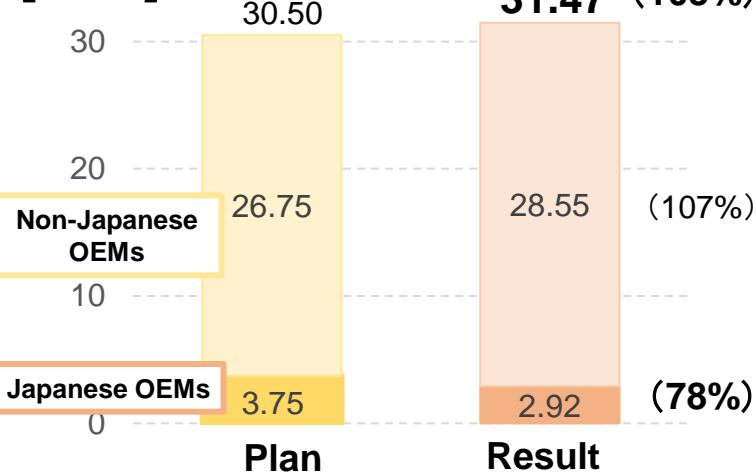
### Vehicle production volume

(million vehicles)

#### 【Global total】



#### 【China】



### FY24 Consolidated (full-year, by segment)

(¥ billion)

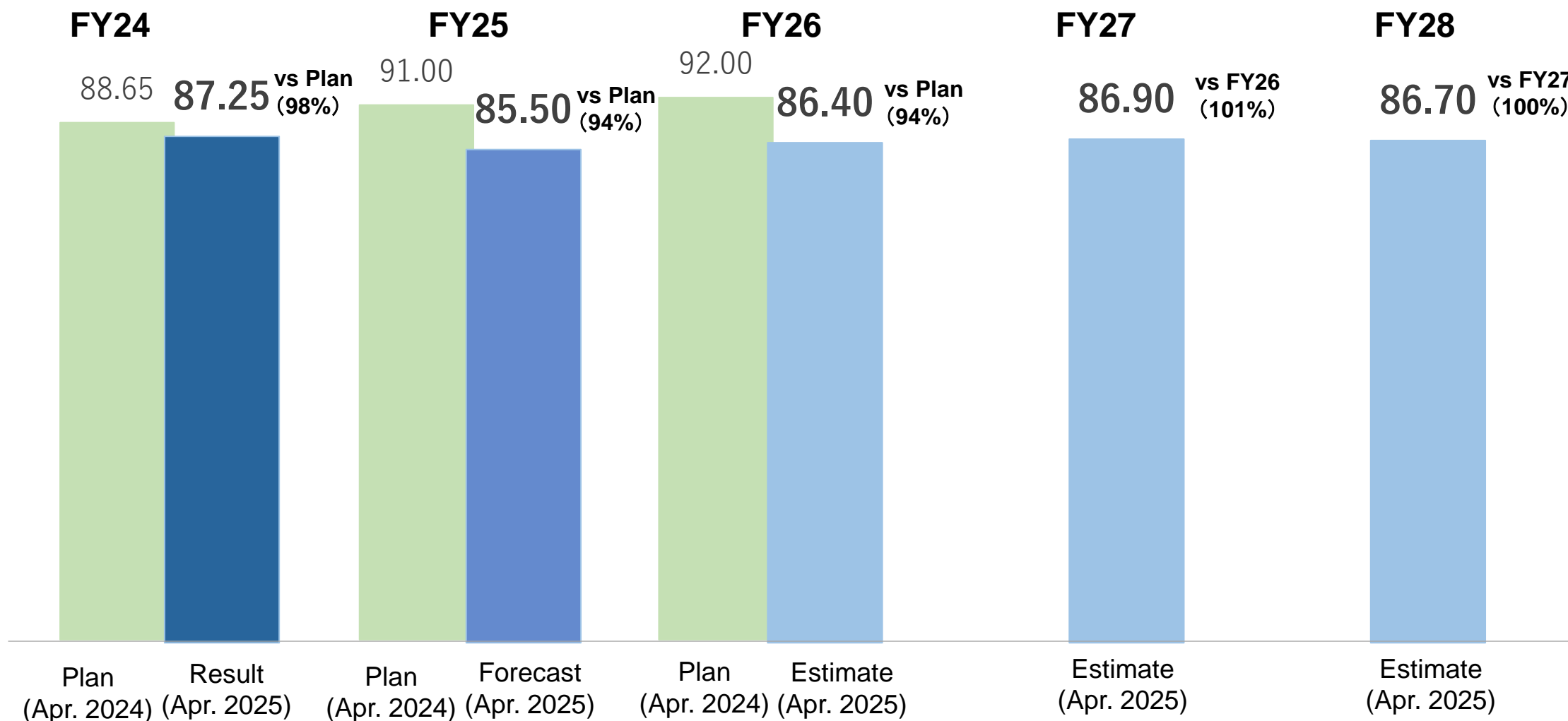
		FY24 Plan (24/4~25/3)	FY24 Result (24/4~25/3)	Change		Constant Forex	
				Change	Ratio	Change	Ratio
KOITO MANUFACTURING	Sales	345.0	324.0	△20.9	94%	△20.9	94%
	Operating profit	12.5 (3.6%)	7.0 (2.2%)	△5.4	56%	△5.4	56%
Domestic subsidiaries	Sales	225.4	218.5	△6.8	97%	△6.8	97%
	Operating profit	8.5 (3.8%)	9.2 (4.3%)	+0.7	109%	+0.7	109%
Overseas	Americas Sales	320.2	309.4	△10.7	97%	△14.7	95%
	Americas Operating profit	11.5 (3.6%)	6.2 (2.0%)	△5.2	54%	△4.4	61%
	China Sales	84.3	70.6	△13.6	84%	△17.5	79%
	China Operating profit	2.4 (2.8%)	△1.5 —	△3.9 —	—	△3.8 —	—
	Asia Sales	152.1	156.9	+4.8	103%	△5.3	96%
	Asia Operating profit	14.0 (9.2%)	15.8 (10.1%)	+1.8	113%	+0.6	105%
	Europe Sales	35.7	36.4	+0.7	102%	△1.1	97%
	Europe Operating profit	△1.2 —	△0.8 —	+0.3 —	—	+0.3 —	—
Overseas	Sales	592.3	573.4	△18.8	97%	△38.7	93%
	Operating profit	26.7 (4.5%)	19.6 (3.4%)	△7.0	74%	△7.2	73%
Elimination, etc.	Sales	△206.7	△199.3	+7.3	—	+7.3	—
	Operating profit	10.3 —	8.8 —	△1.4 —	—	△1.4 —	—
Consolidated	Sales	956.0	916.7	△39.2	96%	△59.2	94%
	Operating profit	58.0 (6.1%)	44.8 (4.9%)	△13.1	77%	△13.3	77%

• The primary factor is that the automobile production forecast fell significantly short of expectations.  
 • New orders, improvement and rationalization activities are progressing as planned despite the deterioration in the external operating environment.

### (3) Estimates beyond FY26

#### ■ Global vehicle production volume

(million vehicles)



## (4) Estimates beyond FY26

(¥ billion)

### ■ Estimate of Consolidated Business Result

		FY24 Results	FY25 Forecast	FY26 Estimate	FY27 Estimate	FY28 Estimate	<Capital efficiency>
Estimate	Net sales	916.7	868.0	880.0	940.0	1,000.0	
	Operating profit	44.8	37.0	46.0	60.0	80.0	ROE 9%
	OP margin	4.9%	4.3%	(5.2%)	(6.4%)	(8.0%)	ROIC 9%
US\$		152.6	140.0	140.0	140.0	140.0	
Chinese yuan		21.1	19.0	19.0	19.0	19.0	

### ■ Target in the 1st Medium-Term Business Plan (released in Mar. 2024)

		FY24	FY25	FY26	<Capital efficiency>
Target in the Plan (Mar. 2024)	Net sales	956.0	1,000.0	1,050.0	
	Operating profit	58.0	66.0	83.5	ROE 9% and more
	OP margin	6.1%	6.6%	8.0%	ROIC 9% and more
US\$		145.0	145.0	145.0	
Chinese yuan		20.0	20.0	20.0	

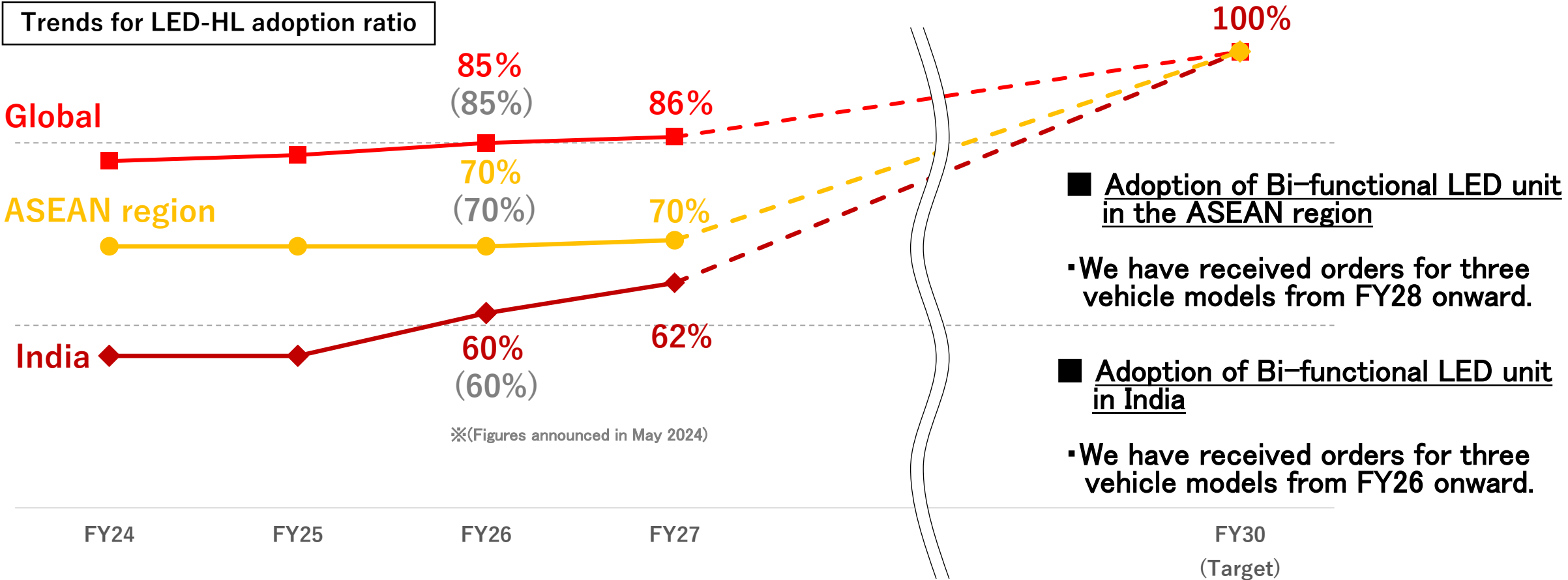
# Sales Updates

# Sales Expansion Trends of LED-HL



■ The LED adoption rate will steadily increase, reaching 85% in FY26 and 86% in FY27. The next-generation bi-functional LED units with improved light distribution performance and lower costs are scheduled to be launched in the market starting in India in FY26. Contracts have already been signed for more than ten vehicle models, and significant expansion is expected moving forward.

Trends for LED-HL adoption ratio

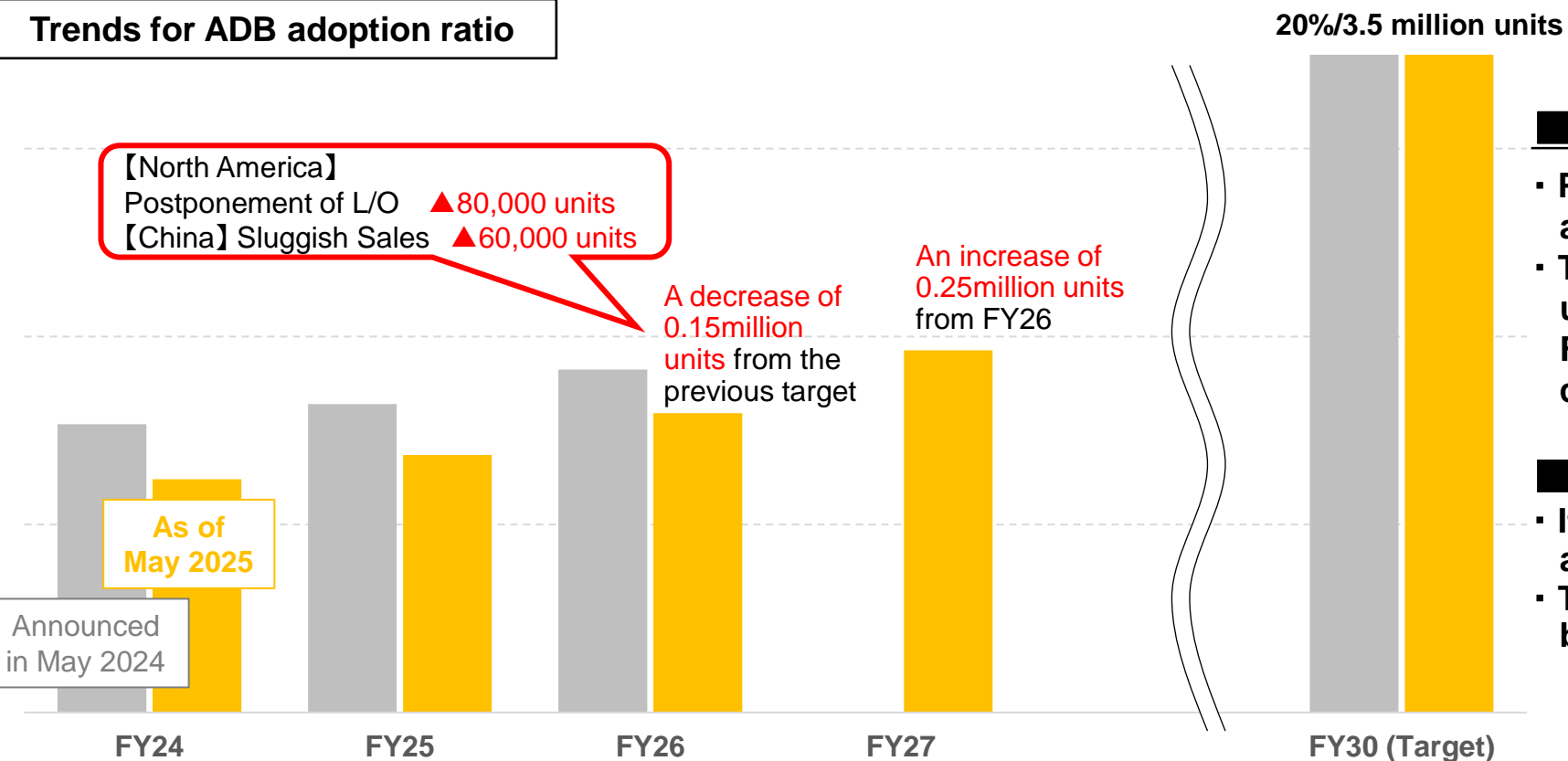


# Sales Expansion Trends of ADB



- The number of ADB units to be adopted in FY26 is expected to decrease by 150,000 units compared to the forecast in May 2024, due to a decline in global automobile production, as well as delays in the launch of our ordered vehicle models in the U.S. and sluggish sales of Japanese OEMs in China.
- For FY27, production is expected to increase due to new orders in Japan and the decision to adopt ADB as standard equipment for some new vehicle models.
- We will continue to aim for the achievement of our target by FY30 through promoting the standard adoption of ADB in new vehicles in Japan and the adoption of next-generation Lo-integrated ADB in mass-produced vehicles in the U.S.

## Trends for ADB adoption ratio



## ADB Sales Expansion Outlook

### ■ For the market in the U.S.



- Planned for deployment by FY26 as scheduled.
- The next-generation Lo-integrated ADB is under consideration for adoption in post-FY28 development vehicles at each customer.

### ■ For the market in Japan

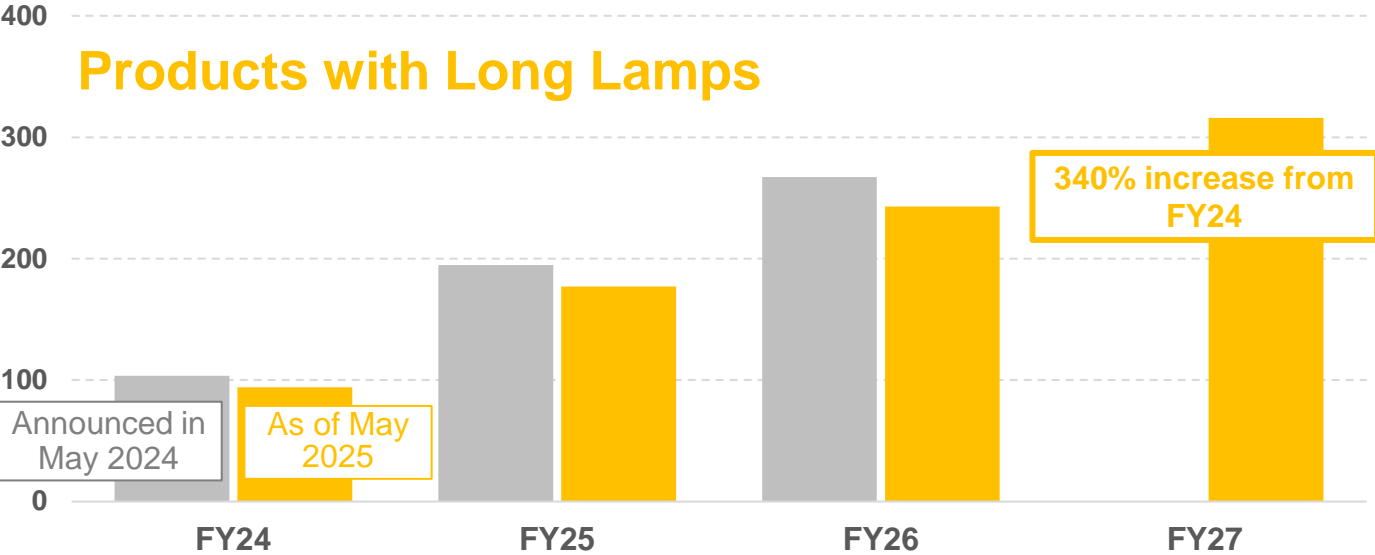


- It has been decided to adopt as standard for two new vehicle models.
- The High-Definition ADB is scheduled to be introduced in FY25.

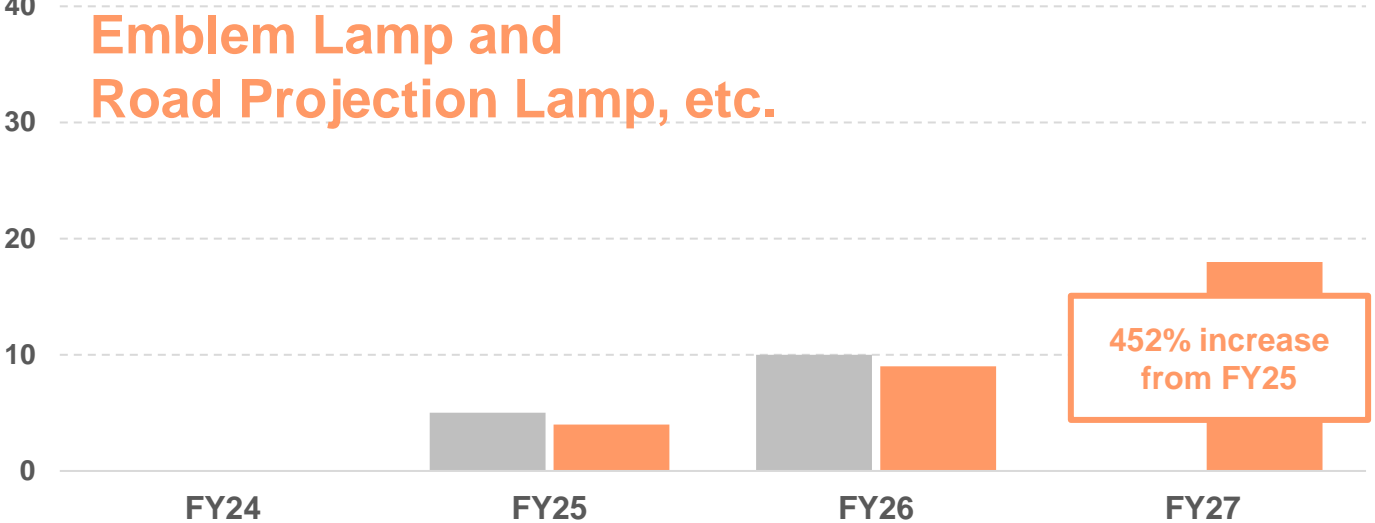


# Trends in the Adoption of High-Value-Added Products Aimed at Increasing Sales Price per Unit

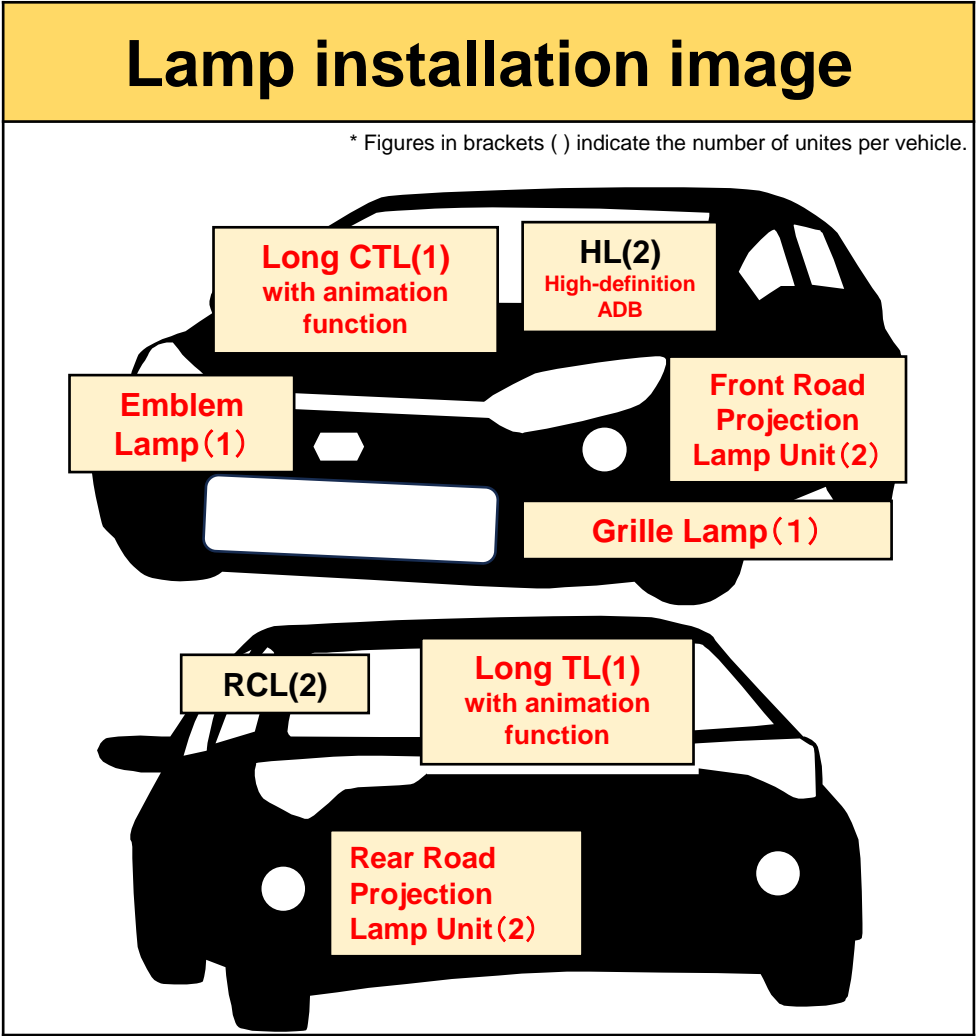
Units (in 10,000s)



Units (in 10,000s)

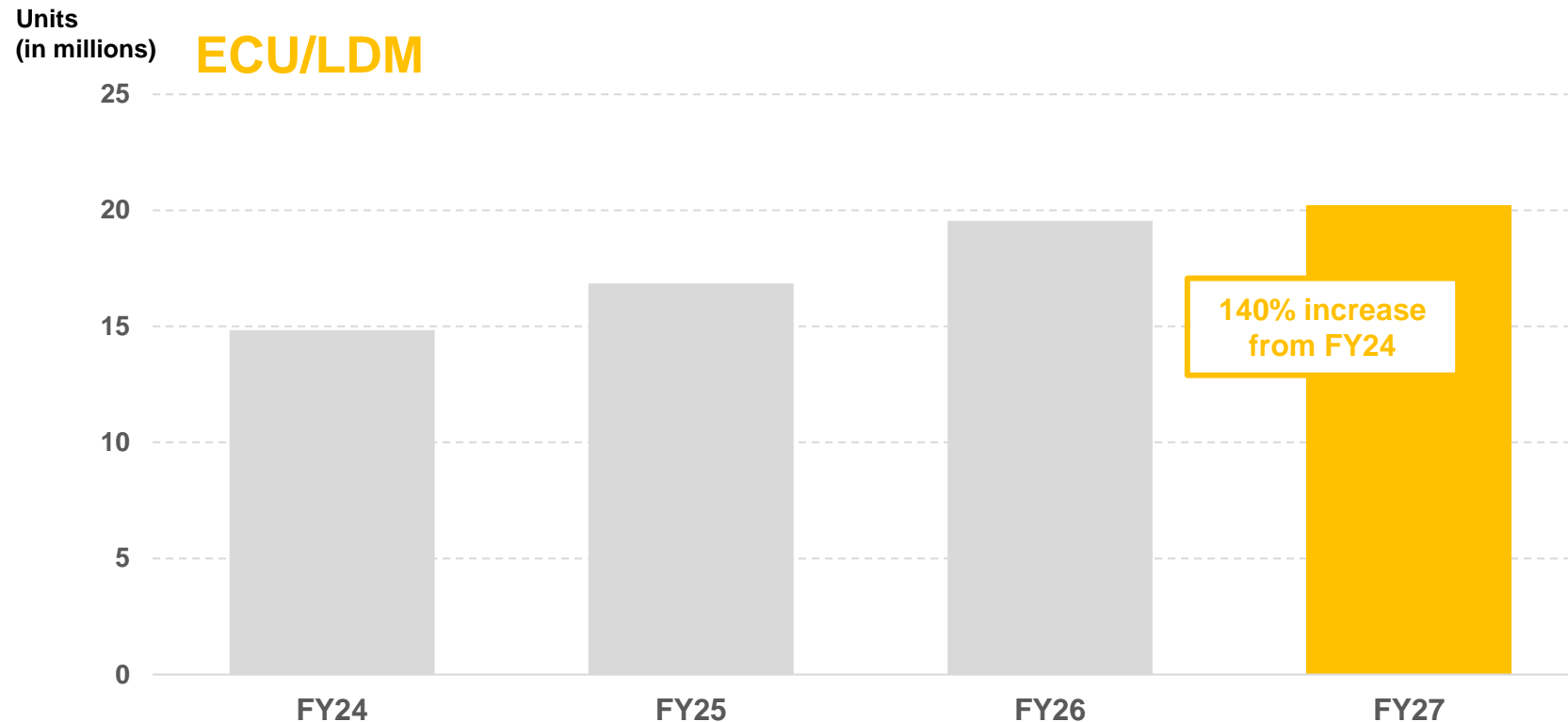


■ The adoption of long lamps (CTL/TL) is expected to expand, and emblem lamps as well as road projection functions are also expected to expand from FY25.



# Expansion of ECU/LDM Sales Driven by the Shift from Integrated Vehicle ECUs to Multi-pathways

- Each OEM is advancing development by shifting from the integrated vehicle ECUs to multi-pathways. In line with this, orders for our ECU/LDM will continue to show an expanding trend.

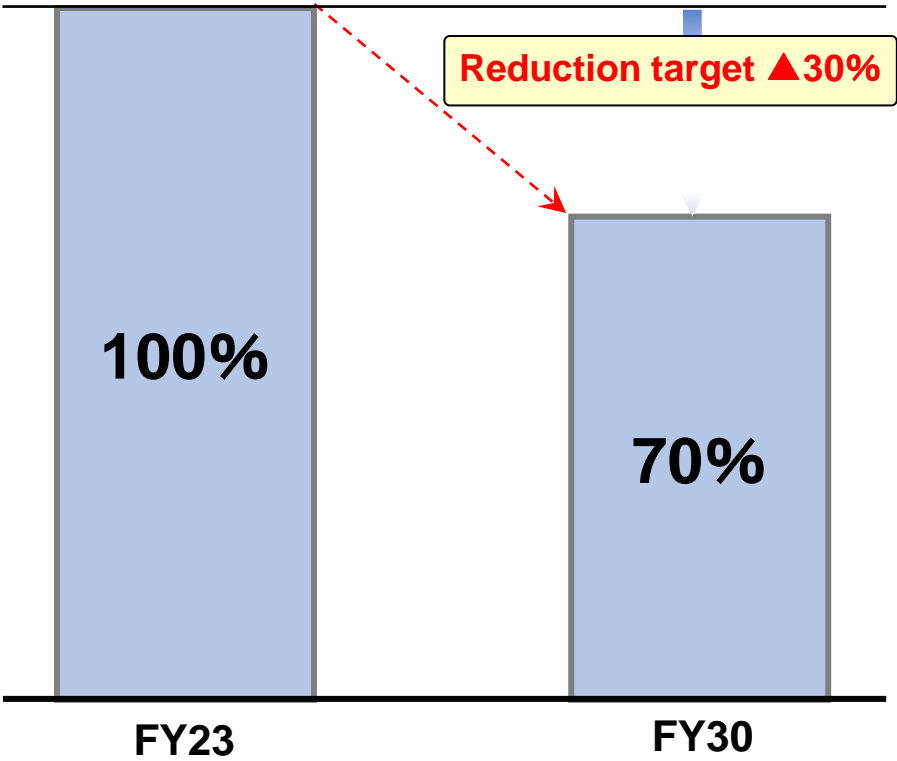


# **Initiatives for Production Line Automation and Optimization of the Global Production System**

## <Reduction in manufacturing costs>

- Achieving a 30% reduction in manufacturing costs through the introduction of automation technologies and the elimination of time losses

[Manufacturing costs(Non-consolidated)]



[Manufacturing cost breakdown]

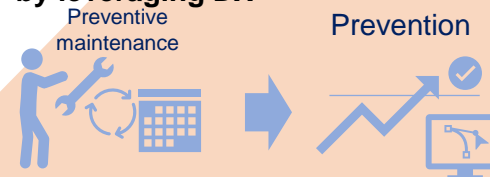
	Reduction targets	Reduction details
Labor costs	▲25%	<ul style="list-style-type: none"><li>• Labor saving Automation of processing/inspection/transportation</li><li>• Elimination of time losses Transportation through direct integration and consolidation/minimization of work hours Changeover-free/shortened set-up process, reduction of defects, reduction of cycle time</li></ul>
Expenses	▲5%	<ul style="list-style-type: none"><li>• Reduction in infrastructure costs (Energy conservation through CN investment)</li><li>• Reduction in controllable costs (Reduction in consumables, repair costs, etc.)</li></ul>
Depreciation	-	<ul style="list-style-type: none"><li>• Offset by increased investment in automation by jig-less design, and equipment downsizing</li></ul>
Total	▲30%	-

## <Automation Roadmap>

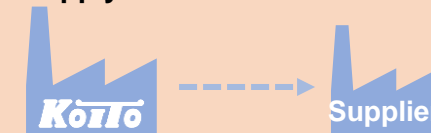
Manufacturing costs 70 (▲30%)

Phase 3  
Enhanced management of production activities

• Strengthening overall management by leveraging DX

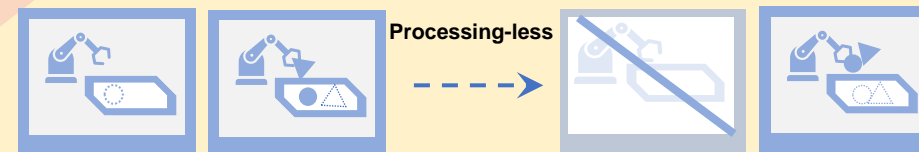


• Cost reduction through horizontal deployment across the entire supply chain

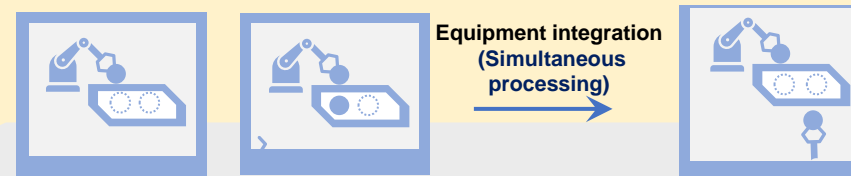


Phase 2  
Process integration

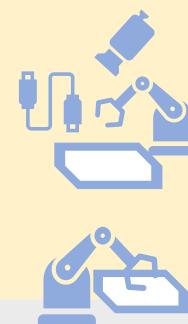
• Processing-less



• Equipment integration



• Fully automated

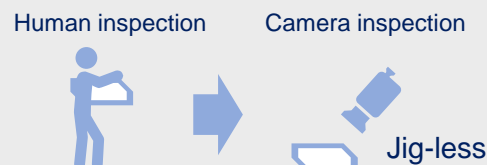


Phase 1  
Process automation

• Automation of set-up



• Automation of visual inspections (AI camera inspection)  
• Jig-/changeover-less



• Automation of transportation



• Automation of packaging



100

## <Phase 1:Process automation>

Sagara Plant: Automation of multi-color lens process (started operation in August 2024)

Process	Molding	Transportation	Surface treatment		<div><b>[Manufacturing costs]</b> <b>Model line : ▲35%</b> <div><b>Labor costs : ▲32%</b> <b>Expenses : ▲3%</b> <b>Depreciation : —</b></div></div>
FY23 BM			<div>Hard coating line</div>	<div>Transportation</div> <div>Anti-fogging coating line</div> <div>Inspection /Packaging</div>	
Measures	Automation of set-up	Automation of transportation	Process integration	Automatic inspection	
FY25	<div>Automatic inspection</div>	<div>Conveyor transport</div>	<div>Integrated line</div>	<div>Automatic inspection</div>	<div><b>[Spillover effects]</b> Reduction of takt time : ▲30% Reduction of defects : ▲60%</div>

# **Initiative to Improvement of Capital Profitability**

# 1. Analysis of Current Situation of ROE and Cost of Equity

- ROE has been below cost of capital since COVID-19 → ROE improved in FY24 due to disclosure/implementation of the 1st Medium-Term Management Plan (including financial strategy)
- Although stagnation of ROE is expected FY25 onwards due to a decrease in net income, continue to aim for ROE that exceeds cost of equity

## Transition of ROE and Cost of Equity



Note: Cost of equity calculated using CAPM, etc.



# 2. Review of Shareholder Return Policy and the 1st Medium-Term Management Plan

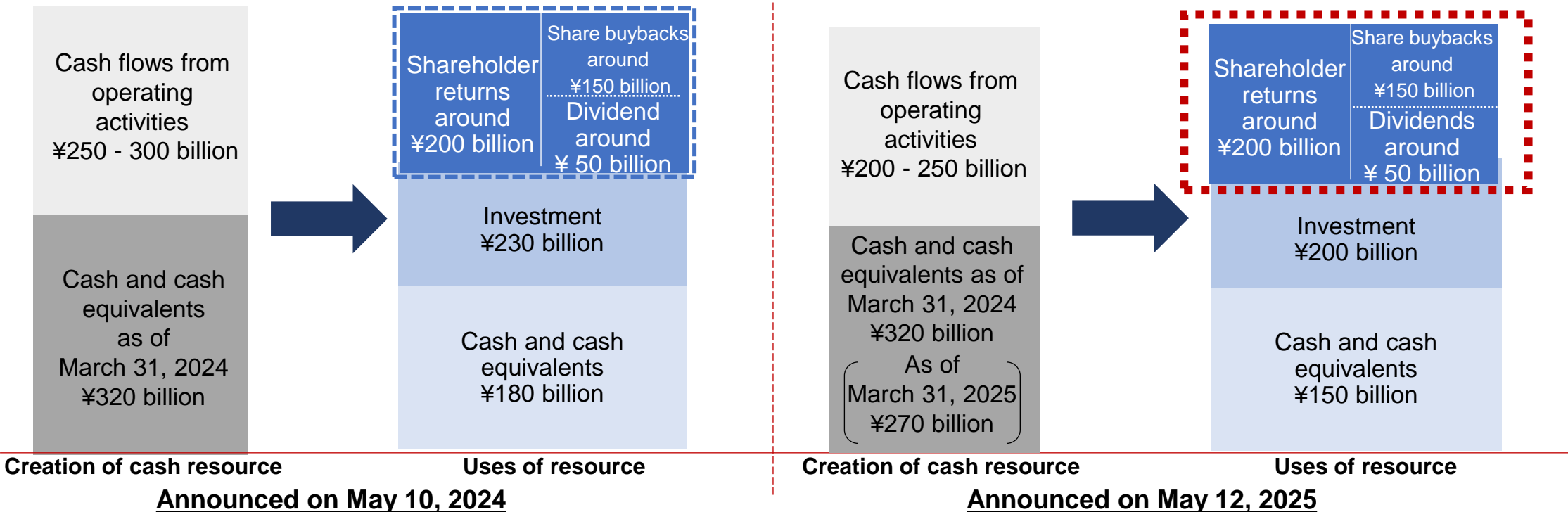


## ✓ Basic Policies of Shareholder Return

- Dividends: Based on the policy of stable and continuous dividends, we will increase or maintain dividends with a consolidated dividend payout ratio of 40% or more.
- We will agile share buybacks in view of stock price, etc.
- Prioritize growth investments, after secure cash and cash equivalents to 2 months of monthly sales, surplus funds are appropriated to shareholder returns.

## ✓ Revision of the 1st Medium-Term Management Plan (FY24 - FY26: 3 years total)

Despite uncertainty is growing due to Trump’s reciprocal tariffs, etc., we maintain the 3-year shareholder returns policy



### 3. Specific Measures to improve Capital Profitability

We will address the following initiative and improve capital profitability to achieve FY30 targets.

#### Improvement of Capital Profitability

**FY30 Targets**  
Operating profit margin  
ROIC  
ROE  
**10% or more**

#### Consciousness Reform

- Introduce the following systems to promote management with an awareness of KPIs such as stock price, profit margin, ROIC, etc.
  - ✓ Executives: Introduction of a restricted stock compensation plan linked to TSR/ESG indicators  
(Scheduled to be submitted to the General Meeting of Shareholders in June 2025)
  - ✓ Employee: Enhancement of stock ownership plan, grant of restricted stock

#### Capital Efficiency Improvement

- Establishment of a production system to meet production volume (e.g., restructuring in China/European operations, etc.)
- Review criteria for new investment/withdrawal from business

#### Balance Sheet Optimization

- Continuous shareholder returns (flexible share buybacks/stable dividends)
- Realization of efficient management of the KOITO Group funds through centralized management at the Head Office
- Continuous review of cross-shareholdings