

KOITO INTEGRATED REPORT 2022



Lighting for Your Safety

Koito

Lighting for Your Safety

Keeping people and automotive safe



KOITO is a leading company in automotive lighting equipment delivering safety, peace of mind and trust to customers for more than 100 years since its establishment.

Under our corporate message “Lighting for Your Safety,” the KOITO Group creates customer needs in a variety of traffic systems and contributes to social development in transportation such as automobiles, railways, aviation, marine vessels and others, all guided by the theme of “Light.”

Corporate Principles

We will contribute to social development through lighting.

We will step forward to realize our employees’ dreams.

We will support a sustainable society as one of its members.

Corporate Policy

Innovative ideas and decisive action

Corporate Message

Lighting for Your Safety
Keeping people and automotive safe

Corporate Principles
**Corporate Policy
Corporate Message**
The KOITO Group Corporate Behavior Charter

The KOITO Group Corporate Behavior Charter

1. Sustainable growth and resolution of social issues
2. Trusted corporate activities
3. Compliance with social conventions / Global management
4. Fair information disclosure and constructive dialogue
5. Respect for human rights
6. Work practice and enhancement of workplace environments
7. Engagement in environmental issues
8. Contribution to society
9. Rejection of relations with anti-social forces / Comprehensive risk management engagement
10. Role of top management and thorough implementation of this Charter

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Note on Future Projections

This report contains future statements including the KOITO Group's future plans, strategies and performance. These future statements are assumptions and beliefs based on the current available data. We therefore wish to caution readers that the actual results may differ materially from our expectations.

Editorial Policy

KOITO has started to issue an "Integrated Report" from 2021 to provide shareholders, investors and other stakeholders with an understanding of our initiatives to increase our medium- to long-term corporate value and to materialize a sustainable society. "Integrated Report 2022" is edited according to the International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC) and other various guidelines. In this report, in addition to our business performance for FY 2022 (fiscal year ended March 2022), we are improving our disclosures on our business strategies and initiatives to solve social issues and our ESG (Environment, Social and Governance) initiatives. In order to secure fair and effective disclosure, KOITO issues integrated report both in Japanese and English. We hope this report serves to deepen your understanding of the KOITO Group.



Reporting Period

FY 2022 (April 1, 2021 to March 31, 2022)
*Certain parts of this report include content on our activities other than the period above.

Scope of Report

The KOITO Group
*Certain parts of this report include content on our non-consolidated activities.

Issued

July 2022 (to be issued once a year)

Reference Guidelines

ISO 26000 (Guidance on social responsibility) - International Organization for Standardization (ISO)

International Integrated Reporting Framework - International Integrated Reporting Council (IIRC)

Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation - Ministry of Economy, Trade and Industry

SASB Standards - Sustainability Accounting Standards Board (SASB)

GRI Standards 2016 - Global Sustainability Standards Board (GSSB)

Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures - Task Force on Climate-Related Financial Disclosures (TCFD)



Value Creation Story

Staying true to our basic stance to adopt the perspective of customers, the KOITO Group is contributing to materialize a safe and comfort society by providing high-value products and services.

VALUE CREATION STORY

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The KOITO Group's History

The foundation of KOITO began in 1915 with the development and production of the Japan's first fresnel lenses for railway signal lamps. Since then, we have been contributing to the safe and comfortable society by developing lighting equipment for all kinds of transports, including automobiles, railways and even aircraft and ships.

1915 1950 1960 1970 1980 1990 2000 2010 2022 (FY)

Net sales (billion yen)

Founding Period 1915-1945

- 1915** Koito Genrokuro Shoten founded (Kyobashi, Tokyo) Fresnel lenses for railway signal lamps introduced
- 1930** Koito Genrokuro Shoten becomes KOITO MANUFACTURING
- 1935** Shinagawa Plant opens (Tokyo, Japan)
- 1936** KOITO MANUFACTURING CO., LTD. incorporated (capital 2.5 million yen)
- 1943** Shizuoka Plant opens (Shizuoka, Japan)

Post-war Recovery and Developing Period 1946-1980

- 1949** KOITO MANUFACTURING listed on both the Tokyo and Osaka Stock Exchange
- 1955** Enacted **KOITO** trademark
- 1961** Transferred a head office to Minato-ku, Tokyo
- 1968** Chicago Representative Office opens (Illinois, U.S.A.)
- 1970** Headquarters building completed (Minato-ku, Tokyo)
- 1972** Aircraft equipment and electronics plant opens (Shizuoka, Japan)
- 1977** Haibara Plant opens (Shizuoka, Japan)
- 1979** Production and sales of Japan's first aerodynamic-type headlamps begins

Expanding Period 1981-1999

- 1981** Production and sales of the world's first plastic lens headlamps begins
- 1983** North American Lighting, Inc. established (Illinois, U.S.A.)
- 1985** "Innovative ideas and decisive action" corporate slogan introduced
- 1986** THAI KOITO COMPANY LIMITED established (Thailand) Sagara Plant opens (Shizuoka, Japan)
- 1988** Capital interest in Ta Yih Industrial Co., Ltd. acquired (Taiwan)
- 1990** Production and sales of projector headlamps begins
- 1992** Fujikawa Tooling Plant opens (Shizuoka, Japan)
- 1996** Capital interest in Britax Vega Limited acquired (U.K.)
- 1997** Technical Center opens in Shizuoka Plant (Shizuoka, Japan) INDIA JAPAN LIGHTING PRIVATE LIMITED established (India)
- 1999** Britax Vega Limited becomes Koito Europe Limited

To be a "Global No.1 Supplier" 2000-Present

- 2001** Koito Czech s.r.o. established (Czech Republic)
- 2003** Production and sales of the world's first swivel AFS begins
- 2005** Fuzhou Tayih Industrial Co., Ltd. becomes a KOITO subsidiary (China) KOITO KYUSHU LIMITED established (Saga, Japan) GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. established (China)
- 2010** PT. INDONESIA KOITO established (Indonesia)
- 2012** North American Lighting Mexico, S.A. de C.V. established (Mexico)
- 2014** Hubei Koito Automotive Lamp Co., Ltd. established (China)
- 2015** KOITO celebrates its 100th anniversary
- 2017** NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda. established (Brazil) KOITO MALAYSIA SDN. BHD. established (Malaysia)
- 2019** Capital interest in BrightWay Vision Ltd. acquired (Israel)
- 2020** Capital interest in Cepton Technologies, Inc. acquired (U.S.A.) KI HOLDINGS CO., LTD. absorbed and merged KOITO Development Center opens (Aichi, Japan)
- 2022** Transitioned to Prime Market following the market reorganization of the Tokyo Stock Exchange

1915

Koito Genrokuro Shoten founded

Founder Genrokuro Koito founded Koito Genrokuro Shoten in Kyobashi-ku, Tokyo (current Kyobashi, Chuo-ku, Tokyo) to sell fresnel lenses for railway signal lamps, which he succeeded in the Japan's first production in 1912.



1957

Production and sales of all-glass sealed beam (SB) headlamps begins

Since 1951, KOITO has been developing all-glass SB headlamps with higher luminous flux than SSB headlamps. As a result of repeated trial manufacture and improvement, KOITO succeeded in its commercialization in 1957. KOITO then started supplying the products to various automotive manufacturers, including Toyota Motor Company (current Toyota Motor Corporation), from October 1957.



1936

Entering the automotive lighting equipment business

Based on KOITO's experience in supplying headlamps to military motorcycle with sidecars called "Kurogane" in 1932 and three-wheeled trucks in 1933, KOITO has started to produce headlamps for four-wheeled vehicles. We have supplied headlamps for the AA passenger cars to the automotive department of Toyoda Automatic Loom Works, Ltd. (current Toyota Motor Corporation) in 1936. This commemorates KOITO's participation in automotive lighting equipment business, which contributes to safe and comfortable automotive society.



1975

Production and sales of jet-type headlamp washers begins

Cleaning dirt on headlamps is crucial for ensuring safety, and relevant regulations were started to be drawn up in Europe. KOITO has developed jet-type headlamp washers, and its installation to export vehicles began in August 1975.



1950

Semi-sealed beam headlamps developed

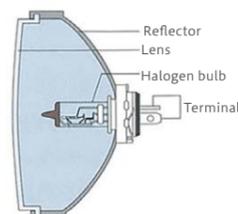
Focusing on the brightness of U.S.-made all-glass sealed beam headlamps, KOITO has developed and succeeded in commercializing semi-sealed beam headlamps in August 1950. Until all-glass SB was developed, semi-sealed beam headlamps were adopted in various domestic automobiles.



1978

Production and sales of halogen headlamps begins

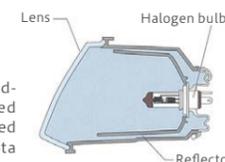
As halogen light bulbs with high luminous flux and excellent antiglare performance can contribute to reduce traffic accidents, they were standardized in Europe in 1971 and in the U.S. in 1978. KOITO has started producing halogen headlamps by incorporating halogen light sources (originally imported products) into SB and SSB headlamps in July 1978.



1979

Production and sales of uniquely shaped headlamps begins

KOITO has begun developing uniquely shaped headlamps (a kind of SSB headlamps), which are shaped to fit individual vehicle designs. These lamps started to be installed in the Nissan Skyline and the Toyota Crown in June 1979.



1985

Production and sales of all-resin aerodynamic-type headlamps begins

As a result of steady efforts on headlamps' resinification to reduce weight and improve design, KOITO has succeeded in developing plastic lenses and a BMC reflector with even higher heat resistance and molding accuracy in 1981. In January 1985, the world's first all-resin aerodynamic-type headlamp was adopted in Toyota Motor "Soara."



1996

Production and sales of discharge headlamps (GDHL) begins

With a light source that utilizes arc discharge between electrodes, discharge headlamps (GDHL) were excellent in increasing light intensity, and has long life and high energy efficiency. As the next-generation lamp contributes to improve vehicle fuel efficiency, KOITO succeeded in developing discharge headlamps as well as a control circuit called ballast, and were installed in the Nissan Terrano and the Toyota Mark II in 1996.



2007

Production and sales of the world's first LED headlamps begins

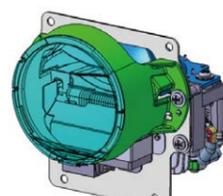
KOITO has developed LED headlamp using white LEDs as a low-beam light sources, which offers improved visibility with higher luminous flux, longer life, and lower power consumption compared to GDHL and halogen headlamps. In May 2007, they were installed in the Lexus LS 600h, as the world's first LED headlamp in the market.



2014

Production and sales of the world's first LED Compact-Bi-function begins

KOITO has started producing and selling the world's first LED Compact-Bi-function, capable of switching high beam and low beam with a single LED and achieved lower power consumption and weight compared to conventional lamp units. In November 2014, it was installed in the Toyota Prius Alpha, and contributed to the worldwide spread of LED headlamps, being adopted by various vehicles.



2019

Production and sales of the world's first BladeScan™ ADB begins

KOITO has developed the world's first BladeScan™ ADB (Adaptive Driving Beam) system, which is expected to further improve safety by enabling high-resolution light distribution than the conventional ADB systems. It was installed in the Lexus RX in August 2019, becoming the world's first system in the market.



Message from Top Management

The KOITO Group will contribute to materialize a sustainable society and resolve social issues through our “Lighting for Your Safety” corporate message.

In April 2022, the Tokyo Stock Exchange has reorganized its market structure into three new market segments, and KOITO chose the “Prime Market” as a listing market. Listed companies in this market are required to establish a high level of sustainability-related systems and promote relevant activities. To meet these expectations and build a management system that can respond to changes in the business climate, KOITO has established its management system to ensure objectivity and transparency. We are striving to further grow the KOITO Group under a new management system established in June 2022.

We are also working to strengthen SDGs and ESG promotion activities in order to contribute to materialize a sustainable society. In order to prevent global warming, we have set the targets of reducing KOITO’s CO₂ emissions by 50% in FY 2031, compared to FY 2014, and achieving carbon neutrality in FY 2051. In addition to accelerating reductions in CO₂ emissions more than ever before, KOITO has signed up to support the “Task Force on Climate-Related Financial Disclosures” (TCFD) in December 2021.

We will continue to promote various activities which contribute to resolve social issues through our business activities.

Review of FY 2022

In FY 2022, despite the expectation of a recovery from COVID-19 pandemic, the domestic and overseas economic recovery was sluggish and the outlook was uncertain due to the impact of the re-expansion of COVID-19 infections, a shortage of semiconductors, and soaring prices for resources and raw materials, as well as geopolitical risks such as the situation in Ukraine.

Domestic automobile production also remained challenging, due in part to sudden production fluctuations caused by supply chain disruptions. Domestic production declined for the third consecutive year, and overseas production also declined for the fourth consecutive year.

KOITO’s domestic net sales declined from the previous fiscal year due to a decrease in automobile production. However, overseas, consolidated net sales increased from the previous fiscal year due to new orders in North America and Asia, progress in the shift of automobile lamps to LED, and the impact of foreign currency exchange.

With regard to profits, despite the increase in net sales, operating income and recurring profit declined from the previous fiscal year due to an increase in fixed costs caused by a sudden fluctuation in production, soaring prices for raw materials and electronic components, and investments in new orders and R&D for the future. However, net income attributable to owners of the parent increased from the previous fiscal year due to gains on sales of investment securities and other factors.

Forecast for FY 2023

Although the outlook for global automobile production is uncertain due to factors such as COVID-19 and semiconductor shortage, it is expected to gradually recover from the second half of the fiscal year, and the full year production volume is expected to increase from the previous year.

The KOITO Group is planning an increase in net sales from the previous fiscal year due to an increase in automotive production, new orders, and an increase in sales of LED headlamps.

With regard to profits, despite R&D investment for the future, and capital investment for carbon neutrality increases, operating income, recurring profit, and profit attributable to owners of parent are expected to increase from the previous fiscal year due to increase in sales, ongoing improvement and rationalization activities.

The KOITO Group will continue our efforts to improve profitability to meet the expectations of all stakeholders.

■ The KOITO Group’s consolidated business results (ten thousand vehicles, million yen)

	FY 2021 Result	FY 2022 Result	FY 2023 Plan*1
Global automobile production volume*2	7,468	7,425	7,850
Net sales	706,376	760,719	871,000
Operating income	56,707	53,434	67,000
Operating income ratio	8.0%	7.0%	7.7%
Recurring profit	61,107	60,613	69,000
Profit attributable to owners of parent	37,612	38,340	46,000

*1 Announced on April 27, 2022

*2 KOITO’s estimates based on figures from Japan Automobile Manufacturers Association, Marklines and etc.

New Challenge: To Illuminate the World

The KOITO Group aims to materialize a sustainable society and resolve social issues as a leading company of automotive lighting equipment and will strengthen its business activities through our “Lighting for Your Safety” corporate message.

Under our corporate slogan, “New challenge: To illuminate the world,” we will continue to develop the newest and the best technologies, improve performance and quality of our products, promote training for employees to raise their performance and skills, as well as stay true to our basic stance to adopt the perspective of customers to supply products and services that will meet their expectations. We would greatly appreciate your continued understanding and support.



Chairman and CEO
**Masahiro
Otake**

President and COO
**Michiaki
Kato**

Aiming to become a “Global No.1 Supplier,” we are accelerating various activities.

The automotive industry is seeing accelerated movements toward the realization of a next-generation mobility society, including electrification and autonomous driving vehicles. We are facing many social issues as well, including climate change, decarbonization, and growing social inequalities. Companies are required to implement activities related to Sustainable Development Goals (SDGs) throughout their business activities.

During this transformation, the KOITO Group aims to contribute to resolving social issues through its business activities and to achieve medium- to long-term growth by accelerating various initiatives with the goal of becoming a “Global No.1 Supplier” under the keywords of “World-leading Technologies and Ingenuity,” “Sustainable Growth” and “A Trusted Company.”

World-leading Technologies and Ingenuity

The KOITO Group has created technologies and products which have always pioneered each generation and market, and developed its businesses by responding to



customer needs to materialize a safe, reliable society of transportation founded in our “innovative ideas and decisive action” corporate policy.

Technical capabilities are source of the KOITO Group’s competitiveness. Therefore, we have established a global network in all five major regions of the world, centered upon KOITO Technical Center. In September 2022, we plan to open a Technical Center in GUANGZHOU KOITO to expand new orders and strengthen our competitiveness in China.

We are working to expand sales of LED headlamps and Adaptive Driving Beam (ADB) headlamps in order to contribute to the reduction of traffic accidents by providing products that contribute to ensuring the visibility of night drivers. Following the enactment of legislation in the U.S. in February 2022, ADB’s adoption ratio is expected to expand in medium- to long-term. In response to these expectations, the KOITO Group is striving to enhance product variations and lowering prices. In addition, we are taking on challenges of developing sensing technologies that are essential for autonomous driving and are responsible for surrounding detection. We are aiming to launch these technologies to the LiDAR market in 2023.

R&D Network in Five Major Regions of the World



Moreover, the KOITO Group will contribute to materialize a safe and secured next-generation mobility society through promoting development of communication lamps and smart infrastructures based on our lighting and sensing technologies.

Sustainable Growth

The KOITO Group has aggressively invested in future growth-oriented areas, including capital investment and R&D investment, based on the management resources it has cultivated over the years. Although the current business climate is uncertain, we will aim to achieve sustainable growth for the Group as a whole by promoting growth investment, including digital transformation (DX) and carbon neutrality, and improving competitiveness in areas such as operational efficiency, productivity, and added value creation, in order to quickly bring attractive technologies and products to market and contribute to society.

KOITO recognizes that human resource development is crucial to achieving sustainable growth. Based on the idea that “manufacturing is human development” and that employees are the driving force behind corporate growth, with the keyword of “communication and collaboration,” we encourage every employee to share their knowledge, experience, findings, and problem awareness through various means to build energetic worksites where every member can work on tackling problems.

We strive to enhance work-life balance, promote diversity, expand human resource development programs and rebuild systematic human resource development achievement evaluations in an effort to ensure every employee can experience their growth and become motivated to take on new challenges.

The KOITO Group will also strive to strengthen its supply chain, including production and logistics, to prevent disruptions to its product supplies even in the face of global supply network disruptions. At the same time, the Group is striving to achieve sustainable growth throughout the supply chain by promoting procurement activities that incorporate SDGs perspectives, such as strengthening disaster mitigation systems, environmental conservation, respecting human rights, and complying with laws and regulations.

A Trusted Company

To ensure thorough compliance with laws and regulations, social conventions, corporate ethics and internal rules, the KOITO Group is striving to raise compliance awareness in each and every employee and further strengthen our corporate foundation.

In recent years due to the accelerated transition to electric vehicles, higher quality has become even more important as automotive parts become more advanced and complex. The KOITO Group strengthens on-site capabilities and investigates the true causes of defects through information sharing about any problems or challenges discovered, mutual understanding of pre- and post-processes, and assurance of each product with the goal of achieving a level of quality chosen by customers through the quality and trust of being global No. 1.

In terms of the environmental activities, in order to contribute to materialize a carbon-free society, we aim to achieve carbon neutrality by 2050. To this end, we are promoting measures to reduce CO₂ emissions and environmentally hazardous substances, and promote recycle resources. Through these efforts, we are expanding “Eco-friendly Manufacturing for People and the Earth” globally.

In December 2021, KOITO has signed up to support the “Task Force on Climate-Related Financial Disclosures” (TCFD), established by the Financial Stability Board in 2015. Recognizing climate change as one of our key management issues, to enhance climate-related information disclosures based on TCFD recommendations, we are collecting and analyzing the data we need and reflecting it in our business activities.

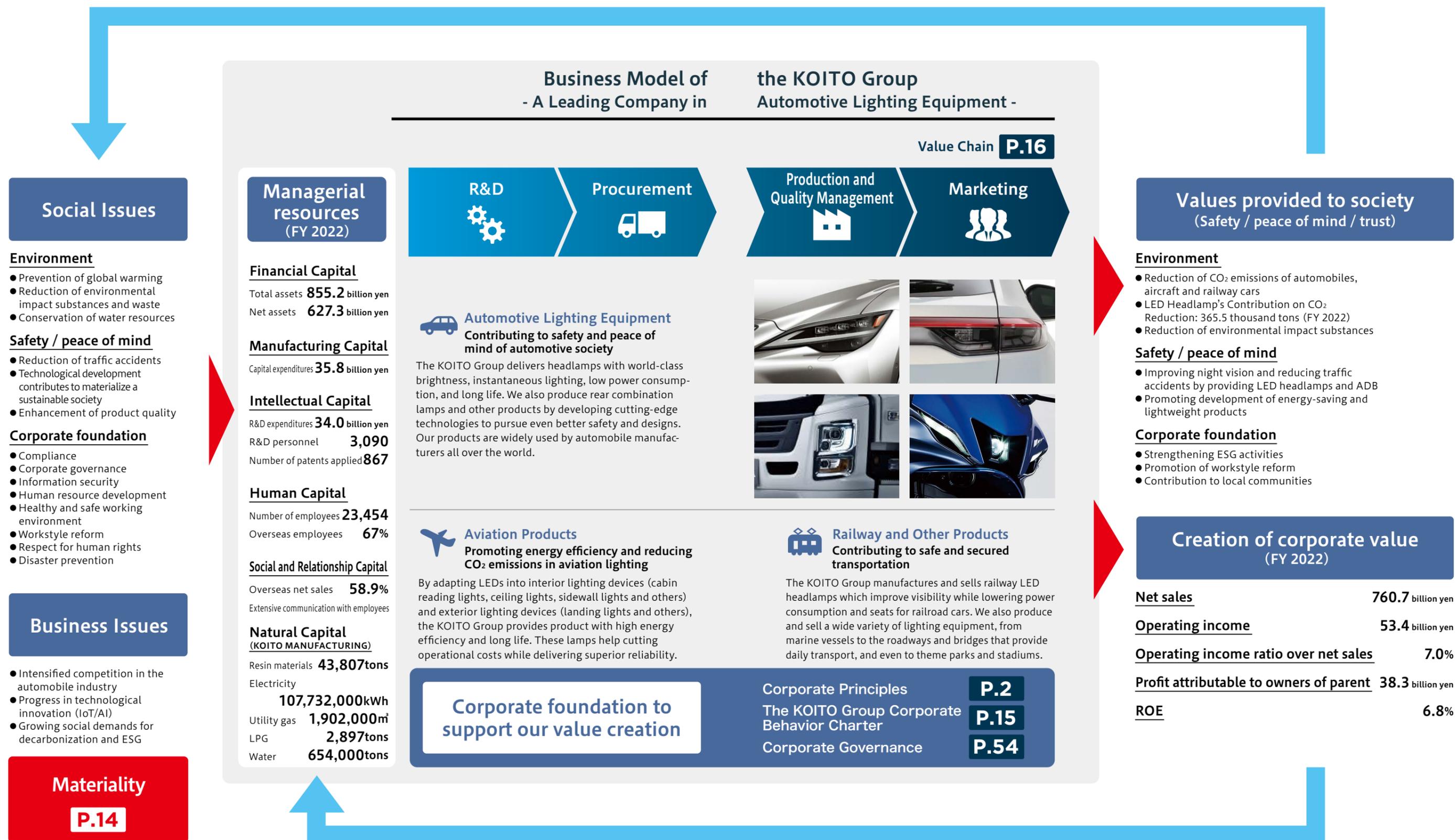
Throughout these activities, the KOITO Group will continue to strive to be a company trusted by all stakeholders.

July 2022



Value Creation Process

Throughout our business activities in the value chain centered on the automotive lighting business, the KOITO Group aims to resolve various social issues to materialize a sustainable society and increase our corporate value.



Business Issues

- Intensified competition in the automobile industry
- Progress in technological innovation (IoT/AI)
- Growing social demands for decarbonization and ESG

Materiality

P.14

Managerial resources
(FY 2022)

Financial Capital
Total assets **855.2 billion yen**
Net assets **627.3 billion yen**

Manufacturing Capital
Capital expenditures **35.8 billion yen**

Intellectual Capital
R&D expenditures **34.0 billion yen**
R&D personnel **3,090**
Number of patents applied **867**

Human Capital
Number of employees **23,454**
Overseas employees **67%**

Social and Relationship Capital
Overseas net sales **58.9%**
Extensive communication with employees

Natural Capital
(KOITO MANUFACTURING)
Resin materials **43,807tons**
Electricity **107,732,000kWh**
Utility gas **1,902,000m³**
LPG **2,897tons**
Water **654,000tons**

Materiality

We believe that our business activities are highly compatible with and relevant to Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015, and can contribute to achieve these goals.

In order to accelerate these initiatives, we have referred to the GRI (Global Reporting Initiative) guidelines and identified material issues (materiality) to be focused and SDGs to be solved among the various social issues, and promoting relevant activities.

We will continue to promote our business activities that contribute to materialize a sustainable society.

 For materiality assessment process, please refer to our Materiality website. URL: <https://www.koito.co.jp/english/csr/materiality/>



The KOITO Group Corporate Behavior Charter

The KOITO Group's basic management policy is to create customer needs and contribute to the progress of society, while also fostering mutually beneficial relationships with all stakeholders, including shareholders, customers, employees, and business partners, all guided by the theme of "Light."

In accordance with this policy, we have established the following ten principles. We will comply with domestic and overseas laws and regulations, international rules, and their underlying spirit, and conduct corporate activities in accordance with corporate ethics.

In addition, with the aim of achieving sustainable growth of society, we will strive to resolve social issues through our business activities and fulfill our social responsibilities.

1 Sustainable growth and resolution of social issues	P.18 P.48	6 Work practice and enhancement of workplace environments	P.24
2 Trusted corporate activities	P.49	7 Engagement in environmental issues	P.20 P.38
3 Compliance with social conventions / Global management	P.60	8 Contribution to society	P.53
4 Fair information disclosure and constructive dialogue	P.53	9 Rejection of relations with anti-social forces / Comprehensive risk management engagement	P.60 P.62
5 Respect for human rights	P.52	10 Role of top management and thorough implementation of this Charter	P.54~58

Our Materiality and Initiatives

KOITO has set KPIs (key performance indicators) and targets for FY 2031 for each materiality. We are promoting activities that contribute to solve social issues by incorporating them into specific activity plans.

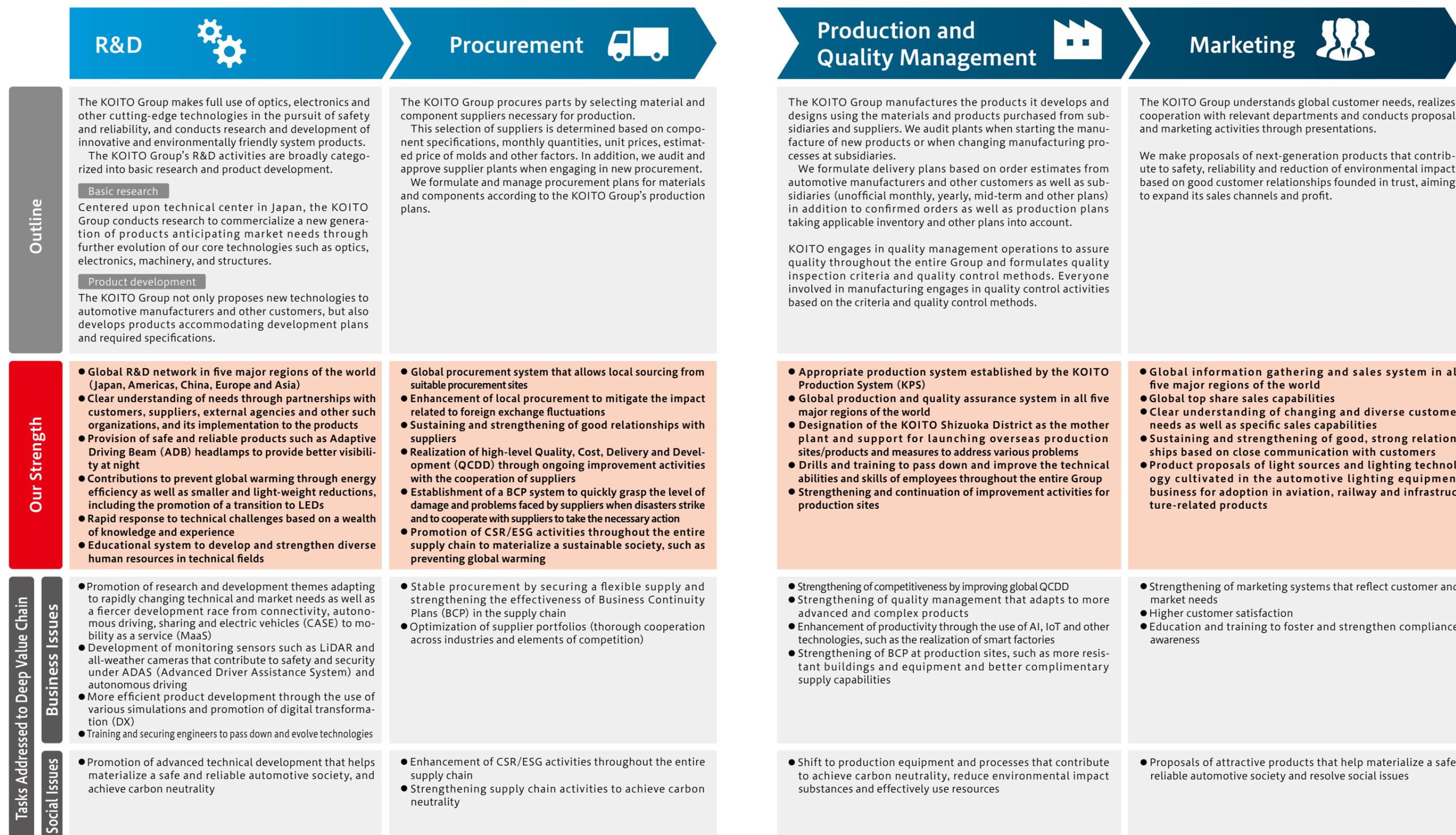
	Materiality	Relevant SDGs	Declaration of KOITO's Initiatives
Environment	<ul style="list-style-type: none"> Prevention of global warming P.20 P.42 Reduction of environmental impact substances and waste P.44 Conservation of water resources P.45 		<ul style="list-style-type: none"> We will promote reduction of CO₂ emissions and environmental impact substances, and resource recycling guided by the theme of "Eco-friendly Manufacturing for People and the Earth." We will contribute to the reduction of CO₂ emissions by further improving the light emission efficiency and reducing the weight of mainstay products.
	<ul style="list-style-type: none"> Reduction of traffic accidents P.48 Technological development contributes to materialize a sustainable society P.18 Enhancement of product quality P.49 		<ul style="list-style-type: none"> We will strive to achieve sustainable growth and resolve social issues by developing and providing socially beneficial and safe products and services. Looking ahead to autonomous driving society, we will promote product development of sensors (LiDARs and cameras). We will gain customers' satisfaction and trust through developing and providing safe and high-quality products and services.
Corporate foundation	<ul style="list-style-type: none"> Compliance P.60 Corporate governance P.54 Information security P.63 Human resource development P.24 Healthy and safe working environment P.52 Workstyle reform P.24 Respect for human rights P.52 Disaster prevention P.62 		<ul style="list-style-type: none"> We will enhance corporate governance and strengthen compliance to establish sound management system. We will strive to protect information assets by preparing for risks on information security. 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. We will promote initiatives to respect the human rights of all persons. We will strengthen our disaster prevention system throughout the supply chain.

KPI	FY 2021 Result	FY 2022 Result	FY 2031 Target
CO ₂ emissions	59.8 thousand tons	56.7 thousand tons	36.9 thousand tons (50% reduction from FY 2014)
VOC emissions	220 tons	192 tons	Less than 299 tons (less than the amount in FY 2019) (continuous target by FY 2026)
Waste generated per unit (tons per billion yen)	0.117	0.120	Less than 0.128 (7% reduction from FY 2019) (continuous target by FY 2026)
Water usage per unit (tons per million yen)	3.26	3.41	Less than 3.51 (7% reduction from FY 2019) (continuous target by FY 2026)
LED adoption ratio*	64%	70%	100%
ADB adoption ratio*	5%	5%	20%
Commercialization of LiDAR	—	—	Commercialization (FY 2024) Commercializing next-generation product (FY 2026)
Number of recalls	4 cases	0	0
Awareness of the KOITO Group Corporate Behavior Charter	91%	97%	100%
Number of serious violations of laws and ordinances	0	0	0
Number of serious information security incidents	0	0	0
Training time per employee	9.6 hours	10.2 hours	More than 15 hours
Rate of lost-time injuries	0	0	0
Ratio of women in senior management	1.3%	1.4%	More than 3.0%

*Consolidated

Value Chain

With the aim of enhancing our corporate value and resolving social issues throughout our business activities, the KOITO Group is strengthening initiatives in the respective value chain of R&D, procurement, production, quality management and marketing.



Growth Strategies

Strategy 1 Development of Advanced Technologies

Looking forward the coming autonomous driving society, the KOITO Group aims to materialize a safe and secure automobile society by enhancing the performance of ADB (Adaptive Driving Beam), developing sensing technologies for LiDAR and cameras, products based on our lighting technologies, and smart infrastructure technologies.

Enhancement of ADB's Performance

The KOITO Group commercializes ADB, which can keep the driver's forward visibility in good condition by automatically control the light distribution patterns of high beams and enabling drivers to drive at high beams all times without glaring preceding and oncoming vehicles.

Since our Japan's first production of ADBs in 2012, we have promoted performance improvement, costs and diversification. In 2019, we have commercialized the world's first BladeScan™ ADB. Currently, ADB adoption is expanding in a variety of vehicles, from luxury vehicles to mini vehicles and trucks. In 2022, the use of ADB was legislated in the United States, and expected to accelerate its adoption.

The current BladeScan™ ADB achieves high-resolution light distribution equivalent to using approximately 300 light sources with 12 LED light sources. To further improve performance, reduce weight and costs, we are striving to commercialize a next-generation BladeScan™ ADB that provides light distribution equivalent to using 600 LED light sources. We are also promoting the development of high-resolution ADB, which achieves high-level of light distribution equivalent to several thousand to tens of thousands of light sources. We are working to further expand ADB's adoption ratio within the KOITO Group's headlamps, with the goal of 20% in FY 2031.

Development of Sensing Technologies

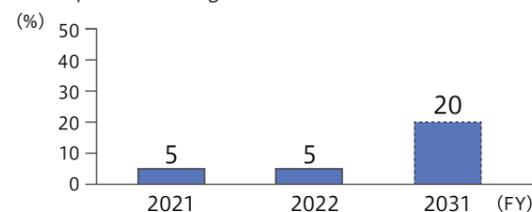
By installing sensors such as LiDAR in the headlamps and rear combination lamps located at the four corners of the vehicle, efficient 360° sensing around the vehicle can be achieved.

As one of our sensor developments, the KOITO Group is developing a high-precision LiDAR capable of sensing distances of 200 to 300 meters with high resolution. We are also developing all-weather cameras capable of accurately detecting objects in bad weather conditions such as heavy rain and snow.

The market scale for these ADAS, LiDARs and cameras for autonomous driving is forecast to grow by approximately 200 times in LiDAR market and 2.5 times in the camera market over ten years from 2020 to 2030.



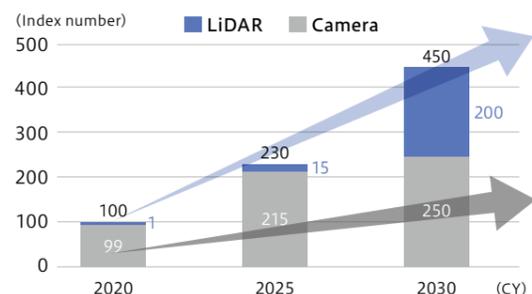
■ ADB penetration targets (Global)



■ Performance of sensors developed by KOITO

	LiDAR	All-weather camera
Distance measurement	200m	150m
Object detection	○	○
Object detection under bad weather condition	△	○
Autonomous driving level	Level 3 and 4	Level 4

■ Market scale of LiDARs and cameras

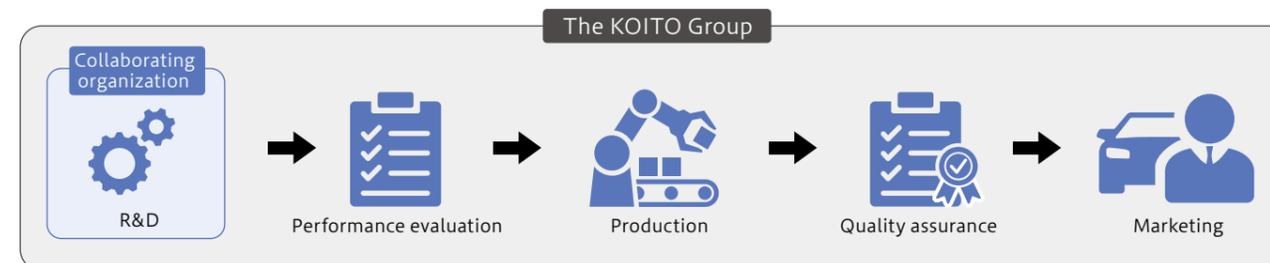


LiDAR

We are promoting product development that combines the KOITO Group's lighting technologies and technologies on product design and mass production that we have cultivated over the years with external collaborative organizations' advanced LiDAR technologies.

KOITO's LiDAR, which uses the MMT™ (Micro Motion Technology) method of Cepton, Inc. (Cepton), achieves superior detection capabilities and is scheduled to be commercialized in 2023. We are currently working to ensure the reliability and improve productivity of products required for automotive sensors.

■ Roles of the KOITO Group and Collaborating Organizations in LiDAR Commercialization



Development of Products Based on Our Lighting Technologies

KOITO is enhancing the added value of lamps by proposing new products with a theme of "Light," by utilizing the technologies cultivated in lamps development to peripheral products. We are aiming to contribute to the safety and security of the society by reducing accidents and etc.

Communication Lamp

Communication lamps contribute to prevent accidents by quickly transit necessary information, such as vehicle movements and warnings, to surrounding vehicles and pedestrians.

■ Communication lamp

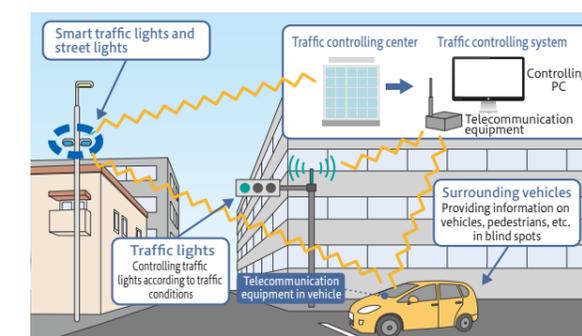


Development of Smart Infrastructure Technologies

KOITO is working with KOITO ELECTRIC INDUSTRIES to develop smart infrastructures. By installing in-vehicle sensors (LiDAR, cameras, etc.) on traffic infrastructures such as traffic lights, those infrastructures enable to detect surrounding traffic conditions and provide information to traffic control systems and surrounding vehicles.

In addition to contributing to safety and security, such as preventing traffic accidents and alleviating traffic congestion, the system is expected to contribute to the environment by reducing CO₂ emissions. We are aiming to commercialize this system in 2024.

■ Telecommunicating image of smart traffic lights



Growth Strategies

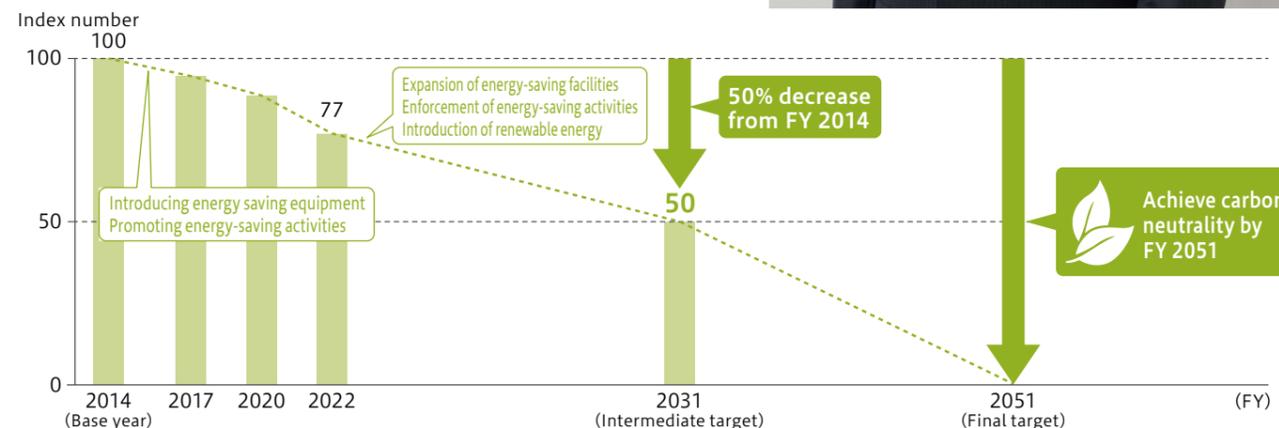
Strategy 2 Initiatives to Achieve Carbon Neutrality

To accelerate our activities on “prevention of global warming,” one of KOITO’s materiality, the entire company is working together on environmental activities to reduce CO₂ emissions in Scope 1 and Scope 2 by 50% in FY 2031 compared to FY 2014, and to achieve net-zero emission, or carbon neutrality by FY 2051.

CO₂ Emissions Results and Targets

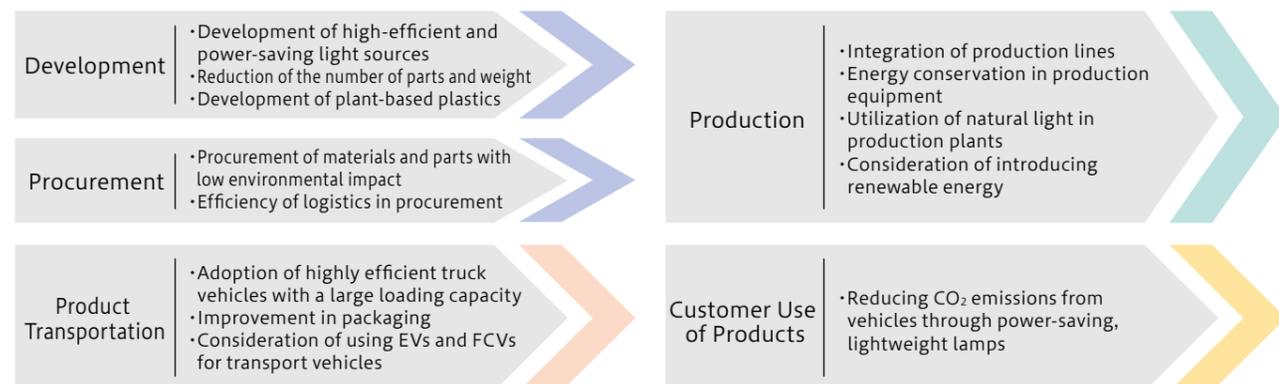
KOITO has promoted the introduction of energy-saving facilities and energy-saving activities, mainly in the manufacturing process, and has worked to reduce CO₂ emissions. As a result, CO₂ emissions in FY 2022 was 23% lower than FY 2014, which is the base year for CO₂ emissions.

We will vigorously promote environmental activities, such as further introducing energy-saving facilities and considering the introduction of renewable energy. With our target of reducing CO₂ emissions by 50% in FY 2031 compared to FY 2014, which exceeds the government target, and achieving carbon neutrality in FY 2051, KOITO will further strengthen our activities to reduce CO₂ emissions.



Reducing CO₂ Emissions Considering Product Life Cycle

In order to contribute to materialize a decarbonized society, KOITO is working to reduce CO₂ emissions from vehicles. We are promoting several company-wide activities by promoting products’ power conservation, size reduction, and weight reduction from the development and design phase, as well as introducing energy-saving facilities at production sites.



Development

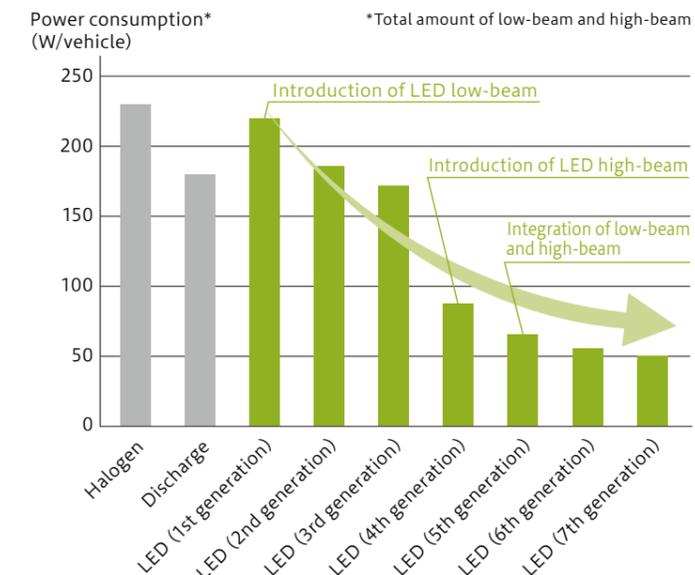
-Reduction of headlamp’s power consumption-

Aiming to reduce CO₂ emissions by improving the fuel efficiency of vehicles, and to respond to the accelerating shift to EVs, KOITO has started to introduce LEDs as the light source for headlamps ahead of its competitors. The latest LED headlamps, consume about 80% less electricity than the conventional halogen headlamps and 70% less electricity than discharge headlamps, contribute to reduce vehicles’ battery load.

Due to their capabilities, the adoption of LED headlamps has expanded to a variety of vehicles, including large-size and compact vehicles, mini vehicles, and motorcycles. In FY 2022, global LED adoption ratio among the KOITO Group’s headlamps was approximately 70%, and is expected to widespread further.

With the aim of commercializing even greater power savings and lighter lamps, we are also working to improve the performance of white LEDs, reduce the number of parts, and use resins efficiently.

Reduction of headlamp’s power consumption



LED Headlamp’s Contribution on CO₂ Reduction

The KOITO Group is contributing to improve vehicle fuel efficiency and reduce CO₂ emissions by providing eco-friendly products.

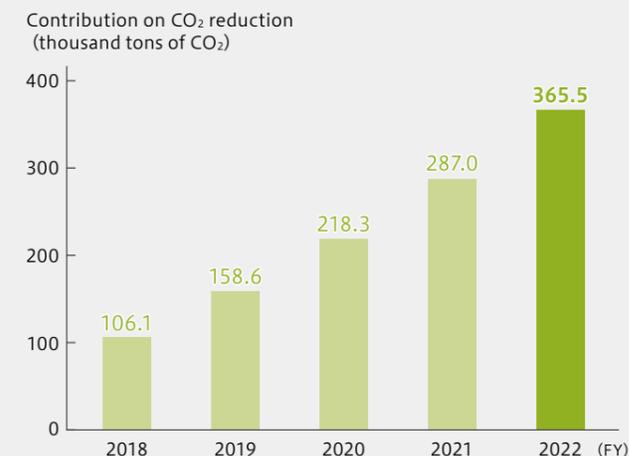
KOITO has evaluated our global environmental contribution of LED headlamps by comparing the amount of CO₂ emissions when using conventional halogen headlamps.

Contributions are increasing year by year due to the evolution of light sources and the spread of LED headlamps.

KOITO has calculated the contribution by referring to the calculation methodologies on the EU’s “Technical Guidelines for the preparation of applications for the approval of innovative technologies pursuant to Regulation (EC) No 443/2009 and Regulation (EU) No 510/2011” and JAPIA’s “Second Version of Regulation 2 of the Guidelines for Calculating LCI (Data Chart for Calculating Environmental Impact at the Stage of Use).”

[Calculation formula]
Energy-saving effect* (W/units) / 1,000 × Consumption of effective power (ℓ/kWh) / Efficiency of alternator × CO₂ emission factor (t-CO₂/ℓ) × Operating hours (hours/year) × Usage factor × the number of vehicles equipped with the KOITO Group’s LED headlamps
*Power consumption differences between LED headlamps and halogen headlamps

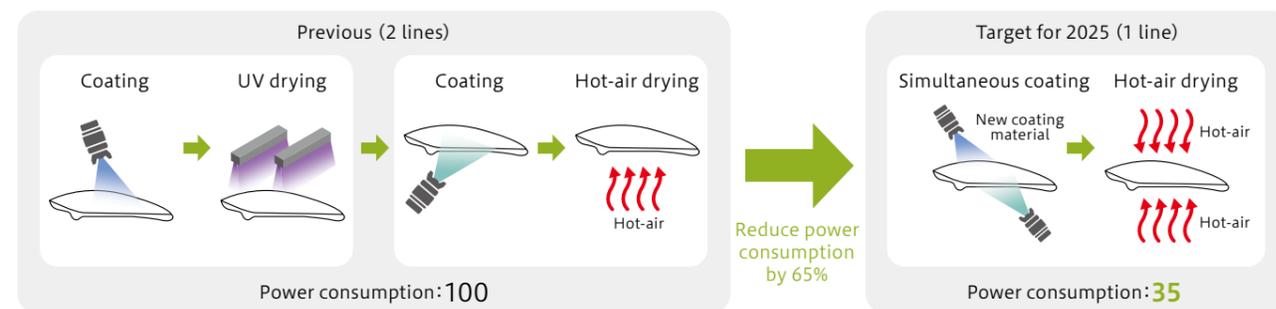
LED headlamp’s contribution on CO₂ reduction



Production -Reduction of CO₂ emissions by integrating surface treatment lines-

The lenses of headlamps are processed in two processes: hard coating and anti-fogging coatings. Previously, hard coating and anti-fogging coating were done on separate processing lines. Aiming to integrate conventional two lines into a single line, KOITO is developing equipment and materials that can be processed with a single line. We are gradually integrating these lines.

Following the integration, we are aiming to reduce power consumption by 65% comparing with conventional lines.



Financial Strategy

Aiming to build foundations for sustainable growth and enhance our corporate value

Capital Policy

KOITO aims to build a foundation for medium- to long-term sustainable growth and increase corporate value throughout management which is mindful of capital costs.

We are striving to strengthen our earnings structure by placing more emphasis on financial indicators such as operating income and recurring profit rather than on net sales. Although we have not set targets for return on equity (ROE) and other factors, we have achieved a consolidated operating income ratio of between 11% and 12% around FY 2018 and 2019, when global automobile production was robust, and we are working to achieve these levels.

The current business climate is challenging due to factors such as COVID-19 and the semiconductor shortage. However, we are working to improve our profitability so that we can first secure an operating profit ratio of 10% and achieve even higher ratio in line with the future recovery in the global automobile production volume.

■ Consolidated business results (million yen)

	FY 2019	FY 2020	FY 2021	FY 2022
Net sales	826,257	800,928	706,376	760,719
Operating income	101,534	82,411	56,707	53,434
Operating income ratio	12.3%	10.3%	8.0%	7.0%
Recurring profit	105,494	85,264	61,107	60,613
Profit attributable to owners of parent	72,895	58,022	37,612	38,340
Total assets	738,175	729,715	782,163	855,237
Cash and time deposits	287,803	271,774	303,887	323,943
Net assets	503,564	513,524	569,438	627,315
Return on equity (ROE)	16.7%	12.3%	7.4%	6.8%

■ Non-consolidated business results (million yen)

	FY 2019	FY 2020	FY 2021	FY 2022
Net sales	364,104	356,505	312,201	294,463
Operating income	38,346	25,574	21,138	17,760
Operating income ratio	10.5%	7.2%	6.8%	6.0%
Recurring profit	56,652	46,713	38,185	38,416
Net income	44,132	41,644	38,048	23,253
Total assets	419,791	430,006	469,849	475,170
Cash and time deposits	188,097	178,200	194,086	203,659
Net assets	303,560	324,311	365,178	379,654
Return on equity (ROE)	15.2%	13.3%	11.0%	6.2%



Shareholder Return Policy

With the aim of returning profits to shareholders and enhancing corporate value over the medium- to long-term, KOITO believes that we should allocate funds to capital investment, R&D investment, and strategic M&A investment that will contribute to future growth of the KOITO Group. In terms of our shareholder composition, in particular, the ratio of shareholders who hold and invest shares over the medium- to long-term is increasing both domestically and overseas, and we are expected to improve total returns over the medium- to long-term, ranging from five to seven years. We intend to continue to invest in capital expenditures in response to the increase in orders and in R&D investments in ADB, sensor-related and other areas.

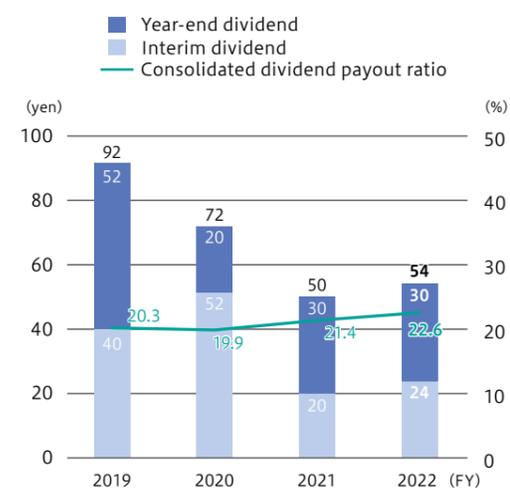
In FY 2022, in addition to initial investment of \$50 million, we have made an additional investment of \$50 million to Cepton, a company that had been developing LiDAR in collaboration with the KOITO Group.

We will continue to invest aggressively in companies that possess technologies that contribute to the medium- to long-term growth of the KOITO Group.

With regard to dividends, based on our basic policy of paying stable and continuous dividends, we comprehensively consider our business performance and the business climate, aiming for a dividend payout ratio of 30%.

Despite our business climate remains uncertain due to issues such as COVID-19 and a shortage of semiconductors, we will work to make steady improvements in consideration of our business performance and the business climate, while being conscious of a 30% dividend payout ratio in the medium- to long-term perspectives.

■ Dividend amounts



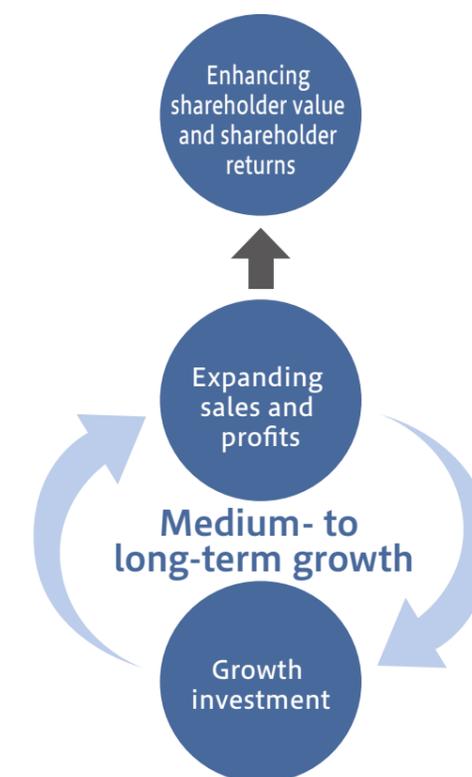
	FY 2019	FY 2020	FY 2021	FY 2022
Net income (consolidated)	72,895	58,022	37,612	38,340
Net income per share	¥453.52	¥360.99	¥234.00	¥238.53
Total amount of dividends	14,787	11,572	8,036	8,679
Dividend per share	¥92	¥72	¥50	¥54
Interim dividend	¥40	¥52	¥20	¥24
Year-end dividend	¥52	¥20	¥30	¥30
Consolidated dividend payout ratio	20.3%	19.9%	21.4%	22.6%

Toward the Medium- to Long-Term Growth of the KOITO Group

Looking forward to the KOITO Group's medium- to long-term growth, we need to accelerate our efforts in digital transformation (DX) and carbon neutrality, in addition to developing advanced technologies for LiDAR, cameras, and other sensors compatible with CASE (connectivity, autonomous driving, sharing and electric vehicles).

In particular, with regard to the development of advanced technologies, we believe that collaboration with other companies are also important in the fields of autonomous driving, next-generation mobility, AI and IoT. Through the Silicon Valley Lab in the U.S. and funds in Israel, we are exploring not only sensors, but also new technologies related to smart street lights and traffic signals on a global basis, and scrutinizing and discussing the information. If there are good technologies or projects that contribute to the growth of the KOITO Group, we will actively consider collaborations and alliances, including M&A.

Going forward, we will continue to use the generated funds to build a foundation for growth that can continue to increase corporate value even in an uncertain business climate, and achieving medium- to long-term and sustainable growth.



Human Resource Strategy

Aiming to secure a diverse range of human resources and promote their active participation

With the keywords of “communication and collaboration,” KOITO encourages every employee to share their knowledge, experience, findings and problem awareness through various means to build energetic worksites where every member can work on tackling problems and can experience their growth and become motivated to take on new challenges.

To achieve the KOITO Group’s further growth, we are working to improve work-life balance. At the same time, we are revamping our human resource systems with the aim of strengthening our efforts to secure a diverse range of human resources, including women, foreign nationals and mid-career hires and promote their active participation in our core human resources.

Improvement of Work-life Balance

KOITO has been improving the work-life balance to create a work environment where every employee can make the best use of their capabilities and fulfill their potential. In addition, we are promoting flexible and diverse working styles. KOITO has introduced teleworking system as one of “New Normal” ways to work, following the COVID-19 pandemic.

[Reduction of long working hours]

- Overtime working hours in each department is reported at the monthly Managing Committee, and work processes are being streamlined to reduce it

[Acquisition of paid leaves]

- The Committee for the Acquisition of Paid Leaves promotes employees to take paid leaves of 15 or more days per year and confirms the acquisition status by each department

[Introduction of teleworking system]

- Applicants in administrative divisions can work from home

[Support for childcare, nursing care and others]

- Child-care leave can be taken up to the end of April after the child reaches three years old
- Employees and junior employees raising children under the age of nine can work under shortened working hours
- Employees can voluntarily choose their attendance and leaving times under a flexible working system
- Nursing care leave can be taken up to one year
- Implementation of seminars to balance work and nursing care for employees



Human Resource Development

KOITO engages in human resource development through a wide variety of curriculums, and provides job-rank based education, technical education, and global education.

The job-rank based education consists of management training for specific qualifications and positions. The technical education includes 211 lectures in and outside of KOITO, such as advanced education on AI, IoT, and sensors. A total of 6,335 KOITO employees participated in these training and lectures in FY 2022.

The global education focuses on multi-culture training, e-learning and language training.

Promotion of Diversified Human Resources

KOITO recognizes that various perspectives and values can be strengths in securing sustainable growth, and promoting active participation of diverse human resources. We have set KPIs and targets for the promotion of women, foreign nationals, and mid-career hires in core human resources, and are working to provide wide-ranging career support and improve working environment.

■ Targets to secure diversified human resources

	FY 2022 Result	FY 2026 Target
Percentage of women in senior management	1.4%	3.0%
Percentage of foreign nationals in senior management	0.3%	1.0%
Percentage of mid-career hires in senior management	7.5%	10.0%

[Women empowerment]

- Expanding the number of women in regular position, senior management, newly and mid-career hires
- Provide education to women employees and for managers with women staff etc.

[Support for foreign employees]

- Employ foreign candidates to strengthen R&D
- Strengthen the recruitment of exchange students by cooperating with universities etc.

[Support for senior employees]

- Rehiring of all applicants over 60 etc.

[Improve treatment for non-regular employees]

- Promote all non-regular employees as full-time employees (2019) etc.

[Support for staff with a disability]

- Creating a workplace where staff with a disability can play active roles and expanding their employment

Enhancement of Our Member Benefit

KOITO is working to enhance our member benefit and improve the workplace environment to increase our employees’ motivation.

As for benefits, KOITO prepares dormitories, company housing, and cafeteria facilities for employees. We also introduce an employee stock purchase plan (ESPP) to support employees’ property formation and share the company’s medium- to long-term growth.

The improvement of the workplace environment includes the installation of security cameras at entrance gates and dormitories to enhance security, installation of automatic fire extinguishers as a fire safety measure, and replacing lights with LED lamps at work areas in production sites to reduce employees’ workload.



For KOITO member benefit in overseas subsidiaries, please refer to our Human Resource Management website.

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

Health and Hygiene

Based on five management elements of occupational health (work environment management, work management, health management, hygiene education, and hygiene management system), KOITO is implementing various activities to provide a healthy and safe workplace environment.

[Activities on health]

- Implementing periodic medical checkups and providing results to employees
- Implementing workplace vaccination of COVID-19
- Influenza vaccination for applicants
- Implementing special health checkups to confirm there are no occupational illness
- Implementing life-saving seminars (including AED seminars and others)

[Efforts to maintain and promote mental health]

To prevent employees from mental health issues, we are providing “self-care” training for new employees and applicants, and “line-care” training for Managers and Chiefs. In FY 2022, a total of 167 employees participated in self-care and 76 in line-care training.

We conduct annual stress checks for all employees to encourage self-care, and support them by having individual counseling.

In addition, we are improving our support system by establishing an external consulting desk where employees can consult on mental health issues over the phone.

[Activities on hygiene]

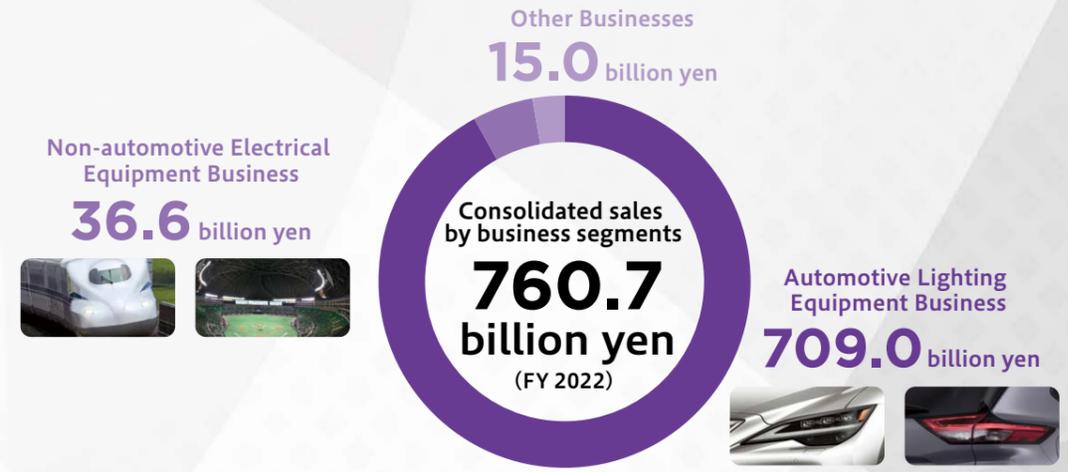
- Implementing training for hazardous chemical substances
- Preventing accidents and health impairment through special education for organic solvents or powder handlers
- Implementing health lectures during National Occupational Health Week
- Preventing collective infections at dining halls (sanitary inspections, etc.)

Business Overview

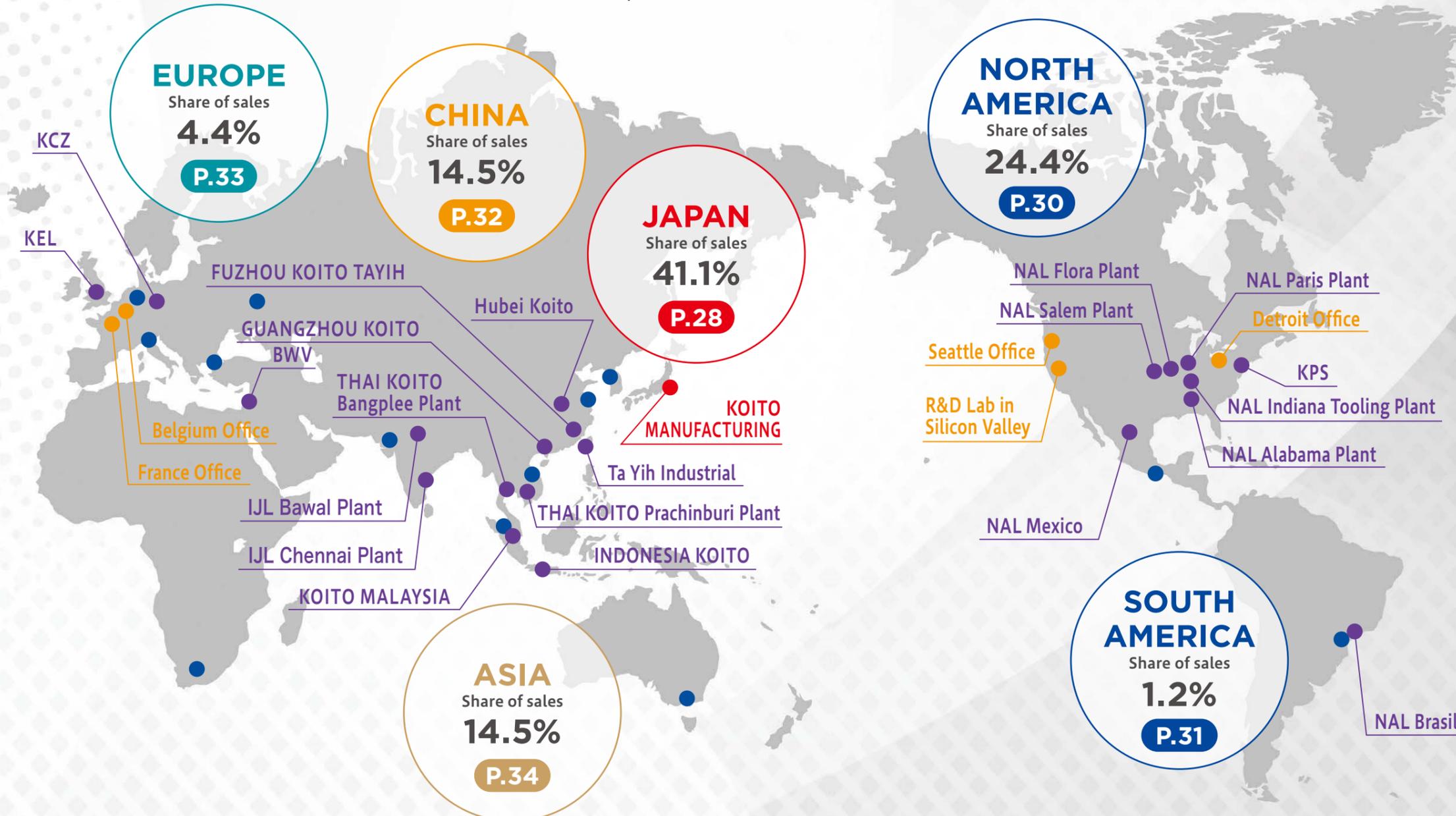
The KOITO Group consists of a total of 31 companies, including 16 domestic companies and 15 overseas companies in 12 countries. We provide products and services to customers all over the world, through our global network led by five major regions of the world (Japan, Americas, China, Europe and Asia).

By accurately capture the customer needs in different countries, with its global perspective, all companies in the KOITO Group are expanding its development and production system. Based on the stance of “customer-first,” KOITO continues to pursue better operations to keep Quality, Cost, Delivery and Development (QCDD) to the highest level.

Through our mutually complementary supply network among affiliated companies that leverage our global network, we are stably providing products and services to customers worldwide even amid the COVID-19 pandemic.



● Head Office ● Overseas Subsidiaries and Affiliates
● Overseas Technical Associates ● Overseas Representative Offices



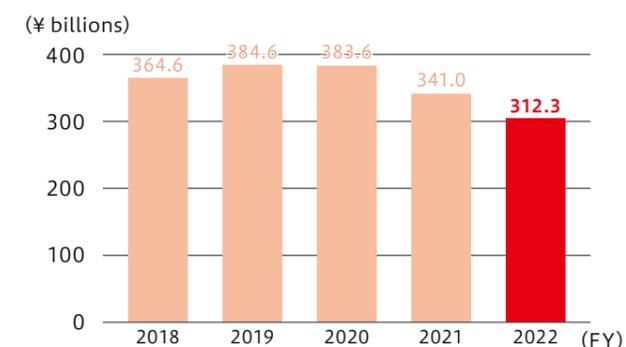
BUSINESS OVERVIEW

JAPAN

In FY 2022, domestic automobile production declined for the third consecutive year due to the impact of COVID-19 and semiconductor shortage.

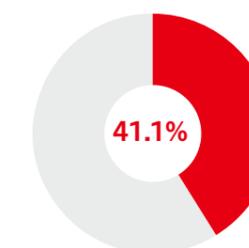
Sales in Japan decreased 8.4% year on year to ¥312.3 billion due to a decrease in the automobile production volume.

Net sales



Share of net sales

[Japan]
FY 2022



KOITO MANUFACTURING

KOITO manufactures and supplies automotive lighting equipment at four plants in Shizuoka Prefecture, centered on the Shizuoka Plant. We have introduced a production system that can efficiently operate every phase from production to distribution, and have established a production system that incorporates our unique know-how in high-variety and low-volume manufacturing.

The Shizuoka Plant has an integrated production system from development of light sources to assembly and quality assurance. Centering Shizuoka Plant as our mother plant, we are deploying our own production systems at all domestic and overseas bases. We are striving to maintain and improve outstanding productivity and high-quality. In R&D, the Technical Center within the Shizuoka Plant plays a central role in the KOITO Group's R&D structure. In addition to development, design and testing, we are developing new light sources and advanced technology for advanced driving systems and autonomous driving in the Technical Center. To further enhance quality, cost, delivery, and development and improve our response to the sophistication and complexity of product functions, we have opened the Koito Development Center in Aichi Prefecture in 2020. Collaborating with the Technical Center, we are strengthening product development functions.



Head Office



Shizuoka Plant



Haibara Plant



Sagara Plant



Fujikawa Tooling Plant



Technical Center



KOITO Development Center

KOITO KYUSHU LIMITED

KOITO KYUSHU was established in 2005 to strengthen KOITO's supply system to automobile manufacturers in the Kyushu and Chugoku regions. The plant has commenced operations in 2006, and has expanded in 2008 to produce and supply automotive lighting equipment.

Throughout mutually complementary supply network and structure through collaboration with KOITO, KOITO KYUSHU is strengthening QCD by improving production efficiency and reducing logistics costs, as well as being responsible for risk diversification in the event of disasters.



KOITO KYUSHU Head Office and Plant

Other Domestic Affiliated Companies

Other domestic affiliates are engaged in transportation and other businesses in addition to automotive lighting-related businesses, such as manufacturing rear combination lamps and subsidiary lamps, various light bulbs, and electronic components, as well as molds.

In addition to automotive lighting business, KOITO ELECTRIC INDUSTRIES and other companies are engaged in the railway vehicle equipment business, including seats and control equipment for railway cars, as well as transportation systems business, including traffic lights and traffic control systems. KOITO ELECTRIC INDUSTRIES is a leading company in the domestic traffic light business, with a top domestic market share of approximately 30%.



KOITO ELECTRIC INDUSTRIES Head Office and Fuji Nagaizumi Plant

NORTH AMERICA

In FY 2022, automobile production in North America remained sluggish at the 13 million unit level, continuing from the previous fiscal year.

In North America, KOITO operates automotive lighting equipment business in the U.S.A. and Mexico.

While the automobile production volume remained unchanged from the previous fiscal year, sales in North America increased 29.4% year on year to ¥185.5 billion due to an increase in new orders and a shift in automobile lamps to LED.

United States

NAL conducts production operations at four plants: Paris, Flora and Salem in Illinois, and a plant in Alabama. As the largest independent lighting equipment manufacturer in North America, NAL supplies automotive lighting equipment to U.S.-based automotive manufacturers and to local plants of Japanese automotive manufacturers. NAL also produces dies for plastic moldings at a tooling plant in Indiana. In research and development, NAL develops products at the Technical Center in Michigan. At the R&D lab in Silicon Valley, they are researching and gathering information on advanced driving support systems (ADAS) and autonomous driving technologies.

In the non-automotive electrical equipment business, KPS N.A., INC. manufactures and sells electrical components for railroad cars.



■ NAL Head Office (Paris)



■ NAL Paris Plant



■ NAL Flora Plant



■ NAL Salem Plant



■ NAL Alabama Plant



■ NAL Indiana Tooling Plant

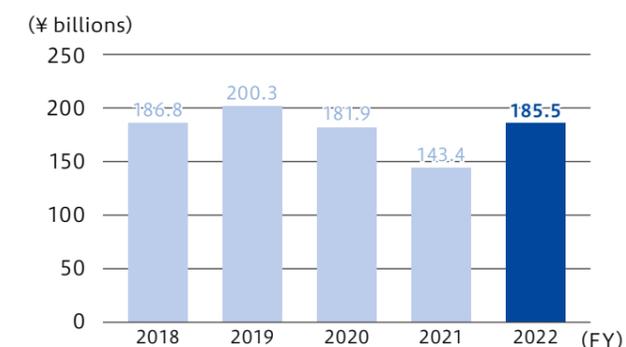


■ NAL Technical Center



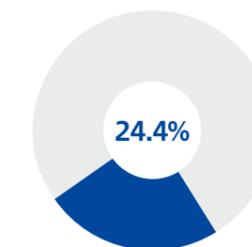
■ NAL R&D Lab in Silicon Valley

Net sales



Share of net sales

[North America]
FY 2022



Mexico

North American Lighting Mexico, S.A. de C.V. (NAL Mexico), which commenced its operations in September 2014, responds to the expanding automotive production in Mexico.



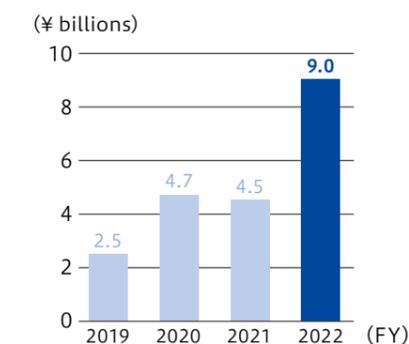
■ NAL Mexico

SOUTH AMERICA

In FY 2022, automobile production in South America increased year on year to the 2.6 million unit level.

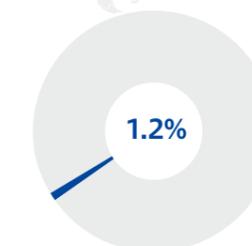
Sales in South America increased 97.9% year on year to ¥9.0 billion due to an increase in automobile production, new orders, and a shift in automobile lamps to LED.

Net sales



Share of net sales

[South America]
FY 2022



Brazil

In order to respond to the growing automotive market in South America, in January 2017, the KOITO Group established NAL do Brasil (NAL Brasil), a manufacturing subsidiary in São Paulo State, Brazil. The subsidiary commenced operations in May 2018.



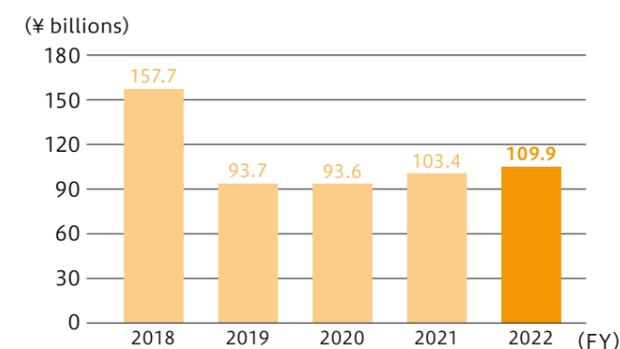
■ NAL Brasil

CHINA

Automobile production in China decreased from previous fiscal year to the 26 million unit level in FY 2022.

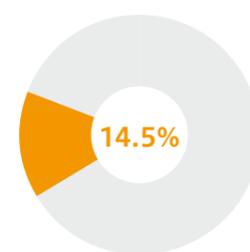
Although automobile production declined, sales in China increased 6.3% year on year to ¥109.9 billion.

Net sales



Share of net sales

[China]
FY 2022

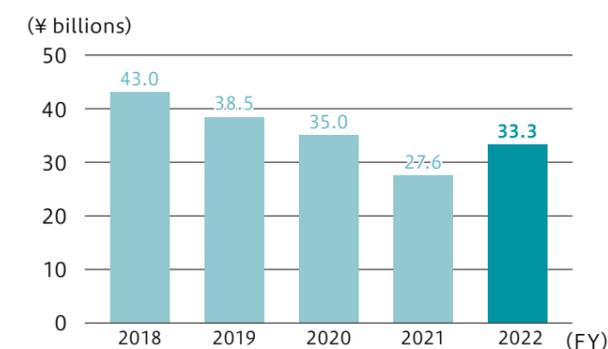


EUROPE

Automobile production in Europe decreased from the previous fiscal year to 11 million units in FY 2022. In Europe, KOITO operates businesses in the U.K. and Czech Republic.

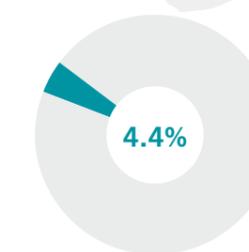
Although automobile production declined, sales in Europe increased 20.7% year on year to ¥33.3 billion due to the impact of foreign currency exchange and other factors.

Net sales



Share of net sales

[Europe]
FY 2022



KOITO has been developing its automotive lighting equipment business in China through 3 companies: GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD. (GUANGZHOU KOITO), Hubei Koito Automotive Lamp Co., Ltd. (Hubei Koito), and FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD. (FUZHOU KOITO TAYIH).

In research and development, we will strengthen our response to local needs by opening a technical center in GUANGZHOU KOITO in September 2022.



GUANGZHOU KOITO



GUANGZHOU KOITO Technical Center
(scheduled to commence operations in September 2022)



Hubei Koito



FUZHOU KOITO TAYIH

United Kingdom

In the U.K., KOITO has been producing automobile lighting equipment at Koito Europe Limited (KEL) since 1996, as KOITO's first production base in Europe.



KEL

Czech Republic

In the Czech Republic, KOITO produces automobile lighting equipment at Koito Czech s.r.o. (KCZ). To respond to increasing new orders, KOITO expanded its plant in KCZ, and commenced operations in May 2020.

R&D activities are conducted at its Technical Section, and a wide range of businesses are being carried out, from gathering technological information to developing and designing for local and Japanese automakers.



KCZ



KCZ Technical Section

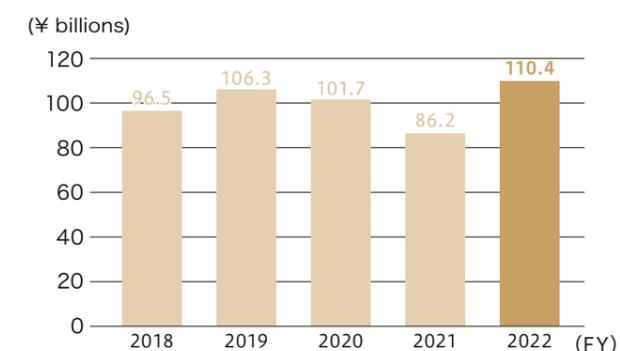
ASIA

In FY 2022, as automobile production volume increased in Thailand, Indonesia, India, and other countries, automobile production in Asia as a whole increased year on year.

In Asia, KOITO's business is conducted in Thailand, Indonesia, Taiwan, India and Malaysia.

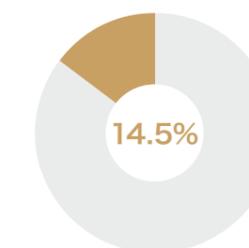
Sales in Asia increased 28.0% year on year to ¥110.4 billion due to an increase in automobile production, new orders, and a shift in automobile lamps to LED.

Net sales



Share of net sales

[Asia]
FY 2022



Thailand

In Thailand, which is the center of the Asian automotive industry, KOITO supplies automotive lighting equipment to all local Japanese automotive manufacturers. The products are manufactured in 2 plants in THAI KOITO COMPANY LIMITED (THAI KOITO): Bangplee Plant and Prachinburi Plant. Furthermore, KOITO is strengthening its development systems in the Asian region led by THAI KOITO Technical Center.



THAI KOITO Bangplee Plant



THAI KOITO Prachinburi Plant



THAI KOITO Technical Center

India

In India, where the automotive industry is expected to grow in the long term, KOITO is conducting business in INDIA JAPAN LIGHTING PRIVATE LIMITED (IJL). IJL manufactures automotive lighting equipment at 2 plants: Chennai Plant and Bawal Plant.



IJL Chennai Plant



IJL Bawal Plant

Indonesia

In Indonesia, KOITO produces lamps for automobiles and motorcycles at PT. INDONESIA KOITO. In March 2019, KOITO expanded plants in Indonesia to respond to increasing orders.



INDONESIA KOITO

Taiwan

In Taiwan, operations are conducted by Ta Yih Industrial Co., Ltd. (Ta Yih Industrial), in which KOITO took an equity interest in 1988.



Ta Yih Industrial

Malaysia

In Malaysia, which is the third largest automotive production country in the ASEAN regions, the KOITO Group established KOITO MALAYSIA SDN. BHD. (KOITO MALAYSIA) in October 2017. The subsidiary commenced operations in November 2019.



KOITO MALAYSIA

ESG Activities

The KOITO Group's basic management policy is to create customer needs and contribute to the progress of society, while also fostering mutually beneficial relationships with all stakeholders, including shareholders, customers, employees and business partners, all guided by the theme of "Light."

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Environmental Activities

The KOITO Group declares in the KOITO Group Corporate Behavior Charter, our basic policy of the corporate activities, that “guided by the theme of ‘Eco-friendly Manufacturing for People and the Earth,’ we will proactively engage in global environment conservation through our business activities.”

Based on this policy, KOITO has established an Environmental Policy that sets out the framework for its environmental activities and implements that policy in the environmental management of all fields: development, design, production, procurement, logistics and others.

Moreover, our domestic and overseas subsidiaries also have established “Environmental Policy” as well as built environmental management systems. We are promoting environmental conservation activities throughout the KOITO Group.

Environmental Policy

KOITO MANUFACTURING CO., LTD. pursues “Eco-friendly Manufacturing for People and the Earth” in all business activities centered on automotive lighting by promoting environmental conservation activities;

1. To clarify our targets and measures for environmental conservation and continuously work to improve the KOITO Group’s environmental performance,
2. To formulate and promote environmental improvement plans by considering environmental issues in advance in addition to complying with environmental laws and regulations,
3. To strive to develop and establish new environmentally friendly technologies and products throughout the product life cycle,
4. To minimize the environmental impact and use of resources and energy in the manufacturing process, promote environmental protection activities and prevent environmental problems from occurring,
5. To actively promote human resources development to achieve our environmental targets.

Environmental Management

Management Structure for Environmental Activities

KOITO convenes the monthly Safe and Environmental Committee chaired by the Representative Director to supervise environmental activities of the entire Group and to discuss and make decisions on important environmental issues and environmental conservation measures to be implemented under environmental laws and regulations.

Subcommittees and working groups, such as the Energy and CO₂ Reduction Subcommittee, Environmental Impact Substance Reduction Working Group, and Recycle Promotion Working Group, which were established to address specific environmental issues, are implementing specific activities.

These activities are reported to the Safe and Environmental Committee, which follows up on progress and discussing various actions.



Establishment of Environmental Management System

The KOITO Group is building the environmental management system for the entire Group. We are aggressively acquiring ISO 14001 and other environmental certificates primarily at our manufacturing sites. As of the end of March 2022, a total of 24 companies out of 25 eligible for certification have acquired environmental certificates: 12 in Japan, including KOITO MANUFACTURING, and 12 overseas. The KOITO Group also recommends major suppliers to acquire certificates, such as ISO 14001 and Eco-Action 21, in order to reinforce environmental management and conservation throughout the entire supply chain.

■ KOITO’s ISO 14001 certification in production sites

Site	Year-month of initial registration	The latest renewal dates
Shizuoka Plant	January 2000	January 2021
Koito Parts Center		
Haibara Plant	July 2000	
Sagara Plant		
Fujikawa Tooling Plant	January 2003	

Scope of Environmental Management: KOITO’s environmental management is applied to the above five sites with respect to business activities related to the R&D, design, production, logistics, etc. of automotive lighting equipment, aircraft components and others. In addition, environmental impact arising from the product life cycle are also applied to the management.

■ Environmental certification acquired in the KOITO Group

Domestic subsidiaries		Overseas subsidiaries	
ISO14001	KOITO KYUSHU	ISO14001	North American Lighting (U.S.A.)
	Aoitec		North American Lighting Mexico (Mexico)
	Shizuokadenso		NAL do Brasil (Brazil)
	Nissei Industries		Koito Europe (U.K.)
	Fujieda Auto Lighting		Koito Czech (Czech Republic)
Shizuoka Wire Harness	GUANGZHOU KOITO (China)		
KOITO ELECTRIC INDUSTRIES	Hubei Koito (China)		
Haibara Machine and Tools	FUZHOU KOITO TAYIH (China)		
Shizuoka Kanagata	THAI KOITO (Thailand)		
Takeda Suntech	INDONESIA KOITO (Indonesia)		
Green Management Certificate	Koito Transport		Ta Yih Industrial (Taiwan)
			INDIA JAPAN LIGHTING (India)

Environmental Targets and Performance

To implement “Eco-friendly Manufacturing for People and the Earth” and promote environmental conservation activities effectively, KOITO has set quantitative medium-term targets and short-term targets every year for various indicators. The progress of activities is managed and the degree of achievement of targets is evaluated by the Safe and Environmental Committee and other bodies.

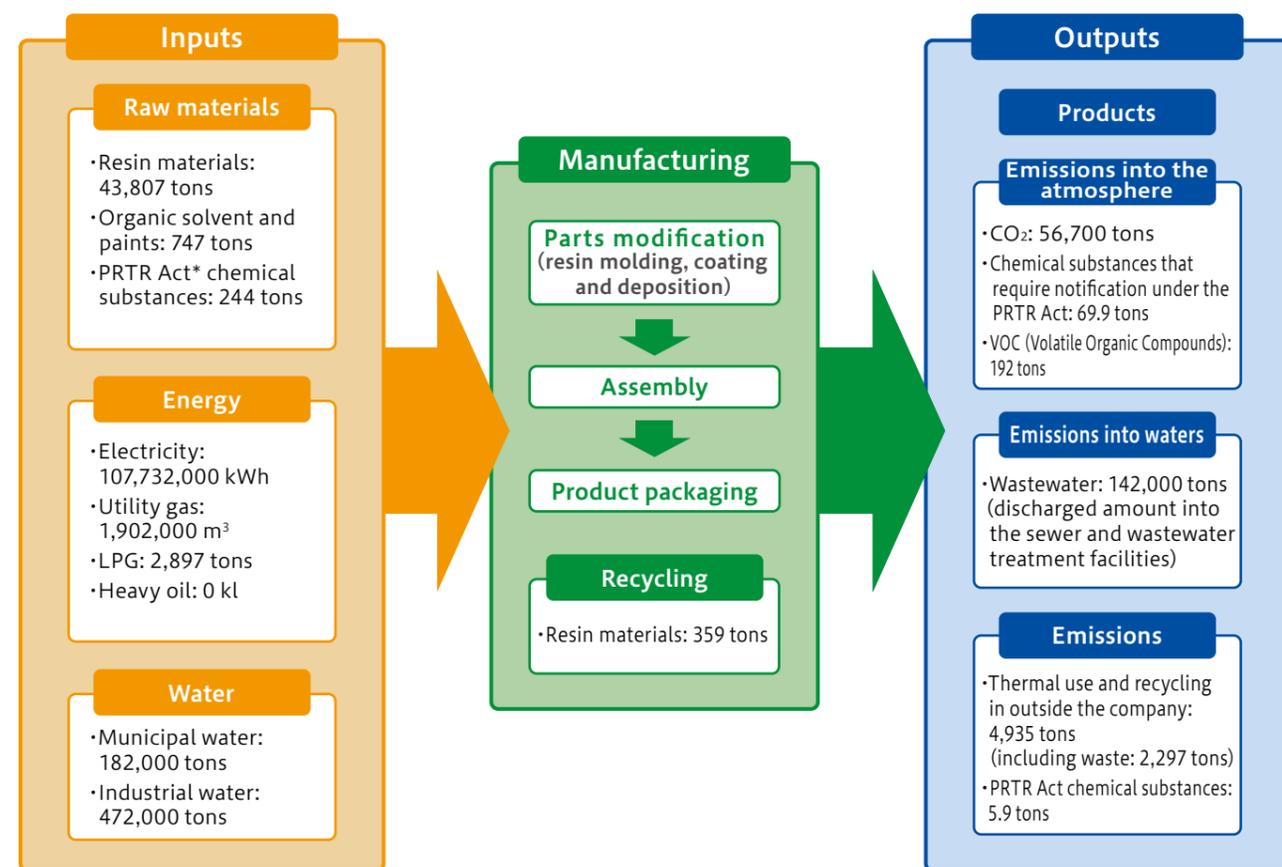
Environmental objectives	Priority efforts and performance in FY 2022			Main approaches from FY 2022	
	Priority	Target	Result		
Measures to alleviate climate change	Contribution to low-carbon society	Reduction of CO ₂ from production	Amount of CO ₂ emissions: 16% reduction from FY 2014 (amount of CO ₂ emissions 61,900 t-CO ₂)	Amount of CO ₂ emissions: 23% reduction from FY 2014 (amount of CO ₂ emissions 56,700 t-CO ₂)	①Reduction of energy use and CO ₂ emissions in production ・Amount of CO ₂ emissions in FY 2031: 50% reduction from FY 2014 ・Achieve carbon neutrality by FY 2051 ②Reduction of energy use and CO ₂ emissions in logistics ・Energy usage per unit: 1% reduction per year ③Reduction of environmental impact substances in the product life cycle
		Reduction of CO ₂ from logistics	Energy usage per unit: 1% reduction per year	2% increase from FY 2021	
Resource and water circulation	Development of recycle-oriented society	Reduction of the amount of waste	Waste generated per unit: 3% reduction from FY 2019	13% reduction from FY 2019	①Development of recycle-oriented society ・Reduction of amount of waste and effective utilization of resources in production Waste generated per unit in FY 2026: 7% reduction from FY 2019 ②Minimization of water impact ・Reduction of water consumption Water usage per unit in FY 2026: 7% reduction from FY 2019 ・Improvement of wastewater quality management
		Reduction of water consumption	Water usage per unit: 3% reduction from FY 2019	9% reduction from FY 2019	
Management and reduction of chemical substances	Reduction of environmental impact substances	Reduction of VOC emissions	VOC emissions: Less than the amount in FY 2019 (299 t) Target for FY 2022: 247 tons or less	192 tons (36% reduction from FY 2019)	①Reduction of environmental impact substances in production ・Amount of VOC emissions: Maintain the amount below FY 2019 (299 tons) ②Thorough management of environmental impact substances in products
Reinforcement of environmental management	Reinforcement of global environmental activities	Promotion of the reinforcement of consolidated environment activities	Reinforcement of environmental risk management Thorough environment compliance	Identification of potential environmental risks and reinforcement of preventive measures (Identification of and response to near miss incidents)	①Reinforcement of the worldwide environmental management ・Promotion of the reinforcement of consolidated management ・Promotion of environmental activities with business partners (suppliers) ・Proactive disclosure of environmental information and enrichment of communication ・Reinforcement of environmental education ②Development of society in harmony with nature ・Promotion of biodiversity and nature conservation activities
		Promotion of environmental efforts collaborating with suppliers	Promotion of aggressive environmental activities, improvement of environmental performance	Confirmation of management status and promotion of improvement through information sharing and on-site inspections	
		Disclosure of environmental information and enhancement of communication	Global disclosure of environmental information Promotion of mutual understanding with local communities	Disclosure of consolidated information Hosting round-table session with local communities	
Enrichment of society in harmony with nature	Development of society in harmony with nature	Reinforcement of environmental education	Promoting compliance, employee education and awareness-raising activities	Reevaluation of education structure for manager, supervisor and newly hired employees Implementing training for contractors working in the premises	
		Promotion of biodiversity and nature conservation activities	Promotion of activities at individual offices and regions, and biodiversity conservation activities	Cooperation with local organizations and participation in activities with them Reinforcement of activities to prevent global warming and effectively use resources	

Material Balance

Energy and resource inputs and emissions (outputs) of greenhouse gas (GHG) and environmental impact substances such as VOC (Volatile Organic Compounds) in KOITO's business activities are as follows.

KOITO keeps track of the material balance in its business activities to verify and evaluate activities to reduce the environmental load and to use the data for the establishment of future measures.

Results (FY 2022)



*PRTR Act: Act to promote identification and management of specific chemical substances' released amount to the exterior environment.

Environmental Audits

KOITO conducts annual external environmental audits and internal environmental audits to check the operational status of the environmental management system. Improvement proposals are prepared and implemented to respond to the aspects identified through those audits to maintain and operate the proper management system.

External Environmental Audits

A registered external accreditation firm checks whether the environmental management system has been properly established and operated based on ISO 14001.

Internal Environmental Audits

To ensure the independence of internal environmental audits, an audit team composed of internal auditors other than the department being audited is organized, and audits are conducted based on ISO 14001. The internal auditors are also conducting audits at their departments for continuous improvements and enhance environmental awareness.

Environmental Education

KOITO has established an education system and periodically provides environmental education to promote training for human resources to achieve our environmental targets as stated in the Environmental Policy and help every employee gain a deep understanding of the environment.

In addition to education for specific job ranks, such as new employees, managers and supervisors, KOITO provides special education for internal auditors and promote our employees' acquisition of official licenses and qualifications. Moreover, June and July of every year are designated as KOITO Environmental Months during which employees participate in local clean-up activities and implement intensive environmental inspection to enhance the awareness of every employee.

KOITO also provides education on preventing contamination and spillage to workers on the premises of KOITO, such as contractors, to enhance their awareness and prevent environmental accidents.



Safety and environmental education for the work conducted within the premises (2021)



Education for internal environmental auditors (2019)

Efforts throughout Supply Chain

KOITO is committed to promote measures to reduce environmental load based on the comprehensive perspective of the product life cycle to coexist with global environment and local communities and to engage in environmental activities through all business activities, including green procurement of raw materials, parts and equipments.

Aiming to materialize a sustainable society, KOITO is working to strengthen supply chain management. We hold annual procurement policy briefing session and monthly information liaison meetings for suppliers to encourage them to acquire environmental certifications, such as ISO 14001 and Eco-Action 21, and request compliance with environmental laws and regulations on environmentally hazardous substances.

In FY 2022, KOITO held a supplier meeting on May 17, 2021 and 204 suppliers attended it.



Procurement policy briefing session (2019)

Compliance with Environmental Laws and Regulations

KOITO conducts thorough risk management, such as specifying the sources of environmental risks, detecting abnormalities in the early stages through regular measurements, and establishing emergency response measures to minimize environmental risks by complying with environmental laws and regulations, such as ones to prevent air pollution, water contamination and soil contamination.

Through these risk management activities, KOITO makes sure that emissions, water quality, noise, soil and groundwater contamination are within the ranges permitted under laws, regulations and standards. In FY 2022, neither violations of environmental laws and regulations nor fines were reported at the KOITO Group.

The KOITO Group is committed to compliance with environmental laws and regulations, and continue to work on environmental risk management.

Environmental risk management to comply with environmental laws and regulations

	Risk management	Procedures
Prevention of environmental pollution	Prevention of environmental pollution	<ul style="list-style-type: none"> Identification of sources Source management
	Early detection of abnormality	<ul style="list-style-type: none"> Setting self-management standards Daily inspection (monitoring and measurement)
Prevention of expanding risks	Emergency response	<ul style="list-style-type: none"> Setting emergency response procedures Implementation of training to handle abnormality

Reduction of Greenhouse Gas Emissions

In order to contribute to materialize a decarbonized society, KOITO is promoting the introduction of plant buildings and energy-saving manufacturing facilities that emit less CO₂ with the goal of achieving carbon neutrality in FY 2051. Furthermore, we are working company-wide to reduce CO₂ emissions throughout the product life cycle, promoting products' power conservation, size reduction and weight reduction from the development and design phase.

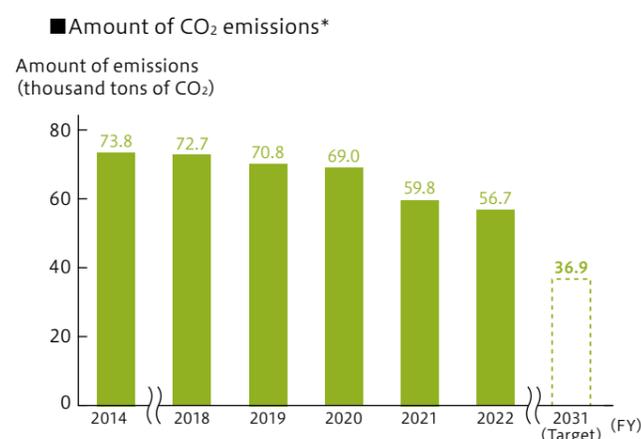
Efforts in the Production Process

To improve energy and production efficiency in the production process, KOITO is reducing CO₂ emissions by improving work methods and updating facilities, such as updating to higher-efficiency transformers and air conditioners, installing energy-efficient facilities, automatic power shutdown systems to kick in when facilities are not in use, and optimizing production lines.

We are promoting several activities with the goal of reducing CO₂ emissions by 50% from FY 2014 by FY 2031 and achieving carbon neutrality by FY 2051.

Factories in Japan were streamlined by integrating production lines and conducting improvement work that resulted in improved productivity and energy efficiency. With this effort, the amount of KOITO's CO₂ emissions in FY 2022 was 56.7 thousand tons, 23% decrease from FY 2014.

▶ Please refer to the Growth Strategies from P.20 to P.21 of this report.



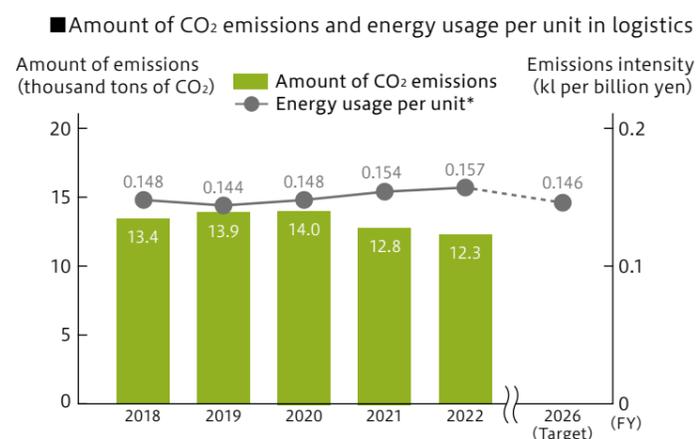
*The amount of CO₂ emissions are calculated by using CO₂ emission factor of each electric power company for electricity, and using the factors based on the Act on Rationalizing Energy Use and the Act on Promotion of Global Warming Countermeasures for city gas, LPG and heavy oil.

Efforts in Logistics

The logistics of KOITO are mainly conducted by freight trucks. A domestic subsidiary, Koito Transport, is mainly carrying out the logistics operations.

Koito Transport acquired the Green Business Certificate in February 2004. Collaborating with KOITO, Koito Transport aims to operate environmentally friendly transport business by reducing environmental impacts focusing on reducing the energy consumption of freight trucks, CO₂ emissions, and waste emitted through the logistics process.

In FY 2022, the amount of CO₂ emissions from the entire logistics operation of KOITO was 12,300 tons and energy per unit* was 0.157 kl per billion yen.



*Energy usage per unit: Amount of energy (kl in crude oil equivalent) consumed in logistics per unit in sales (billion yen).

Environmental Activities in Overseas Subsidiaries

Reducing CO₂ Emissions by Introducing Renewable Energy / India Japan Lighting Private Limited (IJL/India)

IJL reduced annual CO₂ emissions by 13% through installing solar panels at the Bawal Plant and purchasing renewable energy, including wind and solar power, at the Chennai Plant.



Reducing Electricity Consumption by Using LEDs / THAI KOITO COMPANY LIMITED (THAI KOITO/Thailand)

THAI KOITO has promoted the use of LEDs instead of metal halide lamps, which were conventionally used for on-site passageway lighting. As a result, they have achieved to reduce annual electric power consumption of on-site passageway lighting by 66%.

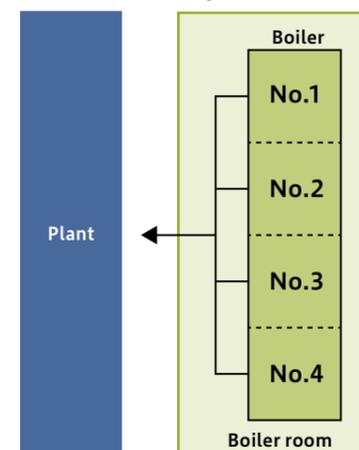


Reducing Water and Gas Consumption through Intermittent Operation of Boiler Facilities / North American Lighting Mexico (NAL Mexico/Mexico)

The four boilers at NAL Mexico's production plants were operated in a manner that shifts to high combustion conditions at high loads and to low combustion conditions at low loads, and was resulted in energy loss.

With the aim of reducing energy consumption, NAL Mexico switched the operation to intermittent operation control, in which the boiler can automatically stop according to the operating rate. They have achieved reducing annual water consumption by 8% and annual gas consumption by 18%.

Boiler system diagram



Boiler operation status (before improvement)

	Operating ratio 20%	Operating ratio 40%	Operating ratio 60%	Operating ratio 80%	Operating ratio 100%
No.1	Low combustion	High combustion	High combustion	High combustion	High combustion
No.2	Low combustion	Low combustion	High combustion	High combustion	High combustion
No.3	Low combustion	Low combustion	Low combustion	High combustion	High combustion
No.4	Low combustion	Low combustion	Low combustion	Low combustion	High combustion

Boiler operation status (after improvement)

After introducing a control system that can automatically stop the boiler

	Operating ratio 20%	Operating ratio 40%	Operating ratio 60%	Operating ratio 80%	Operating ratio 100%
No.1	Low combustion	Low combustion	High combustion	High combustion	High combustion
No.2	Non-operation	Low combustion	Low combustion	High combustion	High combustion
No.3	Non-operation	Non-operation	Low combustion	Low combustion	High combustion
No.4	Non-operation	Non-operation	Non-operation	Non-operation	Low combustion

Reduction of Environmental Impact Substances

To reduce environmental impact substances and waste, KOITO commits in its Environmental Policy to strive to “develop and establish new environmentally friendly technologies and products throughout the product life cycle” and “minimize the environmental impact and use of resources and energy in the manufacturing process,” and promoting relevant activities.

KOITO has set quantitative reduction targets for VOC emissions in the midterm priority activities. Activities are being implemented to reduce emissions while checking progress.

We will continue to actively engage in reducing environmental impact substances by promoting “Eco-friendly Manufacturing for People and the Earth.”

Efforts in Production Processes

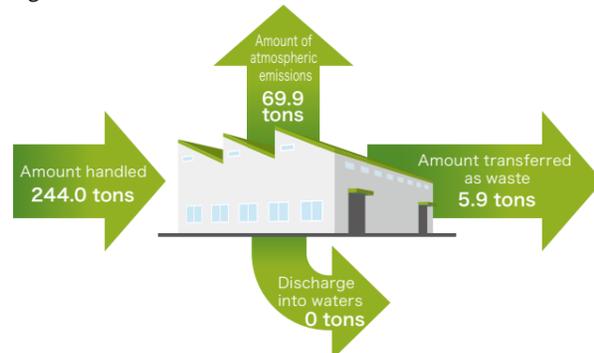
Some raw materials, such as paints and chemicals, as well as secondary materials used in the production processes, contain chemical substances that have negative environmental impacts. KOITO is reducing these environmental impact substances by reinforcing the management of the amount to use and emit, improving consumption efficiency, and using alternative substances.

Management of Chemical Substances Regulated under the PRTR Act

KOITO is keeping track of the amount of chemical substances regulated under the PRTR Act handled or transferred in the production processes while managing them appropriately as well as reducing the amount to use and replacing them with alternative substances.

In FY 2022, KOITO have handled six substances subject to PRTR Act (Class 1 designated chemical substances), including toluene and styrene. The amount of these substances handled was 244.0 tons, and the amount of atmospheric emissions and transfers as waste was 75.8 tons.

Amount of released and transferred chemical substances regulated under the PRTR Act in FY 2022



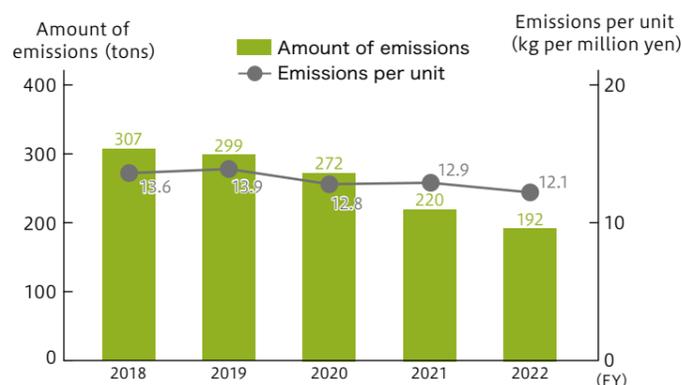
Reduction of VOC (Volatile Organic Compounds)

As a target for FY 2026, KOITO is working to maintain VOC emissions below 299 tons, the amount in FY 2019, a base year, and to further reduce emissions per unit*1.

In FY 2022, VOC emissions were reduced by 36% compared to FY 2019. In addition, we have achieved 13% reduction in emissions per unit compared to FY 2019.

In addition, KOITO has not used the three major hazardous air pollutants*2 since we had eliminated its use in March 2003.

Amount of VOC emissions and VOC emissions per unit



*1 VOC emissions per unit: The amount of VOC emissions (kg) per production in monetary amount (million yen)

*2 Hazardous air pollutants: Dichloromethane, trichloroethylene and tetrachloroethylene

Resource Conservation and Recycling

Throughout our product life cycle, KOITO is actively working to effectively use raw materials, energy and other resources, and to reduce water consumption and waste.

The KOITO Group will continue to actively promote “Eco-friendly Manufacturing for People and the Earth,” and strives to materialize a recycle-oriented society.

Effective Use of Water Resources

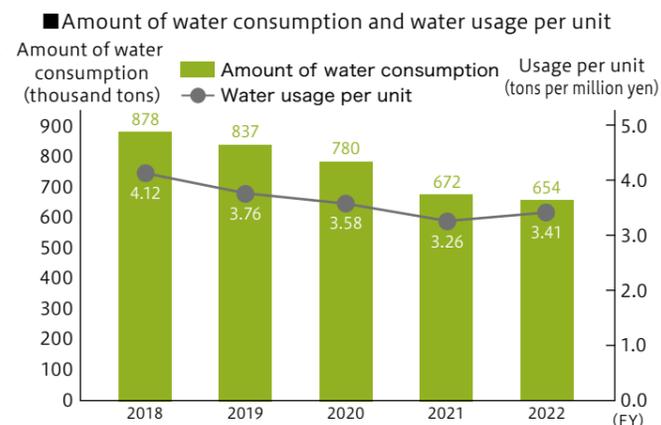
Recognizing the importance of water resources in production activities and the risks that future economic growth, population growth, and climate change would have effect on water resources, KOITO has identified “conservation of water resources” as one of our materiality. KOITO is working on the effective use of water resources and protecting water quality.

We have set our target for water consumption per unit of production*, to reduce 7% from the amount in FY 2019 (3.51 tons per million yen) by FY 2026, and we are promoting activities aimed at further reductions.

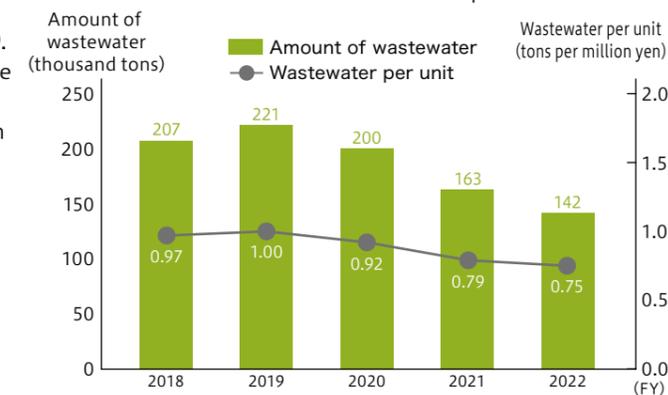
We have worked to enhance the awareness of employees toward water conservation and improving the efficiency of water consumption in the production processes. As a result, the water usage per unit in FY 2022 was 9% lower and the amount of water consumption was 22% lower than FY 2019.

KOITO is also conducting water quality monitoring on the wastewater discharged from production sites to prevent water pollution in rivers or other bodies of water into which production sites wastewater is discharged.

*Water usage per unit: The amount of water consumption (tons) per production output (million yen)



Amount of wastewater and wastewater per unit



Efforts in Reducing Wastes and Recycling

KOITO is working on efficient recycling of materials (including waste, valuable materials and recycled materials) discharged from all plants. After achieving zero-waste* in all plants in 2002, KOITO has been promoting waste reduction by setting the waste generated per unit as an index for recycling, mainly of plastics, and for efficient use of resources in production.

*Zero-waste: A situation in which no waste is directly disposed of as landfill within the waste discharged by the plant.

Efforts to Reduce the Amount of Waste from Production Sites and the Waste Generated per Unit

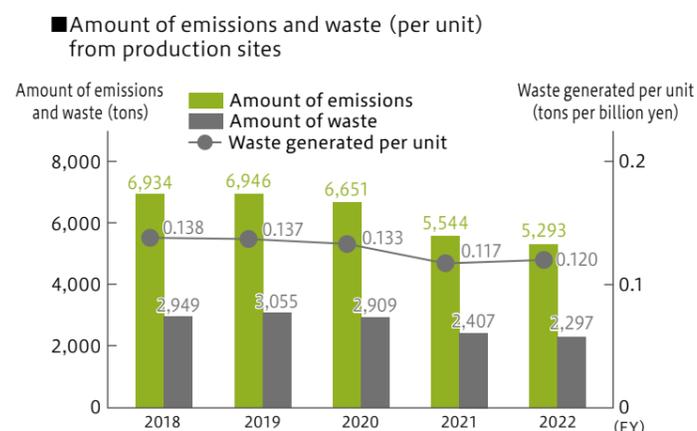
KOITO generated 5,293 tons of waste from plants in FY 2022, among which 2,297 tons were processed as waste*1.

KOITO is promoting activities with the aim of further reducing waste per unit*2 by 7% from the unit in FY 2019 (0.128 tons per billion yen), a base year, as a target by FY 2026.

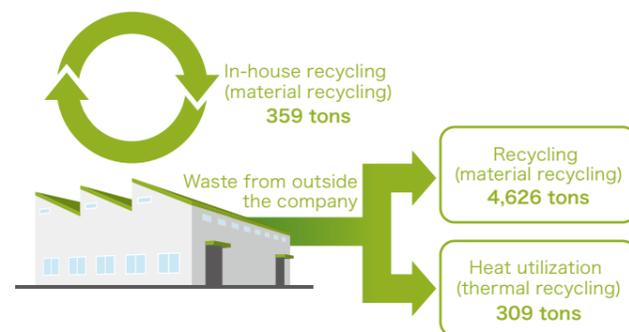
The waste generated per unit (the amount of waste per production output) was 0.120 tons per billion yen in FY 2022, which was 34% lower than FY 2019 due to the continuous efforts to reduce the loss of defective resins.

*1 Waste: Generated material that requires processing costs, and the processing is outsourced to disposal businesses contractors

*2 Waste generated per unit: The amount of waste (tons) per production output (million yen)



Amount of waste discharged at plants (FY 2022)



Promotion of recycling

KOITO is working to improve the recycling rate (reduction of heat-utilizing waste, etc.). In FY 2022, the amount recycled was 4,985 tons, maintaining a recycling rate of over 90%.

External Evaluation on Our Environmental Activities

KOITO evaluates its own initiatives by identifying key domestic and overseas external indicators and evaluations, and analyzing the results. We are actively disclosing information by responding to external evaluations, including ESG (Environmental, Social and Governance) rating agencies.



In January 2022, the CDP Climate Change Report 2021, a survey of global companies on their strategies for climate change and specific greenhouse gas emissions, was published by the U.K. nonprofit organization CDP (formerly known as the Carbon Disclosure Project).

KOITO received a “B-(Management)” rating in recognition of its efforts to address climate change, such as reducing CO₂ emissions and setting medium- to long-term targets, as well as its disclosures.

Disclosures According to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Amid the increasingly severe impacts of climate change around the world, the Financial Stability Board established TCFD in December 2015 in response to a request from the G20. In June 2017, TCFD issued TCFD Recommendations, which require companies and others to disclose information on the risks and opportunities that climate change may have on their company based on four themes.

In December 2021, KOITO has signed up to support the TCFD and is actively promoting activities to reduce CO₂ emissions and disclose related information in order to materialize carbon neutrality in FY 2051.

We will continue to analyze the risks and opportunities that climate change may pose to us and identify their impacts, and will work to further enhance information disclosures.



Items Recommended for Disclosure by TCFD and KOITO's Compliance

Recommended Disclosures	Compliance
Governance a) The board's oversight of climate-related risks and opportunities b) Management's role in assessing and managing climate-related risks and opportunities	The KOITO Group identifies materiality including “prevention of global warming” through discussions at the Board of Directors and promotes business activities that contribute to materialize a sustainable society. KOITO convenes the monthly Safe and Environmental Committee chaired by the Representative Director to supervise environmental activities of the entire Group and to discuss and make decisions on important environmental issues and environmental conservation measures to be implemented under environmental laws and regulations. Subcommittees and working groups, such as the Energy and CO ₂ Reduction Subcommittee, Environmental Impact Substance Reduction Working Group, and Recycle Promotion Working Group, which were established to address specific environmental issues, are implementing specific activities. These activities are reported to the Safe and Environmental Committee, which follows up on progress and discussing various actions.
Strategy a) The climate-related risks and opportunities the organization has identified over the short, medium, and long term b) The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning c) The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	We will analyze and disclose the risks and opportunities that climate change may have on KOITO in the future based on climate-related scenarios and other factors.
Risk Management a) The organization's processes for identifying and assessing climate-related risks b) The organization's processes for managing climate-related risks c) How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Departments are assigned to risk management, including the implementation of measures to reduce and avoid risks and daily management. The Quality Assurance Department is assigned risks associated with the safety of products, the Procurement Headquarters handles risks in the supply chain, and the Safety Environment Department handles risks of natural disasters. As such, each department assess relevant risks and implement preventive measures. Officers of assigned responsible departments act as the general managers. In addition, training on individual risks is provided to employees. If risks become actual problems, the basic protocol is to report the incidents to the Board of Directors, the highest decision-making entity of the business administration, and such problems are swiftly and properly handled under the direction of the top administrators.
Metrics and Targets a) The metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks c) The targets used by the organization to manage climate-related risks and opportunities and performance against targets	[Target for FY 2031] ·CO ₂ emissions (Scope 1+2): 36,900 tons (50% decrease from FY 2014) [Monitoring metrics] ·Scope 1 (direct) and Scope 2 (indirect) CO ₂ emissions [Result for FY 2022] ·Scope 1 CO ₂ emissions: 12,900 tons ·Scope 2 CO ₂ emissions: 43,700 tons We are currently in the process of calculating Scope 3 CO ₂ emissions.

Social Activities

Activities to Improve Safety and Security

The KOITO Group's basic management policy is to create customer needs and contribute to the progress of society, guided by the theme of "Light." Identifying "reduction of traffic accidents" as one of our materiality, the KOITO Group develops products which contribute to materialize a safe and secured automotive society under our corporate message "Lighting for Your Safety."

To further improve the performance of LED headlamps and ADBs, we are also promoting R&D activities on Advanced Driving Assistance System (ADAS), next-generation lamps and various sensors (LiDAR, cameras, etc.) which are compatible with autonomous driving.

The KOITO Group will continue to contribute to the improvement of safety and security in an automotive society through developing and supplying safe and high-quality products and services using our technologies.

Development of Technologies and Products Contribute to Improve Safety and Security

LED Headlamps

KOITO has been developing high-output and high-performance light sources to create headlamps that provide brighter light to greater distances for safe nighttime driving.

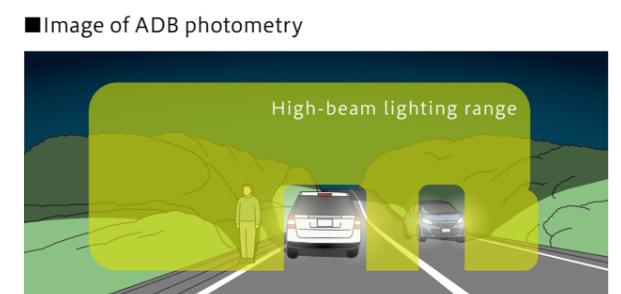
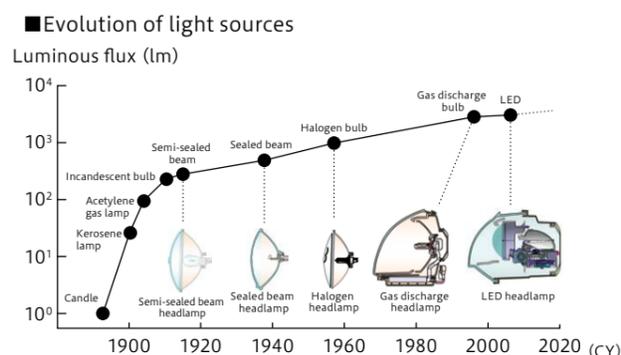
LED headlamps are KOITO's main products. They help drivers to gain clear night views as they are bright, turn on instantly and are close to daylight. KOITO is also developing laser headlamps to further improve distance visibility.

Adaptive Driving Beam (ADB)

KOITO has developed a headlamp system called Adaptive Driving Beam (ADB) that automatically controls the light distribution pattern of the high beam and ensures wide front visibility for drivers by enabling driving with high beams all the time while preventing preceding or oncoming vehicles from glare.

In addition, KOITO is conducting R&D activities on ADB to further improve safety during nighttime driving by providing finer light distribution.

Please refer to the Growth Strategies from P.18 to P.19 of this report.

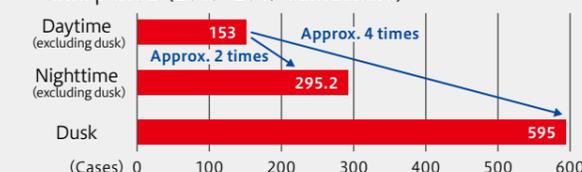


High Beam Contributes to Reduce Accident Mortality

The number of traffic accident deaths in Japan is about 3,000 per year. Among them, fatal accidents occur most frequently at dusk, from 17 to 19 o'clock, and in particular, "vehicle-to-pedestrian" accidents occur two to four times larger than those in daytime. It can be inferred that deterioration of drivers' visibility can be one of the causes for traffic accidents with pedestrians. In addition, an analysis of "vehicle-to-pedestrian" fatal accidents occurrence shows that a considerable number of accidents were likely to have been avoided if the driver had utilized high beam.

High beam, which allows drivers to detect pedestrians from a greater distance, is effective in preventing traffic accidents in dark driving conditions.

Number of "vehicle-to-pedestrian" death accidents by time period (2015–2019 cumulative)



Probability of collision avoidance by high beam



*Prepared based on the National Police Agency's "Prevention of Nighttime Pedestrians Accidents through the Advanced Use of High Beam" <https://www.npa.go.jp/bureau/traffic/anzen/highbeam.html>

Quality and Product Safety

The KOITO Group declares in the KOITO Group Corporate Behavior Charter that "we will gain customers' satisfaction and trust through developing and providing safe and high-quality products and services," and identified "enhancement of product quality" as one of our materiality. We strive to create products with a customer-first attitude to maintain and further improve quality of all products and services we provide to our customers.

The KOITO Group is utilizing its Quality Management System (QMS) to maintain and supervise the quality level in all kinds of departments, from development to production.

We will continue quality assurance activities to meet the situations in various countries or regions and will keep contributing to materialize a sustainable society through maintenance and improvement of the product quality.

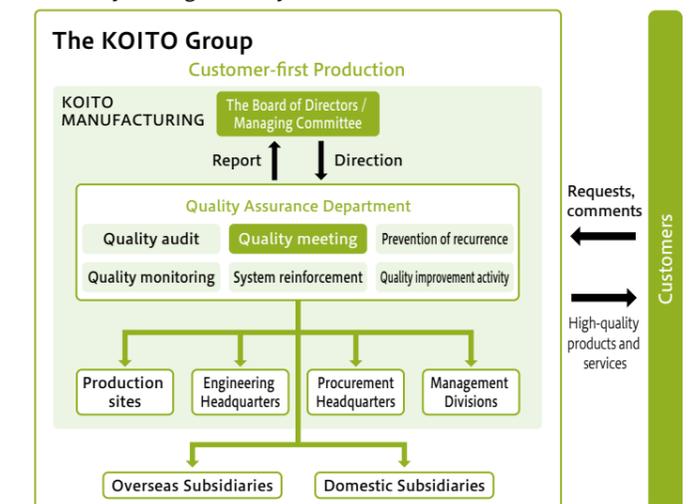
Quality Management Structure

KOITO has established a quality management system based on ISO 9001 and IATF 16949 which are international standards to ensure seamless operations.

Internal Quality Audits with the Quality Assurance Manager as the chair are conducted at least once a year to make decisions on the quality management aspects and to monitor the quality management status of the entire KOITO Group.

The progress of these activities is reported to the Board of Directors and the Managing Committee by Director or Corporate Officer who are in charge of Quality Assurance Department to reinforce the management system through monitoring by the management. KOITO is building a system to find the causes of any defects found and implement prevention measures in case any defects are found through quality tests and evaluations.

Quality Management System



Acquisition of Quality Management System Certificates

The table on the right is a list of Group companies, including overseas subsidiaries, that have acquired ISO 9001 or IATF 16949.

All the subsidiaries and departments of KOITO will continue to carry out a thorough PDCA cycle, and ensure product safety and quality through enhancement of the quality management system.

Environmental certification acquired in the KOITO Group

ISO 9001	IATF 16949
KOITO KYUSHU	North American Lighting (U.S.A.)
Aoitec	North American Lighting Mexico (Mexico)
Shizuokadenso	Koito Europe (U.K.)
Nissei Industries	Koito Czech (Czech Republic)
Fujieda Auto Lighting	GUANGZHOU KOITO (China)
Shizuoka Wire Harness	Hubei Koito (China)
KOITO ELECTRIC INDUSTRIES	FUZHOU KOITO TAYIH (China)
	THAI KOITO (Thailand)
	INDONESIA KOITO (Indonesia)
	Ta Yih Industrial (Taiwan)
	INDIA JAPAN LIGHTING (India)

Efforts in Quality Improvement

KOITO provides job rank-based quality education for new employees, managers and supervisors. In addition, KOITO holds training session on SQC (Statistical Quality Control) for design and development engineers to improve their knowledge on quality management.

Furthermore, the QC circle activities and improvement presentation sessions (FQC Meeting, Staff QC Meeting and others) are being held periodically to improve quality management activities.

KOITO will continue to enrich activities on training and education to further improve quality management.



Staff QC Meeting (2019)

Supply Chain Management

KOITO believes that it is important to fulfill its social responsibility throughout the entire supply chain to practice “Eco-friendly Manufacturing for People and the Earth” through all business activities. Therefore, we have established the Procurement Policy to respond to social demands and expectations and deliver high quality service to our customers while cooperating with suppliers.

KOITO is also presenting expectations on the cost, quality and the elimination of industrial accidents to each supplier to achieve goals together.

We are aiming to materialize a sustainable society throughout the entire supply chain while cherishing the close relationship with our suppliers.



For Procurement Policy, please refer to our Supply Chain Management website.

URL: <https://www.koito.co.jp/english/csr/social/supplychain.html>

Initiatives to Strengthen Cooperation with Business Partners and Promote Co-existence and Co-prosperity

In March 2022, KOITO formulated and announced its Declaration of Partnership Building to strengthen collaboration with our business partners and promote mutual prosperity, as well as to contribute to sustainable growth of the society throughout the supply chain.



The following individual items are clearly indicated as KOITO's initiatives in the declaration.

- We will Strengthen collaboration with other companies to accelerate open innovation in order to respond to the transformation of automobiles and mobility.
- We will promote information sharing and digitization using IT to improve operational efficiency with related business partners.

Reinforcement of CSR in the Supply Chain

KOITO holds annual Procurement Policy Briefing Session and monthly Supplier Information Liaison Meetings and other opportunities to help our suppliers understand our CSR initiatives. We are also providing consultation as necessary. At the Procurement Policy Briefing Session, we share policies on sales, technology, production, quality and other matters, and also ask our suppliers to thoroughly comply with laws and regulations. We have established a system for suppliers so that they can inform us and promote compliance in the event of their violating the law.

In addition, we encourage our suppliers to actively acquire environmental certification, and check the status of certification every year. In FY 2022, approximately 430 suppliers were eligible for the survey. During fire and disaster prevention inspections to our suppliers, KOITO also confirms

the management system or the amount of organic solvents used by suppliers. In the event that there is a problem with suppliers' management system or others, we request them to submit an improvement plan and supporting their measures.

As for suppliers who conduct business with the KOITO Group, we ask them to implement environmental and social measures to materialize a sustainable supply chain.

In addition, we are confirming some of our suppliers' implementation status of overall CSR activities, including quality, human rights, environment, compliance and others.

[Environmental requests]

- Acquire external environmental certifications such as ISO 14001 and Eco-Action 21
- Ban the use of certain materials under RoHS Directive
- Ensure transparency on substances under REACH Regulation
- Ensure traceability of nanomaterials contained in products
- Formulate environmental policies covering the automobile industry's key challenges

[Social requests]

- Abolish child labor, forced labor and discrimination
- Promote occupational safety and health
- Secure decent wages and working hours
- Prevent other inhuman behaviors
- Conduct responsible procurement of minerals

[KOITO's CSR activities]

- ① Measures based on the “Guideline for the Right Transaction of Automobile Industry”
- ② Continuous investigation on the inclusion of environmental impact substances
- ③ Continuous annual investigation on conflict minerals
- ④ Thorough compliance with laws and regulations concerning human rights and labor
- ⑤ Thorough implementation of compliance issues in general (Concluding contracts to eliminate anti-social forces, etc.)

Measures on Conflict Minerals

It has become an international concern that some minerals mined in the Democratic Republic of the Congo and nearby nations have been the source of financing for armed forces engaging in human rights violations. The United States defined four types of minerals of tin, tantalum, tungsten and gold produced in these regions as “conflict minerals” in the Dodd-Frank Wall Street Reform and Consumer Protection Act and mandated annual investigations of the use of these minerals and disclose the information.

KOITO avoids the use of conflict minerals along with its suppliers by conducting annual investigations on conflict minerals not to assist human rights violations and environmental destruction and to fulfill its social responsibility throughout the supply chain. When starting business with a new supplier, we carefully examine the results of conflict minerals investigations and consider the feasibility of conducting such transactions.

Human Resource Management

KOITO has identified “human resource development,” “healthy and safe working environment,” “workstyle reform” and “protection of human rights” as part of our materiality. With the keywords of “communication and collaboration,” KOITO encourages every employee to share their knowledge, experience, findings and problem awareness through various means to build energetic worksites where every member can work on tackling problems.

▶ Please refer to the Human Resource Strategy from P.24 to P.25 of this report.

Personnel Data

(KOITO MANUFACTURING)

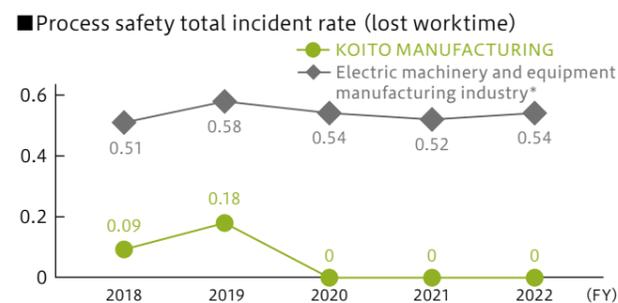
		FY 2019	FY 2020	FY 2021	FY 2022	
Total workforce	Male	3,471	3,551	3,570	3,534	
	Female	907	908	912	883	
	Total	4,378	4,459	4,482	4,417	
Regular recruitment	General administrative positions	Total (male and female)	17	19	25	0
		Ratio of female	47.0%	52.6%	32.0%	0.0%
	General technical positions	Total (male and female)	71	81	70	27
		Ratio of female	7.0%	12.3%	8.6%	11.1%
	Practical positions	Total (male and female)	43	47	47	24
		Ratio of female	25.6%	31.9%	29.8%	20.8%
Number of employees in senior management	Total (male and female)	131	147	142	51	
	Male	580	582	607	612	
	Female	6	6	8	9	
Ratio of female		1.0%	1.0%	1.3%	1.4%	
	Number of employment of staff with a disability	80	85	84	82	
Ratio	2.27%	2.37%	2.31%	2.25%		
Ratio of dispatched employees		19.7%	17.9%	17.7%	15.9%	
Average years employed by the company	Male	19.7	19.2	19.3	19.6	
	Female	21.8	21.3	21.5	21.7	
	Total	20.0	19.6	19.7	20.0	
Re-employment ratio	Senior management	91.7%	88.9%	100.0%	93.3%	
	Union members	75.4%	77.5%	85.7%	81.4%	
	Total	78.3%	79.4%	88.5%	84.3%	
Employee turnover rate (voluntary resignation)		1.1%	1.1%	1.1%	1.6%	
Working hours		2,044.0	1,998.5	2,324.1	2,064.0	
Monthly average overtime hours		23.7	20.6	9.9	9.3	
Number of paid leave per employees		16.0	16.2	14.7	16.5	
	Paid leave taken	77.3%	78.2%	70.8%	82.5%	
Number of employees taking maternity leave		37	34	33	28	
	Male	4	4	14	25	
Number of employees taking child care leave	Female	59	58	65	65	
	Total	63	62	79	90	
Number of employees working reduced hours to accommodate childcare	Male	1	1	0	2	
	Female	58	61	54	67	
	Total	59	62	54	69	
Number of employees using taking family-care leave	Male	0	0	0	3	
	Female	3	0	1	2	
	Total	3	0	1	5	
Employee training time (hours)		63,181	75,241	42,960	44,953	
	Average training time per employee	14.4	16.9	9.6	10.2	
Number of employees taking mental health training		1,028	682	239	243	
Labor union membership rate		95.4%	98.3%	98.8%	98.1%	

Occupational Safety and Health

KOITO adopts “Safety comes first” as the basic approach to safety and health and aims to create the safe, secure, and comfortable work environment with the participation of all employees. Five Safety Rules are also set as the standard actions to follow in all activities that are to be practiced by the entire Group.

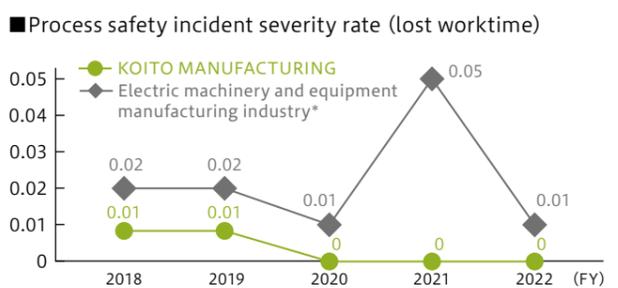
The Safe and Environmental Committee chaired by the Representative Director meets monthly to discuss policies on employee safety and health measures, including measures to prevent and recur problems or accidents, as well as other important issues. The matters discussed at the Safe and Environmental Committee are presented to every employee through the Safe and Health Committee, and the Safe and Environmental Committee of each production site, or the worksite safety meetings conducted at their worksites.

Targeting all personnel working in the premise, KOITO repeatedly provides education and accident drills to develop human resources who follow safety rules and increase their awareness. We are also conducting risk assessment and risk detection activities to enhance the senses to find potential risks at the worksites. In addition, Directors and Managers conduct on-site inspections, identify unsafe conditions, and take preventive measures with the goal of zero labor disaster and traffic accidents.



$$\text{Process safety total incident rate} = \frac{\text{Numbers of workers due to industrial accident}}{\text{Total working hours}} \times 1,000,000$$

*Source: The Ministry of Health, Labour and Welfare



$$\text{Process safety incident severity rate} = \frac{\text{Total lost working hours}}{\text{Total working hours}} \times 1,000$$

*Source: The Ministry of Health, Labour and Welfare

Initiatives between Management and Employees

A strong relationship based on mutual trust between management and employees is essential for building the workplace environment where individual employee can make the best use of their capabilities, and maintain and improve high productivity and motivation.

“KOITO Labor Union,” which consists of 3,878 KOITO employees, is a member of the “JAM Shizuoka.” In principle, KOITO holds monthly labor-management meetings with KOITO Labor Union to discuss various issues such as business performance and labor conditions.

In addition, the labor union regularly conducts a union employee awareness survey on workplaces, operations and careers targeting all union members. The labor union uses the findings to improve union activities and recommendations to KOITO.

Respect for Human Rights

One of our management philosophies is to “stepping forward to realize our employees’ dreams,” and we declare in the KOITO Group Corporate Behavior Charter that “we will respect the human rights of all persons.”

By respecting human rights of all stakeholders while communicating with business partners, local communities and employees, KOITO strives to be a company that is trusted by international society.

We provide employee education on respecting human rights as a part of compliance education. Training to address specific issues, such as harassment training, is offered when necessary to raise every employee’s awareness on respecting human rights.

Social Contribution Activities

To materialize one of our management philosophies, “fostering mutually beneficial relationships with all stakeholders as a member of the society,” we declare in the KOITO Group Corporate Behavior Charter that “we will be conscious of our responsibility as a good corporate citizen, and actively engage in social contribution activities, and we will contribute to the realization of a prosperous society.” Based on the statement, we are promoting various activities.

● Donation to Support Humanitarian Efforts in Ukraine and Neighboring Regions

KOITO made 100 thousand euros of donations to UNHCR, the UN Refugee Agency, as support for safety and livelihoods of people who are facing extremely harsh difficulties due to the crisis in Ukraine. The donation will be used to support humanitarian activities in Ukraine and its neighboring regions through UNHCR.



● Purchase of ESG Receivables

For fund management, in addition to investment efficiency and ratings, we assume the degree of contribution to ESG and society as one of the selection criteria. In order to contribute to materialize a sustainable society, KOITO has purchased green bond and social bond from two organizations in FY 2022.

● Domestic Environmental Beautification Activities

As part of its efforts for environmental conservation and biodiversity, KOITO is conducting activities such as weeding at Miho-no-Matsubara, the constituent property of Mt. Fuji, the global cultural heritage, and cleaning the surrounding coasts.



■ Weeding at Miho-no-Matsubara (2019)



■ Cleanup Activities at Miho-no-Matsubara Coast (2019)

● Overseas Environmental Beautification Activities

India Japan Lighting Private Limited (IJL) strives to beautify and protect the environment by holding exchange meetings and cleaning activities with local residents.



■ Exchanges with local schools (2019)



■ Afforestation activities (2019)

● Participation in Regional Activities at Production Sites

KOITO’s production sites periodically holds roundtable sessions with residents of regional communities and open the sites to local community associations during summer festivals.

We also host site tours for the residents and accept children’s visits so that they can better understand our corporate activities.



■ Summer festival (2019)



■ Children’s visiting day (2019)

Stakeholder Engagement

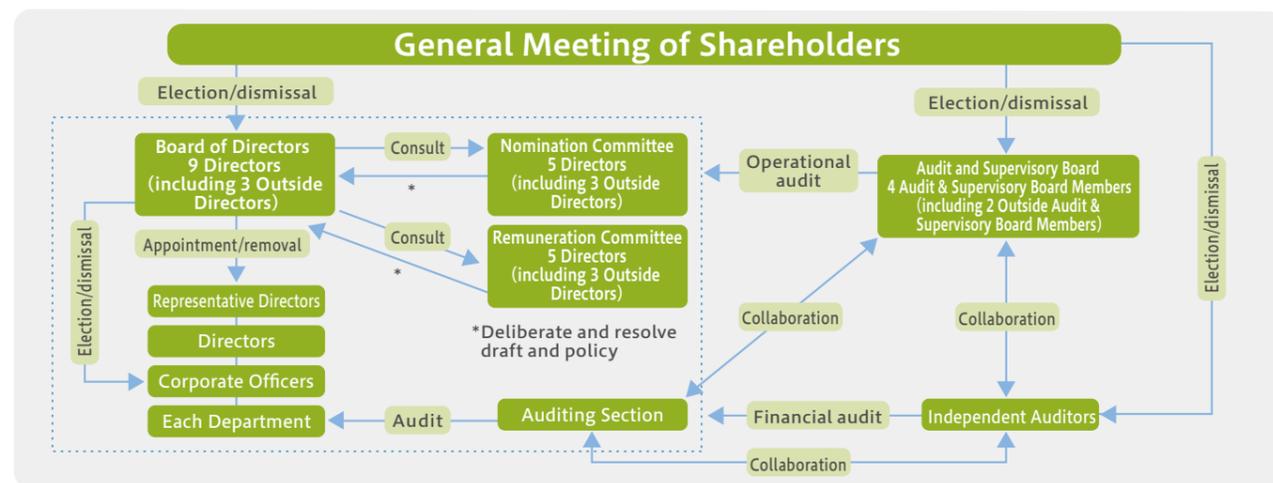
KOITO declares in the KOITO Group Corporate Behavior Charter that “we will disclose corporate information in an appropriate, effective, and fair manner and engage in constructive dialogue.” In order to achieve our sustainable growth and increase corporate value over the medium- to long-term, we engage in constructive dialogue while fairly providing accurate information to our shareholders and investors.

In FY 2022, KOITO held the 121st Ordinary General Meeting of Shareholders and an earnings release conference for securities analysts and institutional investors. At the earnings release conference, we explained our Group’s performance (results and plans), and received many questions and comments from the participants. Furthermore, we held a total of approximately 220 individual meetings with institutional investors. In principle, a Director participates in all meetings. The content of the meetings and comments or requests received from investors are reported to the top management, Directors and Corporate Officers, and reported to the Board of Directors. We are utilizing the knowledge gained from our dialogue to improve our management activities.

Governance

To retain the trust of all of our stakeholders, KOITO recognizes the importance of ethical standards and the establishment of a sound management structure. We have identified enhancing “corporate governance” as one of our materiality and promoting several activities.

Corporate Governance



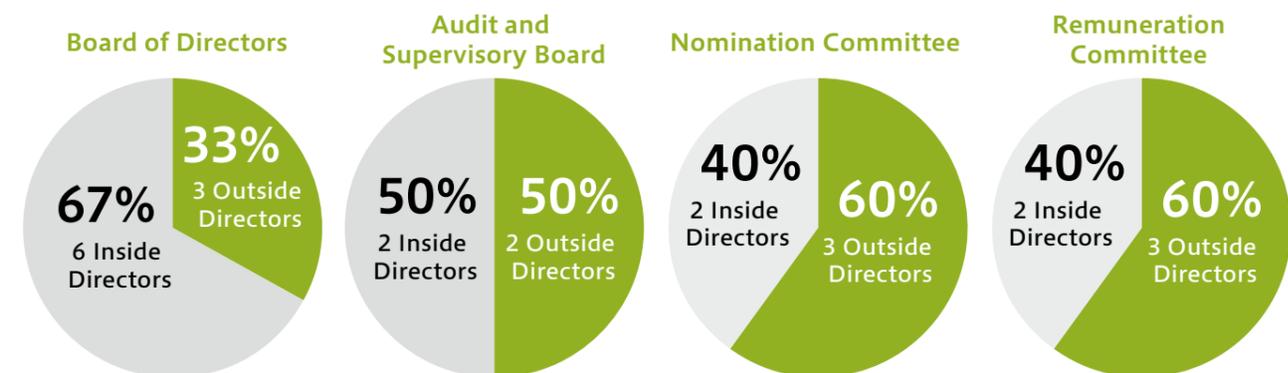
Inside Directors/Audit Members Outside Directors/Audit Members

	Board of Directors	Audit and Supervisory Board
Composition	9 Directors (6 inside Directors + 3 outside Directors) Chaired by the President	4 Audit & Supervisory Board Members (2 inside members + 2 outside members)
Frequency	Once per month in principle	Eight times (FY 2022)
Function	The Board of Directors discusses, reports, and makes decisions on matters stipulated in the Board of Directors Regulations, including those matters stipulated by laws, regulations, and the Articles of Incorporation, and supervises the execution of Director’s business execution.	The Audit and Supervisory Board Members participate in the Board of Directors and other important meetings and committees, review significant authorization documents, and audit the performance of directors. They are monitoring the structure and operations of the internal control system.
Structure	<ul style="list-style-type: none"> All Audit and Supervisory Board Members attend meetings of the Board of Directors to monitor Director’s business operations. The Managing Committee (chaired by the President), a body to aid the Board of Directors, is comprised of full-time Directors and Corporate Officers. The committee meets, three times per month in principle, determines business execution, reports on progress, and follows up on business execution. The governance structure is being reinforced; new proposal agendas are required to be approved at the Managing Committee and then to the Board of Directors. 	<ul style="list-style-type: none"> Other than the Board of Directors, the standing Audit and Supervisory Board Members attend the Managing Committee and other important meetings, constantly monitor the Director’s business execution and express opinions as needed. Improving its auditing functions through close collaboration between Audit and Supervisory Board Members, the Internal Audit Department, and independent auditors by holding periodic meetings and let them exchange information and opinions as needed.

Members of the Board of Directors, Audit and Supervisory Board, Nomination Committee and Remuneration Committee (as of June 29, 2022)

			Board of Directors	Audit and Supervisory Board	Nomination Committee	Remuneration Committee
Directors	Chairman and CEO	Masahiro Otake	○		◎	◎
	President and COO	Michiaki Kato	◎		○	○
	Executive Vice President	Kenji Arima	○			
	Executive Vice President	Masami Uchiyama	○			
	Senior Managing Director	Hideharu Konagaya	○			
	Senior Managing Director	Katsuyuki Kusakawa	○			
	Outside Director	Haruya Uehara	○		○	○
	Outside Director	Kingo Sakurai	○		○	○
	Outside Director	Chika Igarashi	○		○	○
Audit & Supervisory Board Members	Standing Audit & Supervisory Board Member	Mitsuo Kikuchi	○	◎		
	Standing Audit & Supervisory Board Member	Koichi Sakakibara	○	○		
	Outside Audit & Supervisory Board Member	Yukinobu Suzuki	○	○		
	Outside Audit & Supervisory Board Member	Hiroshi Kimeda	○	○		

Ratio of Outside Directors



Main Proposals and Reports at the Board of Directors (from April 2021 to March 2022: 12 meetings)

	Proposals	Reports	Total	Ratio
Business strategies, sustainability and governance	18	9	27	33%
Settlement, dividends and other financial matters	7	9	16	19%
Internal control, risk management and compliance	4	4	8	10%
HR, appointment and remuneration	15	3	18	22%
Other matters	3	10	13	16%
Total	47	35	82	100%

Election Policy for Directors and Audit and Supervisory Board Members

KOITO's policy is to elect a person who is capable of responding to expectations of shareholders as a Director, has enough experience and advanced knowledge of business administration, and can fulfill the duties and responsibilities of a Director as a Director candidate.

Based on this policy, the nomination committee deliberate and resolve a draft of Director candidates, and then the Director candidates are determined by the Board of Directors. As a consultative body of the Board of Directors, the nomination committee consists of three independent outside Directors and two inside Directors, in order to ensure objectivity and transparency of the nominations of the director candidates.

Each Director has a thorough knowledge of the respective business management. Including outside Directors, KOITO regards Director's knowledge, experience, and capabilities as diverse and well balanced. KOITO will continue to consider the appropriate structure for the Board of Directors.

As for the election of Audit and Supervisory Board Members, KOITO expects candidates to have a good personality and a strong sense of ethics to accurately, fairly, and efficiently execute the audits of the execution of Director duties.

Specialties and Experience of Directors

		Corporate Management	Sales, Procurement	Engineering, R&D	Production, Quality Management, Safe & Environment	Overseas Segment	Finance & Accounting	Corporate Planning, Legal, Personnel
Chairman and CEO	Masahiro Otake	○	○			○	○	○
President and COO	Michiaki Kato	○	○			○		
Executive Vice President	Kenji Arima	○	○	○	○	○		
Executive Vice President	Masami Uchiyama	○			○			○
Senior Managing Director	Hideharu Konagaya	○	○			○	○	
Senior Managing Director	Katsuyuki Kusakawa	○		○		○		○
Outside Director	Haruya Uehara	○				○	○	
Outside Director	Kingo Sakurai						○	
Outside Director	Chika Igarashi							○

*Note: Above chart does not represent all skill of each Director.

Outside Directors and Audit and Supervisory Board Members

KOITO's policy on electing outside Directors is to appoint persons who satisfy the requirements for outside Directors in the Companies Act and requirements for independency in the independency standard for the independent officer system of Tokyo Stock Exchange.

Outside Directors shall have abundant knowledge and experience in corporate administration. Outside Audit and Supervisory Board Members shall have technical knowledge of laws and finance. Both outside Directors and Audit and Supervisory Board Members are elected upon a decision at a General Meeting of Shareholders.

Status of Audits

Based on the annual audit plans, KOITO's Internal Audit Department, an independent organization, conducts audits of the operations of internal control over financial reporting, as well as audits of the legality and appropriateness of operations against company-wide departments and KOITO's subsidiaries. The departments and subsidiaries implement the necessary improvements to improve internal control. The Internal Audit Department reports the results of the audits to Directors and Audit and Supervisory Board Members, and exchanges information with the Audit and Supervisory Board Members and the independent auditors on the status of audits to facilitate mutual cooperation.

Other than attending and expressing opinions at the Board of Directors, Audit and Supervisory Board Members audit the execution of Directors' duties, legality and appropriateness of KOITO's decision-making based on their knowledge and experience in each specialized field. In addition to Audit and Supervisory Board Members' on-site audits and interviews with administrative divisions, Audit and Supervisory Board Members attend the audits performed by the independent auditors and the Internal Audit Department. Audit and Supervisory Board Members strive to improve the effectiveness of audit by maintaining collaboration with relevant parties, including outside Directors by exchanging information as needed.

Director Effectiveness Evaluation

KOITO conducts annual surveys to evaluate the effectiveness of the Board of Directors. The Board of Directors evaluates itself based on the survey findings.

The following is the outline of the results of analyzing and evaluating the effectiveness of the Board of Directors.

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

The Board of Directors also operates by reflecting the opinions of outside Directors, such as adding the results of self-evaluations, contents put on the agenda of the Managing Committee, trends in the industry, and the latest technical trends to the matters to be reported.

The Board of Directors will continue to further reinforcing its functions as the highest decision-making entity and improving the speed of making administrative decisions to increase its effectiveness.

Remuneration of Directors

It was approved at the 119th Ordinary General Meeting of Shareholders held on June 27, 2019 that the amount of remuneration, etc. for 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, 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 our internal standards on Director's remuneration, KOITO 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 with the remuneration committee regarding the policy to determine the remuneration of all and each Director.

The remuneration of each Director is determined by consultations among the Representative Directors, based on the above determination policy authorized by the Board of Directors. To ensure objectivity and transparency of the Directors' remuneration determination procedure and others, the remuneration committee, an advisory body to the Board of Directors, consists of two inside Directors and three independent outside Directors.

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

	The number of eligible members	Breakdown of remuneration		Total remuneration (million yen)
		Fixed remuneration (million yen)	Performance-linked remuneration (million yen)	
Directors	15	786	349	1,136
Audit and Supervisory Board Members	5	103	—	103
Total	20	890	349	1,239

Notes: 1. The above table includes one retired Director and one retired Audit and Supervisory Board Member at the conclusion of the 121st Ordinary General Meeting of Shareholders held on June 29, 2021.
2. Aggregate remuneration for the outside Directors and outside Audit and Supervisory Board Members, a total of four individuals, was ¥55 million (fixed remuneration only).
3. In addition to the above, KOITO 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 ¥63 million was paid to one retired Director. These amounts included ¥40 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., KOITO's subsidiary.
5. For Performance-linked remuneration, recurring profit is used as an indicator since it reflects the overall results of KOITO'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.

Basic Policy of Internal Control System

The Basic Policy of the Internal Control System is set as follows to improve and reinforce internal control.

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

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

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

2. System for the preservation and administration of information on Directors executing their business duties

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

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

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

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

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

At the same time, the business duties will be executed according to specific plans that each division develops every fiscal year based on the President's policy.

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

KOITO and its group companies will acknowledge the KOITO Group Corporate Behavior Charter and develop a system for ensuring and administering the appropriate execution of business duties as follows.

a. KOITO clarifies matters to be reported in the Subsidiary Company Management Regulations and other regulations and improves reporting system. Also, KOITO requests regular business reports to the group companies.

b. KOITO comprehensively and thoroughly manages risks of the entire group based on the Subsidiary Company Management Regulation and other regulations. If actions of the group companies are insufficient, KOITO provides instructions and corrective actions.

c. KOITO requests its group companies to develop and improve regulations, organizations, and systems for regular meetings of the Board of Directors and the execution of duties by the Directors.

Officers serve in multiple posts in important group companies.

d. KOITO ensures that group companies stay in compliance with laws and regulations based on the KOITO Group Corporate Behavior Charter and other regulations. Also, KOITO's Management Department and Internal Audit Department conduct audit and financial audit of group companies.

KOITO also clarifies matters requiring approvals in the Subsidiary Company Management Regulations and other regulations so that the applicable business operations are to be executed upon approval by KOITO.

6. Matters pertaining to the status of certain employees, independence from Directors, and the effectiveness of instruction in the event the Audit and Supervisory Board Members request 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 instructions and orders of the Audit and Supervisory Board Members and the Audit and Supervisory Board.

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

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

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

Moreover, each Audit and Supervisory Board 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, the Corporate Officers, and the employees for reporting to the Audit and Supervisory Board Members.

8. Policy on expenses arising when the Audit and Supervisory Board Members execute their duties and system for enabling the Audit and Supervisory Board Members to conduct effective audits

The Company will pay all necessary expenses involved in the Audit and Supervisory Board Members' execution of their duties.

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

The Audit and Supervisory Board Members will exchange opinions periodically or as needed with Directors, Corporate Officers, financial auditors, and the Internal Audit Department, among others.

Shareholdings

Based on KOITO's management strategies and plans, we believe that strengthening business relations with other companies is essential to expanding our business and achieving sustainable growth.

From this perspective, we comprehensively consider the issues and hold shares that are held for purposes other than pure investment. With regard to shareholdings, we regularly scrutinize and verify whether they are commensurate with dividend yields and the cost of capital, while also keeping in mind reductions, in order to determine the appropriateness of stockholdings.

● Basic Standards and Policy for Classification of Investment Shares

With respect to the classification of investment shares held for pure investment purposes and otherwise, KOITO designates shares held solely for the purpose of receiving profits from changes in the value of shares or dividends on shares as investment shares for pure investment purposes, and as other shares for investment shares held for purposes other than pure investment.

● Basic Policy for Voting Rights

The exercise of voting rights is not based on a uniform standard, but rather is based on the perspective of whether it will lead to sustainable corporate growth and enhancement of corporate value over the medium- to long-term.

■ Number of brands and amount posted in balance sheet

	Amount posted in balance sheet (March 31, 2021)	Brands for which we increased our shares in FY 2022	Brands for which we decreased our shares in FY 2022	Amount posted in balance sheet (March 31, 2022)
Unlisted shares	16 brands	—	—	16 brands
	¥ 2,104 million	—	—	¥ 2,102 million
Other shares	49 brands	1 brand	11 brands	43 brands
	¥ 22,987 million	¥ 5,787 million	¥ 1,606 million	¥ 29,214 million

*Stocks whose number of shares fluctuated due to the consolidation of shares, stock splits, stock transfers, stock exchanges, mergers, and other organizational reorganizations are not included.

Compliance

KOITO aims to continue being a company that is trusted by all stakeholders and declares in the KOITO Group Corporate Behavior Charter that “we will comply with all applicable laws and regulations and will engage in fair, transparent, and free market competition, as well as proper trade, and responsible procurement,” and “in our global corporate activities, we will also comply with international rules and local laws, respect local culture and customs, and maintain sound relationships with government and government agencies.” KOITO has identified reinforcement of “compliance” as one of our materiality. To foster an organization and atmosphere to place importance on compliance, the entire KOITO Group is committed to engage in compliance activities.

Compliance Management Structure

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

Personnel in charge of compliance are also appointed at the domestic and overseas subsidiaries to strengthen compliance and grasp the compliance status in close collaboration. In this way, KOITO promotes compliance-related initiatives in the entire Group.

Reinforcement of Compliance

● Fostering Compliance Awareness

KOITO strives to foster employee awareness of compliance by distributing a portable “Ethics Card” to all employees so that the KOITO Group Corporate Behavior Charter can be a behavior standard for employees. We also conduct an annual Corporate Ethics Survey for all employees to gauge the level of awareness, understanding, and implementation of the KOITO Group Corporate Behavior Charter. Results of the survey are reported to the Board of Directors and Compliance Committee.

According to the results of the FY 2022 survey, awareness of the KOITO Group Corporate Behavior Charter was 97%, and employee’s ratio who “act to gain customers’ satisfaction and trust,” “comply with relevant laws and internal rules,” and “respect human rights” all accounted for 100%, maintaining a high level of awareness, understanding and implementation.



● Compliance Education

KOITO provides compliance education in the job-rank based and theme-based training in various fields, such as the Antimonopoly Act, the Subcontract Act, and harassment for employees. Compliance training by outside instructors is also provided to Directors, Corporate Officers, Deputies and Managers.

In addition, KOITO also provides compliance education to suppliers. We are asking suppliers to ensure compliance at the annual procurement policy briefing session.

● Prevention of Harassment

KOITO regularly conducts harassment surveys for all employees. In the survey, subordinates evaluate the behavior of supervisors (managers such as department managers and section chiefs, as well as management supervisors such as subsection chiefs) in the workplace. Supervisors assess the differences between their perceptions and evaluation results, and work to prevent harassment by formulating and posting “My Pledge to Eliminate Harassment.”

● Anti-corruption Initiatives

Through establishing the “Antimonopoly Act Regulations” and implementing internal education periodically, KOITO is working to prevent corruption, such as bribery, extortion, fraud, embezzlement, money laundering, conflicts of interest, illegal financing to political parties and facilitation payments.

The penalties imposed in the event of violations of laws are stipulated in our internal regulations.

Nobody in the Group was fined or dismissed for corruption in FY 2022.

● Prevention of Anti-competitive Practices

Through establishing the “Antimonopoly Act Regulations” and implementing internal education, KOITO is working to prevent anti-competitive practices, such as market division, price-fixing, abuse of dominant position and dumping.

When KOITO employees come into contact with competitors, we conduct ex-ante and ex-post reviews to ensure that they do not engage in conduct that may violate the Antimonopoly Act.

With the attendance of Audit and Supervisory Board Members, the Internal Audit Department conducts annual audit to departments concerned with the Antimonopoly Act and Subcontract Act, and the findings are reported to the Compliance Committee. If any problems were found during the audit, the details of the improvement are also reported to the Committee.

The penalties imposed in the event of violations of laws are stipulated in our internal regulations.

Nobody in the Group was fined or dismissed for anti-competitive practices in FY 2022.

Strengthening Compliance in the Supply Chain

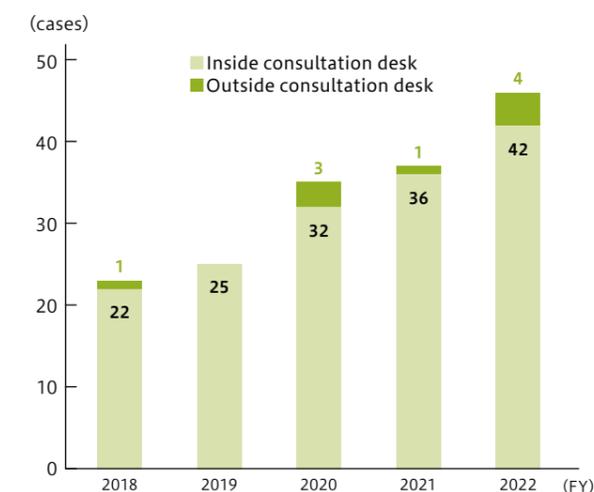
In order to further strengthen our fair procurement activities, KOITO periodically holds “Compliance training session” for employees of relevant administrative divisions and business partners (subcontractors and others). In FY 2022, a total of 314 people participated in this training, and we are working to improve their knowledge of procurement activities.

Whistle-blowing System

KOITO has established “corporate ethics consulting desks” inside and outside the company which allows employees to report or consult on compliance and harassment issues. After investigating all cases reported or consulted, we are taking appropriate measures and report them to the Board of Directors and the Compliance Committee.

When operating the Corporate Ethics Consultation Desk, we take thorough care of human rights, such as protecting the privacy of whistle-blowers and consultants and preventing disadvantages, so that users can report and consult with peace of mind. The penalties for disadvantageous treatment of whistleblowers are clearly stipulated in our internal regulations.

■ Number of consultations received



Risk Management

KOITO enriches and reinforces comprehensive risk management to properly identify diversifying and complex risks, prevent risks from becoming materialized, and minimize damage in case problem occurs.

Departments are assigned to risk management, including the implementation of measures to reduce and avoid risks and daily management. The Quality Assurance Department is assigned risks associated with the safety of products, the Procurement Headquarters handles risks in the supply chain, and the Safety Environment Department handles risks of natural disasters. As such, each department assess relevant risks and implement preventive measures. Officers of assigned responsible departments act as the general managers. In addition, training on individual risks is provided to employees.

If risks become actual problems, the basic protocol is to report the incidents to the Board of Directors, the highest decision-making entity of the business administration, and such problems are swiftly and properly handled under the direction of the top administrators.

Natural Disaster Risks

Based on our basic policy “to prioritize human lives and maintain business continuity,” KOITO examines disaster control, initial response, and restoration work to find problems and re-evaluate and reinforce BCP activities based on lessons learned through natural disasters such as the Great East Japan Earthquake, Kumamoto Earthquake, heavy rains, typhoons, and expected damage caused by the Nankai Trough Earthquake.

To control damage from natural disasters, such as earthquakes, KOITO implements aseismic reinforcement of production site buildings, anti-fall measures for facilities and equipment, installation of emergency earthquake notification systems, regular disaster drills including evacuation and firefighting, all-employee safety confirmation drills, and general inspections of the maintenance and management of evacuation routes. KOITO also intends to minimize the damage caused by disasters by hosting lectures on how to check hazard maps and evacuation.

To prevent fire, KOITO makes efforts to reinforce the system to ensure quick extinguishing through thorough management of hazardous materials and combustibles, such as organic solvents, increased installation and rearrangement of fire extinguishing equipment to prepare for fire, and implementation of initial firefighting training.

In addition, on-site inspections on safety, fire, and disaster prevention are being conducted at subsidiaries and suppliers. Subsidiaries in Japan are also mutually inspecting and improving each other’s production sites in Subsidiaries Mutual Safety Inspections to improve the safety, fire, and disaster prevention level in the entire Group and the supply chain.



■ Firefighting training using fire hydrant



■ Online disaster control seminar by Regional Management Center of Central Shizuoka

KOITO’s Response to the Spread of COVID-19 Infections

Putting the highest priority on the safety of customers, business partners, employees and their families, the KOITO Group has implemented various measures based on requests from the government and local governments for the purposes of preventing the spread of COVID-19 infections. We will continue to utilize telework and online meetings to reduce the risk of infections and to promote smooth operations and improve efficiency.

● Major countermeasures against infections

- Hygiene in prevention (wearing masks and hand sanitizing)
- Periodically disinfecting areas where an unspecified number of people touch, such as doors, switches, etc.
- Installing partitions in offices, meeting rooms, and dining halls
- Implementing staggered eating
- Avoiding three Cs (closed spaces, crowded places, and close-contact settings) in daily life and implementing “new normal”
- Actions in line with the measures requested by the prefectural governments to prevent infectious diseases

● Commuting

- Restricting employees to use public transportation for commuting regarding the infection status at our site location
- Introducing teleworking in administrative and indirect departments
- Measuring employees’ temperature when entering the office etc.

● Business travels and meetings

- Formulating rules for domestic and overseas business trips, and implementing measures to prevent infectious diseases
- Introducing online meetings
- Measuring outside visitors’ temperature and requesting them to hand sanitizing and wearing mask.

Information Security

KOITO has identified “information security” as one of our materiality, and ensuring the protection of personal information and confidential information based on the Information Security Policy while implementing proper information security measures to materialize safe and thorough management.

We have established a cyber security system that can detect the latest viruses and abnormal conditions at all sites, including domestic and overseas affiliates. At the same time, we have established CSIRT (specialized team that deals with information security issues) at each site to ensure an immediate response in the event of an emergency.

Information Security Policy

KOITO MANUFACTURING CO., LTD. (“KOITO”) recognizes that the appropriate management of information is a critical management issue, and has formulated an “Information Security Policy” to gain the trust of customers and society at all times.

KOITO intends, from now on, to comply with this Information Security Policy, maintaining and improving information security by protecting information assets from various threats and handling information appropriately.

1. Establishment of information security management system

KOITO has appointed a Chief Information Security Officer (CISO) and established an information security management system that enables prompt implementation of security information measures, to gain the trust from the society at all times. This management system shall be reviewed and improved regularly. With this CISO and management system, KOITO makes every possible effort to protect all information assets held by us and comply with laws, regulations, and other rules related to information security.

2. Development of internal information security-related rules

KOITO develops internal rules based on our Information Security Policy to have a clear policy for the handling of not only personal information but also all other information assets, and makes all employees and business partners fully aware of KOITO’s strict measures against information leaks etc.

3. Implementation of appropriate information security measures

KOITO implements organizational, physical, technological, and personal security management measures so that information assets of KOITO are not subjected to unauthorized access, destruction, leakage, or alteration. These measures shall be adjusted and adapted to changes when technological and social needs arise.

4. Implementation of internal information security audits

KOITO regularly conducts internal information security audits to verify that security measures are functioning effectively in the course of business operations, in accordance with relevant laws and internal regulations and rules.

5. Enhancement of information security literacy

KOITO provides thorough security education/training to employees etc. so that all people dealing with our information assets perform their duties with information security literacy. KOITO also continues to provide its employees with education/training to respond to ever-changing circumstances.

Organization for Information Security Activities

The KOITO Group monitors computers and networks of the Group as a whole, including its domestic and overseas affiliates, and is building CSIRT (Computer Security Incident Response Team), capable of responding immediately to any cyber-attacks or abnormal conditions on a global basis.

KOITO’s information security is managed by the Information System Department, along with General Affairs Department and Compliance Promotion Office. Furthermore, each department periodically checks for information security risks and implements a PDCA cycle to continuously improve security.

Information Security Management System

In order to protect information assets from the risk of leaks, theft, alternation, etc., the KOITO Group operates information security management based on management standards for the confidentiality, integrity, and availability of information. In particular, major functional divisions are assuring information security and promoting the improvement of security reliability. Divisions for design, development, sales, purchasing and quality management of automotive lighting equipment and others have acquired ISO 27001, an international standard for information security.

The KOITO Group will continue to strive to further maintain and improve information security by improving our information security management system through continuous PDCA cycle and by expanding the scope of certification within the Group.

Information Security Measures

To strengthen information security measures against cyberattacks, KOITO has established internal regulations based on its Information Security Policy and is implementing various cyber security measures, including the establishment of a Group-wide monitoring system and an incident response system. We are seeking to build a strategic information management system that not only appropriately manages confidential and personal information, but also manages and utilizes intellectual property and other intangible assets.

In addition, KOITO periodically conducts internal and external intrusion tests by external specialist agencies to thoroughly inspect and confirm security vulnerabilities and strive to improve information security.

Fostering Awareness of Information Security

To prevent information security incidents, KOITO strives to foster awareness within the company by holding annual information security training sessions for all employees.

In addition, targeted email drills are conducted once a year for all employees. The results are reported to Managing Committee and IT Meetings, and necessary measures are taken.

Moreover, KOITO periodically provides information on information security to all employees via email, introducing examples of information security, precautions for teleworkers and alert anticipated targeted email attacks.

To our suppliers, we are asking them to implement information security-related measures, and conducting necessary assessments and improvements using checklists and other means.

Intellectual Property Management

The KOITO Group places intellectual properties as the source of international competitiveness and develops business strategies by integrating R&D and intellectual property strategies. KOITO will continue to encourage activities to create intellectual properties and work to protect and utilize the intellectual property rights appropriately. At the same time, we will respect the intellectual property rights of others and strive to prevent infringements.

■ R&D expenditures and number of patents

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
R&D expenditures (billion yen)	36.1	34.0	36.1	32.6	34.0
Number of patents applied	800	1,230	1,130	938	867
Number of patents held	2,630	2,890	2,830	2,813	2,900

Organization for Intellectual Property Management

The KOITO Group makes effort to reinforce the intellectual property management system of the entire Group to acquire intellectual property rights, conclude licensing contracts, and respond to the violation of rights globally by developing a management system with KOITO MANUFACTURING at the center to establish and execute intellectual property strategy integrated with business strategies.

Measures to Prevent Violation of Intellectual Property

Given the importance of intellectual properties, the KOITO Group provides training on intellectual property rights through the job-rank based education to increase the awareness of every employee.

In addition, KOITO has introduced a patent research system available to all researchers and designers to avoid violating intellectual property rights of others and preventing future conflicts.

Tax Policy

The KOITO Group recognizes the importance of paying appropriate taxes and promotes sound tax activities in accordance with the tax laws and policies of each country and region while striving to build the proper tax governance system.

Tax Policy

1. Tax Compliance

KOITO MANUFACTURING CO., LTD. (“KOITO”) and its subsidiaries (“the KOITO Group”) comply with tax codes as well as relevant laws and regulations, file the proper tax returns and pay taxes in each country and region where we conduct businesses.

The KOITO Group does not engage in tax avoidance using tax havens, or use tax planning that does not coincide with business conditions.

2. Tax Governance System

The KOITO Group strives to properly comply with the tax laws, systems and administrative operations in each country with the cooperation between Group companies in an effort to minimize tax risks.

The tax risks of the KOITO Group are managed under the discretion of the Chief Financial Officer according to reports from each Group company.

In addition, the KOITO Group will seek the advice and guidance of external experts for any complex risks or grave matters of concern to respond after investigation, evaluation and deliberation.

3. Transfer Pricing

The KOITO Group will adhere to arm’s length transaction principles with understand of the OECD Transfer Pricing Guidelines and domestic tax Base Erosion and Profit Shifting (BEPS) to set the price of transactions between Group companies.

In addition, the KOITO Group will seek the advice and guidance of external experts as necessary to reduce the tax risks related to transfer pricing.

4. Elimination of Dual Taxation

The KOITO Group applies tax treaties to eliminate dual taxation on the same economic profits from multiple countries and regions.

5. Relationship with Tax Authorities

The KOITO Group properly responds to any inquiries and requests for information from the tax authorities in each country and region where it does business with good faith and in a timely manner in an effort to build and maintain good relationships founded in trust with tax authorities.

If any question arises between the KOITO Group and tax authorities about tax practices, the understanding of tax codes or other tax-related matters, the KOITO Group will work together with each tax authority to resolve the matter in question.

Executive Management (as of June 29, 2022)



Chairman and CEO
Masahiro Otake

April 1977 Joined KOITO
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)

Reason for appointment:

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

Number of the Board of Directors attended (FY 2022) 12/12 (100%)



President and COO
Michiaki Kato

April 1982 Joined KOITO
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
June 2021 President (present position)

Reason for appointment:

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 KOITO's management as a Director, and has contributed significantly to the improvement of KOITO's performance and corporate value.

Number of the Board of Directors attended (FY 2022) 12/12 (100%)



Outside Director
Haruya Uehara

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 Adviser
June 2013 Outside Director, KOITO (present position)
July 2018 Senior Advisor, Mitsubishi UFJ Trust and Banking Corporation (present position)

Reason for appointment:

Mr. Haruya Uehara serves as Senior Advisor to Mitsubishi UFJ Trust and Banking Corporation, so that his knowledge and experience may be reflected in KOITO's management and he may fulfill a supervisory function from this perspective.

Number of the Board of Directors attended (FY 2022) 12/12 (100%)



Outside Director
Kingo Sakurai

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

Reason for appointment:

Mr. Kingo Sakurai is a certified public accountant, so that his knowledge and experience may be reflected in KOITO's management and he may fulfill a supervisory function from this perspective.

Number of the Board of Directors attended (FY 2022) 11/12 (92%)



Executive Vice President
Kenji Arima

April 1977 Joined KOITO
January 2005 Director, Koito Europe NV (KENV)
June 2005 Director, KOITO
June 2011 Managing Director
June 2012 Director and Managing Corporate Officer
June 2013 Senior Managing Director
June 2019 Executive Vice President (present position)
Engineering Headquarters, Sales Headquarters, In charge of Mobility Strategy Department, Research & Development Department and DX Promotion (present position)

Reason for appointment:

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

Number of the Board of Directors attended (FY 2022) 12/12 (100%)



Executive Vice President
Masami Uchiyama

April 1983 Joined KOITO
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 Shizuoka General Affairs Department, Logistics Department, Safety Environment Department, Production Control Department, Electronics Products Production Department and CN Promotion (present position)

Reason for appointment:

Since joining KOITO, 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 KOITO's management as a Director, and has contributed significantly to the improvement of KOITO's performance and corporate value.

Number of the Board of Directors attended (FY 2022) 11/12 (92%)



Outside Director
Chika Igarashi

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

Reason for appointment:

Ms. Chika Igarashi is an attorney so that her knowledge and experience may be reflected in KOITO's management and she may fulfill a supervisory function from this perspective.



Senior Managing Director
Hideharu Konagaya

April 1987 Joined KOITO
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)

Reason for appointment:

Since joining KOITO, 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 KOITO's management as a Director, and has contributed significantly to the improvement of KOITO's performance and corporate value.

Number of the Board of Directors attended (FY 2022) 12/12 (100%)



Senior Managing Director
Katsuyuki Kusakawa

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, KOITO
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 and DX Promotion (present position)

Reason for appointment:

Since joining KOITO, 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 KOITO's management as a Director, and has contributed significantly to the improvement of KOITO's performance and corporate value.

Number of the Board of Directors attended (FY 2022) 12/12 (100%)

Executive Management (as of June 29, 2022)



Standing Audit and Supervisory Board Member
Mitsuo Kikuchi

April 1968 Joined KOITO
April 1995 General Manager, Production Control Department
June 1999 Director
June 2005 Managing Director
June 2006 Senior Managing Director
June 2009 Executive Vice President
June 2013 Standing Audit and Supervisory Board Member (present position)

Reason for appointment:

Since joining KOITO, Mr. Mitsuo Kikuchi has acquired extensive experience and a high level of insight through serving as Head of Sales Headquarters, Deputy Head of Production Headquarters and in other positions. He has also been involved with KOITO's management as a Director, so that his knowledge and experience may be reflected to strengthen KOITO's auditing activities.

Number of the Board of Directors attended (FY 2022)	12/12 (100%)
Number of Audit and Supervisory Board attended (FY 2022)	8/8 (100%)



Standing Audit and Supervisory Board Member
Koichi Sakakibara

April 1975 Joined KOITO
June 1999 General Manager of Product Development Department
June 2001 Director
June 2007 Managing Director
June 2009 Senior Managing Director
June 2013 Executive Vice President
June 2021 Standing Audit and Supervisory Board Member (present position)

Reason for appointment:

Since joining KOITO, Mr. Koichi Sakakibara 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 KOITO's management as a Director, so that his knowledge and experience may be reflected to strengthen KOITO's auditing activities.

Number of the Board of Directors attended (FY 2022)	12/12 (100%)
Number of Audit and Supervisory Board attended (FY 2022)	6/6 (100%)



Outside Audit and Supervisory Board Member
Yukinobu Suzuki

April 1965 Joined Sendai Regional Taxation Bureau
July 1990 Assistant Director, Large Enterprise Examination Division, Large Enterprise Examination and Criminal Investigation Department, National Tax Agency
July 1995 Deputy District Director, Hachioji Tax Office
December 1995 Acquired qualification as certified tax accountant
July 2005 Director-General, Takamatsu National Tax Tribunal
July 2009 Adviser (part time), KOITO
January 2010 Audit and Supervisory Board Member, Koito Insurance Services Co., Ltd. (present position)
June 2016 Outside Audit and Supervisory Board Member, KOITO (present position)

Reason for appointment:

Mr. Yukinobu Suzuki is a certified tax accountant, so that his knowledge and experience may be reflected to strengthen KOITO's auditing activities.

Number of the Board of Directors attended (FY 2022)	12/12 (100%)
Number of Audit and Supervisory Board attended (FY 2022)	8/8 (100%)



Outside Audit and Supervisory Board Member
Hiroshi Kimeda

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, KOITO (present position)

Reason for appointment:

Mr. Hiroshi Kimeda is an attorney, so that his knowledge and experience may be reflected to strengthen KOITO's auditing activities.

Number of the Board of Directors attended (FY 2022)	11/12 (92%)
Number of Audit and Supervisory Board attended (FY 2022)	8/8 (100%)

Senior Managing Corporate Officer

Jun Toyota

Managing Corporate Officer

Hideo Yamamoto
Takayuki Katsuda
Atsushi Inoue
Masatoshi Yoneyama
Toshiyuki Katsumata
Kakuya Yamamoto
Eisuke Shibata
Takahito Otake

Corporate Officer

Koichi Toyoda
Mamoru Murakoshi
Masahiro Otake
Yuji Higashi
Hideki Ochiai
Masataka Choji
Kohei Yamasaki
Kirk Gadberr
Kazuhiro Aoshima
Masayasu Ito
Masayuki Otake
Koji Shimakura

Corporate Information

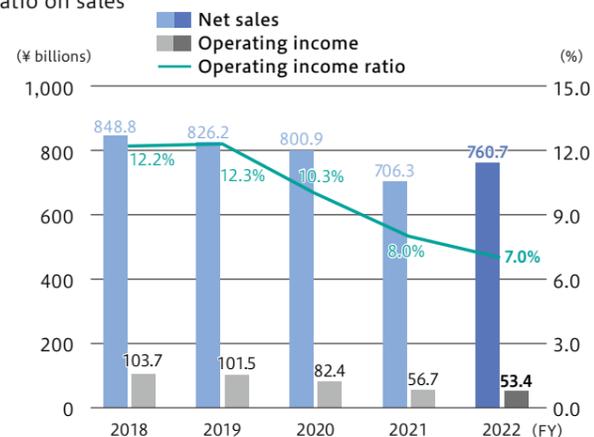
CORPORATE INFORMATION

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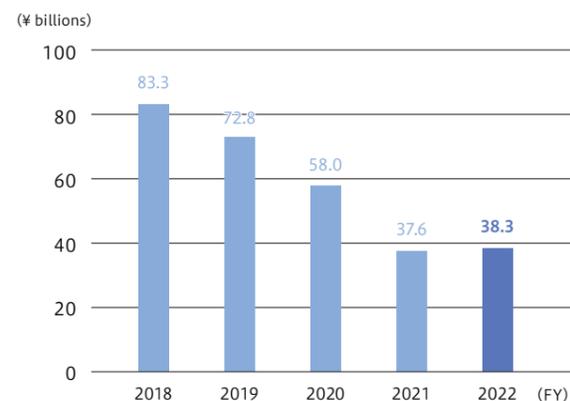
Financial and Non-financial Highlights

Financial Highlights

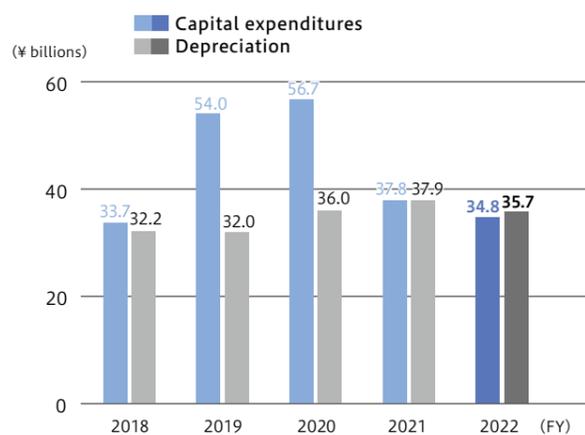
■ Net sales, operating income and operating income ratio on sales



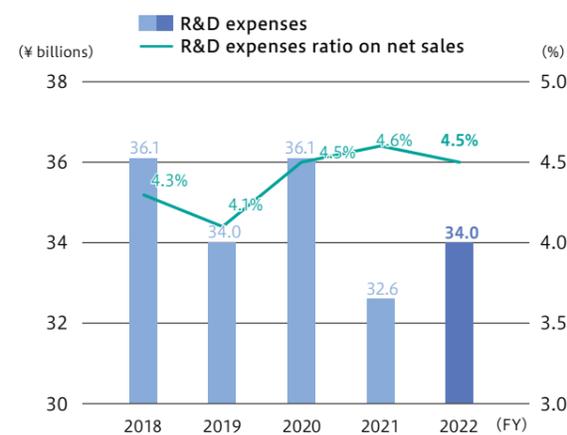
■ Profit attributable to owners of parent



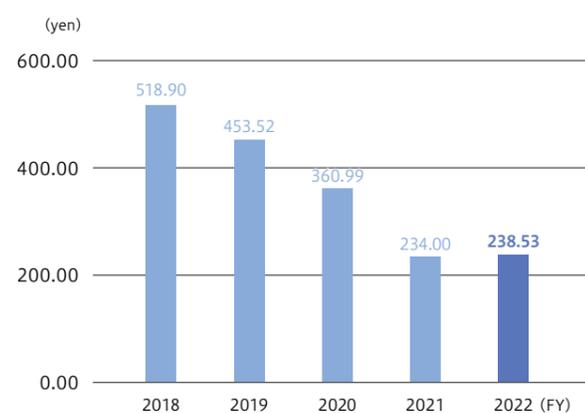
■ Capital expenditures and depreciation



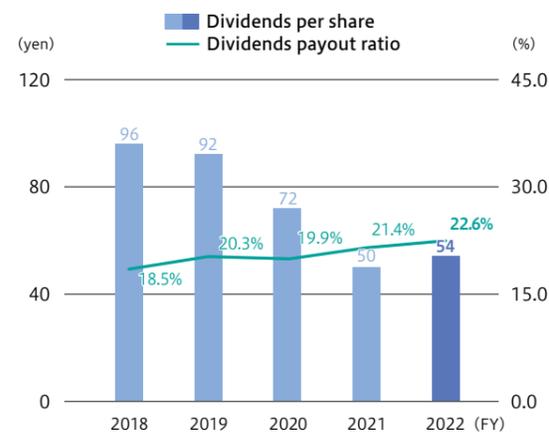
■ R&D expenses and R&D expenses ratio on net sales



■ Earnings per share (EPS)

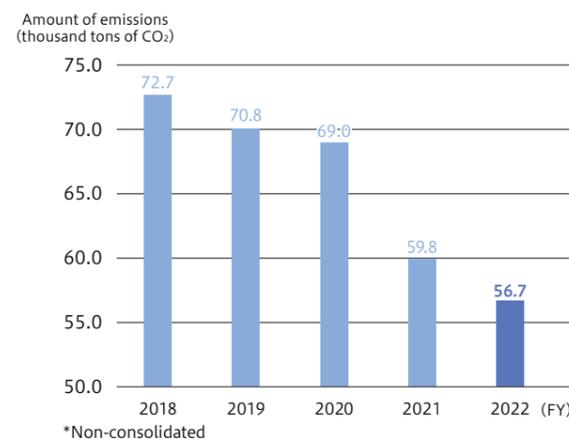


■ Dividends and dividends payout ratio

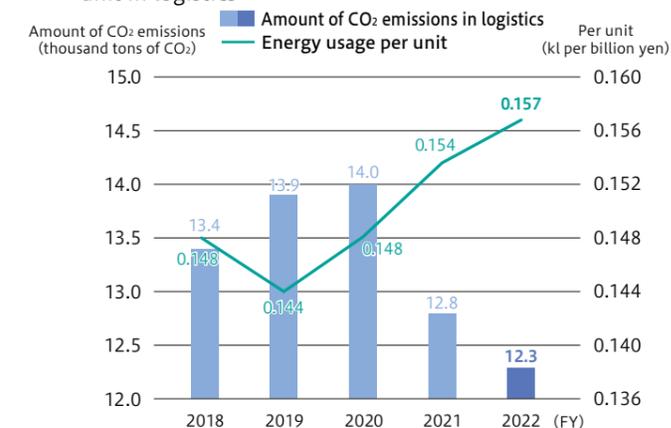


Non-financial Highlights

■ Amount of CO₂ emissions



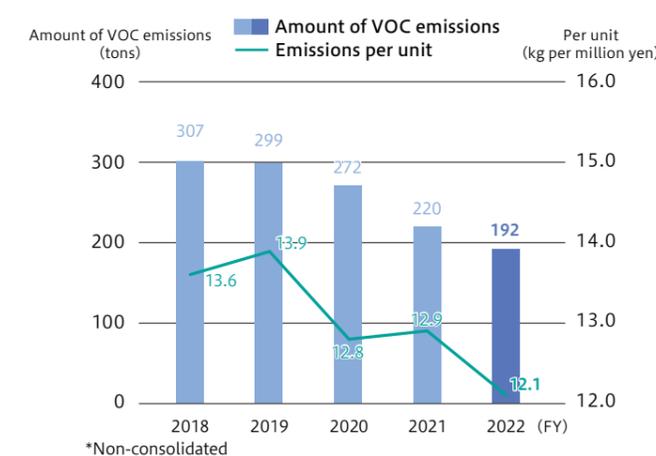
■ Amount of CO₂ emissions and energy usage per unit in logistics



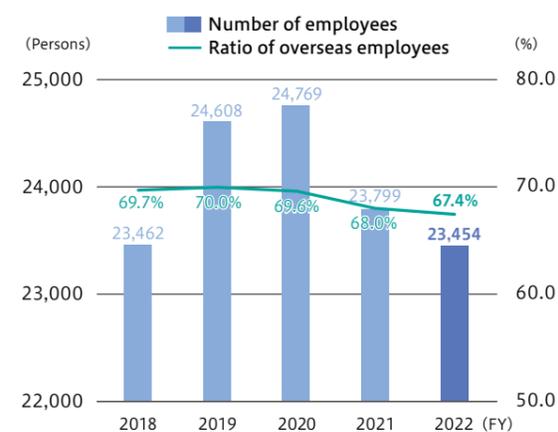
■ Amount of waste and waste generated per unit



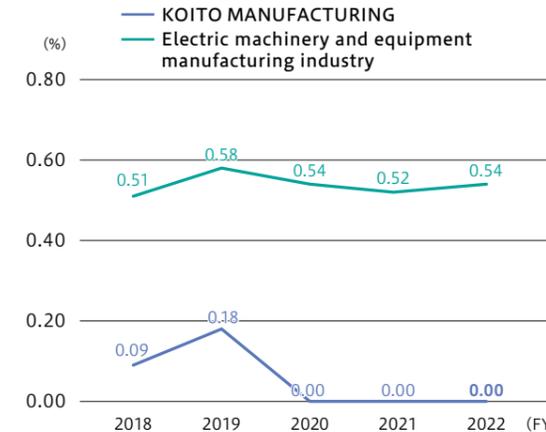
■ Amount of VOC emissions and VOC emissions per unit



■ Number of employees and ratio of overseas employees



■ Rate of lost-time injuries



Financial Summary of the Last 11 Years

KOITO MANUFACTURING and its consolidated subsidiaries

Financial Data of the Last 11 Years

	FY 2012	FY 2013	FY 2014	FY 2015
Net sales	430,929	472,843	597,502	706,470
Operating income	31,725	37,668	49,506	64,155
Operating income ratio on sales (%)	7.4	8.0	8.3	9.1
Recurring profit	31,496	40,007	51,895	66,880
Profit attributable to owners of parent	13,391	16,625	21,378	36,060
Cash flows from operating activities	32,074	42,138	35,572	73,289
Cash flows from investing activities	△ 27,185	△ 41,947	△ 36,030	△ 55,526
Cash flows from financing activities	△ 4,604	△ 2,812	5,377	△ 14,376
Cash and cash equivalents at end of year	23,217	21,992	27,750	33,082
Capital expenditures	21,445	22,285	34,561	48,470
Depreciation	19,517	17,827	21,522	25,919
R&D expenses	17,611	20,085	24,761	27,955
R&D expenses ratio on sales (%)	4.1	4.2	4.1	4.0
As of the End of the Fiscal Year:				
Total assets	363,273	418,087	483,093	575,268
Net assets	182,916	218,131	256,072	316,826
Property, plant and equipment	85,068	99,193	114,080	140,859
Interest-bearing liabilities	25,737	30,097	43,510	41,500
Data Per Share:				
Net income (yen)	83.33	103.46	133.04	224.41
Dividends (yen)	19	22	26	40
Consolidated dividends payout ratio (%)	22.8	21.3	19.5	17.8
Net assets (yen)	997.38	1,180.61	1,368.72	1,674.91
Financial Indicators				
Equity ratio (%)	44.1	45.4	45.5	46.8
Return on equity (ROE) (%)	8.7	9.5	10.4	14.8
Return on assets (ROA) (%)	3.7	4.2	4.7	6.8
Price earnings ratio (PER) (times)	16.1	15.8	13.1	16.1
Price book-value Ratio (PBR) (times)	1.3	1.4	1.3	2.2

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	813,477	841,456	848,868	826,257	800,928	706,376	760,719
	82,218	92,523	103,785	101,534	82,411	56,707	53,434
	10.1	11.0	12.2	12.3	10.3	8.0	7.0
	84,296	95,336	107,945	105,494	85,264	61,107	60,613
	46,303	56,692	83,397	72,895	58,022	37,612	38,340
	73,828	98,388	94,793	96,666	84,972	74,962	65,707
	△ 62,777	△ 72,486	△ 67,260	△ 25,906	△ 44,728	△ 1,093	△ 52,151
	△ 10,062	△ 16,624	△ 17,633	△ 13,063	△ 32,010	△ 18,324	△ 8,491
	31,886	39,500	41,050	97,993	104,202	161,855	169,581
	41,322	40,284	33,759	54,053	56,737	37,887	34,842
	31,719	31,721	32,287	32,060	36,066	37,962	35,811
	32,642	34,226	36,101	34,024	36,121	32,671	34,024
	4.0	4.1	4.3	4.1	4.5	4.6	4.5
	588,683	658,341	672,055	738,175	729,715	782,163	855,237
	329,671	381,000	444,808	503,564	513,524	569,438	627,315
	139,300	141,538	133,935	158,769	170,082	171,615	23,021
	41,249	35,057	28,929	32,482	29,526	20,945	25,021
	288.15	352.80	518.90	453.52	360.99	234.00	238.53
	36	54	96	92	72	50	54
	12.5	15.3	18.5	20.3	19.9	21.4	22.6
	1,780.94	2,090.87	2,551.48	2,870.24	2,989.43	3,344.65	3,676.47
	48.6	51.0	61.0	62.5	65.8	68.7	69.1
	16.7	18.2	22.4	16.7	12.3	7.4	6.8
	8.0	9.1	12.5	10.3	7.9	5.0	4.7
	17.7	16.4	14.2	13.8	10.1	31.7	20.9
	2.9	2.8	2.9	2.2	1.2	2.2	1.4

(¥ millions)

Notes: 1. "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019, therefore, the key performance indicators, etc., pertaining to the fiscal year ended March 31, 2018 are those after retrospective application of the relevant accounting standard.

2. Return on assets (ROA) is calculated by "profit attributable to owners of parent / average total assets during the period."

Consolidated Financial Statements

Consolidated Balance Sheets

(¥ millions)

	FY 2021 (As of March 31, 2021)	FY 2022 (As of March 31, 2022)
Assets		
Current assets	538,416	579,086
Cash and time deposits	303,887	323,943
Trade notes and accounts receivable	115,950	–
Trade notes	–	3,797
Electronically recorded monetary claims-operating	12,957	9,888
Accounts receivable	–	113,437
Contract assets	–	918
Inventories	73,751	90,760
Other current assets	32,239	36,723
Allowance for doubtful accounts	△ 370	△ 382
Non-current assets	243,747	276,150
Property, plant and equipment	171,615	182,608
Buildings and structures (net)	53,493	55,831
Machinery and transportation equipment (net)	69,993	75,334
Fixtures, equipment and tools (net)	14,391	17,453
Land	15,561	16,181
Construction in progress	17,457	17,054
Other property, plant and equipment	718	752
Intangible fixed assets	3,125	3,103
Investments and other assets	69,005	90,438
Investment securities	56,570	73,856
Claims provable in bankruptcy, claims provable in rehabilitation and other	18	16
Deferred income tax assets	7,755	10,863
Net defined assets for retirement benefits	2,556	2,804
Other investments	2,244	3,034
Allowance for doubtful accounts	△ 139	△ 136
Total assets	782,163	855,237
Liabilities		
Current liabilities	171,928	181,404
Trade notes and accounts payable	95,989	102,641
Electronically recorded monetary obligations-operating	7,867	5,050
Short-term loans	20,715	24,531
Accrued expenses	23,366	23,781
Income taxes payable	5,267	7,319
Allowance for employees' bonuses	5,420	5,527
Reserve for product warranties	2,622	3,108
Other current liabilities	10,679	9,445
Non-current liabilities	40,796	46,517
Long-term debt	230	490
Deferred income tax liabilities	7,938	15,473
Allowance for directors' and corporate auditors' retirement benefits	275	298
Reserve for product warranties	5,641	5,151
Allowance for environmental strategies	17	10
Net defined liability for retirement benefits	24,701	23,097
Other non-current liabilities	1,991	1,995
Total liabilities	212,724	227,922

(¥ millions)

	FY 2021 (As of March 31, 2021)	FY 2022 (As of March 31, 2022)
Net assets		
Shareholders' equity	507,813	537,578
Common stock	14,270	14,270
Additional paid-in capital	13,380	13,399
Retained earnings	480,214	509,958
Treasury common stock, at cost	△ 52	△ 49
Accumulated other comprehensive income	29,792	53,379
Valuation adjustment on marketable securities	23,690	23,560
Translation adjustments	4,291	27,924
Adjustments in defined benefit plans	1,810	1,895
Subscription rights to shares	222	199
Non-controlling interests	31,610	36,157
Total net assets	569,438	627,315
Total liabilities and net assets	782,163	855,237

Consolidated Statements of Income and Loss

(¥ millions)

	FY 2021	FY 2022
Net sales	706,376	760,719
Cost of sales	609,132	664,669
Gross profit	97,244	96,050
Selling, general and administrative expenses	40,537	42,615
Operating income	56,707	53,434
Non-operating income	6,100	9,157
Interest income	1,190	1,329
Dividends	1,050	1,271
Foreign exchange gains	10	1,793
Gain on operation of investment business association	–	1,092
Royalty income, other	475	553
Subsidies for employment adjustment	676	350
Other non-operating income	2,697	2,766
Non-operating expenses	1,700	1,978
Interest expenses	581	781
Shares of loss of entities accounted for using equity method	595	656
Other non-operating expenses	524	539
Recurring profit	61,107	60,613
Extraordinary gains	265	1,117
Extraordinary losses	1,943	558
Income before income taxes	59,429	61,172
Total income taxes	18,969	19,188
Net income	40,460	41,984
(Breakdown)		
Profit attributable to owners of parent	37,612	38,340
Profit attributable to non-controlling interests	2,848	3,644

Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

FY 2021 (April 1, 2020 to March 31, 2021)

(\$ millions)

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	14,270	13,373	449,031	△ 53	476,622
Cumulative effects of changes in accounting policies	–	–	–	–	–
Restated balance	14,270	13,373	449,031	△ 53	476,622
Changes during fiscal year					
Dividends from retained earnings	–	–	△ 6,429	–	△ 6,429
Profit attributable to owners of parent	–	–	37,612	–	37,612
Purchases of treasury stock	–	–	–	△ 1	△ 1
Disposal of treasury stock	–	7	–	1	9
Changes in items other than shareholders' equity during fiscal year (net)	–	–	–	–	–
Total changes during fiscal year	–	7	31,182	0	31,190
Balance at fiscal year-end	14,270	13,380	480,214	△ 52	507,813

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation adjustment on marketable securities	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	14,822	△ 9,333	△ 1,608	3,880	231	32,789	513,524
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–
Restated balance	14,822	△ 9,333	△ 1,608	3,880	231	32,789	513,524
Changes during fiscal year							
Dividends from retained earnings	–	–	–	–	–	–	△ 6,429
Profit attributable to owners of parent	–	–	–	–	–	–	37,612
Purchases of treasury stock	–	–	–	–	–	–	△ 1
Disposal of treasury stock	–	–	–	–	–	–	9
Changes in items other than shareholders' equity during fiscal year (net)	8,867	13,625	3,418	25,911	△ 9	△ 1,178	24,723
Total changes during fiscal year	8,867	13,625	3,418	25,911	△ 9	△ 1,178	55,914
Balance at fiscal year-end	23,690	4,291	1,810	29,792	222	31,610	569,438

FY 2022 (April 1, 2021 to March 31, 2022)

(\$ millions)

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury common stock, at cost	Total shareholders' equity
Balance at beginning of year	14,270	13,380	480,214	△ 52	507,813
Cumulative effects of changes in accounting policies	–	–	83	–	83
Restated balance	14,270	13,380	480,297	△ 52	507,897
Changes during fiscal year					
Dividends from retained earnings	–	–	△ 8,679	–	△ 8,679
Profit attributable to owners of parent	–	–	38,340	–	38,340
Purchases of treasury stock	–	–	–	△ 1	△ 1
Disposal of treasury stock	–	18	–	4	23
Changes in items other than shareholders' equity during fiscal year (net)	–	–	–	–	–
Total changes during fiscal year	–	18	29,660	3	29,681
Balance at fiscal year-end	14,270	13,399	509,958	△ 49	537,578

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation adjustment on marketable securities	Translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	23,690	4,291	1,810	29,792	222	31,610	569,438
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	83
Restated balance	23,690	4,291	1,810	29,792	222	31,610	569,522
Changes during fiscal year							
Dividends from retained earnings	–	–	–	–	–	–	△ 8,679
Profit attributable to owners of parent	–	–	–	–	–	–	38,340
Purchases of treasury stock	–	–	–	–	–	–	△ 1
Disposal of treasury stock	–	–	–	–	–	–	23
Changes in items other than shareholders' equity during fiscal year (net)	△ 129	23,632	84	23,587	△ 23	4,546	28,110
Total changes during fiscal year	△ 129	23,632	84	23,587	△ 23	4,546	57,792
Balance at fiscal year-end	23,560	27,924	1,895	53,379	199	36,157	627,315

Consolidated Statements of Cash Flows

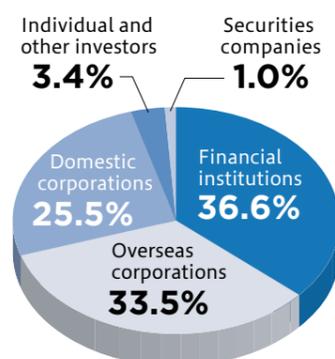
(\$ millions)

	FY 2021 (April 1, 2020 to March 31, 2021)	FY 2022 (April 1, 2021 to March 31, 2022)
Income before income taxes	59,429	61,172
Depreciation	37,962	35,811
Increase or decrease in trade notes and accounts receivable	△ 7,796	7,213
Increase in inventories	△ 8,429	△ 10,191
Increase or decrease in trade notes and accounts payable	7,635	△ 1,892
Income taxes paid	△ 16,567	△ 13,392
Others	2,728	△ 13,014
Cash flows from operating activities	74,962	65,707
Increase or decrease in time deposits	29,101	△ 7,714
Acquisition of property and equipment	△ 33,533	△ 28,932
Others	3,339	△ 15,505
Cash flows from investing activities	△ 1,093	△ 52,151
Increase or decrease in loans	△ 9,501	1,194
Dividends paid	△ 8,820	△ 9,682
Others	△ 3	△ 3
Cash flows from financing activities	△ 18,324	△ 8,491
Effect of exchange rate changes on cash and cash equivalents	2,108	2,661
Increase in cash and cash equivalents	57,652	7,726
Cash and cash equivalents at beginning of year	104,202	161,855
Cash and cash equivalents at end of year	161,855	169,581

Stock Information (as of March 31, 2022)

Number of shares authorized	320,000,000 shares
Number of shares issued	160,789,436 shares
Number of shareholders	6,276
(Number of unit shareholders' in the above	5,742)

State of Distribution of Stocks by Shareholders (in number of stocks)



Major Shareholders

Shareholders	Shares (thousand stocks)
Toyota Motor Corporation	32,158
The Master Trust Bank of Japan, Ltd. (Trust account)	19,678
Sumitomo Mitsui Banking Corporation	5,442
STATE STREET BANK AND TRUST COMPANY 505223	5,354
Custody Bank of Japan, Ltd. (Trust account)	5,332
MUFG Bank, Ltd.	5,154
Nippon Life Insurance Company	4,844
The Dai-ichi Life Insurance Company, Limited	4,000
JP MORGAN CHASE BANK 385632	3,736
Aioi Nissay Dowa Insurance Co., Ltd.	2,851

Note: Fractions of less than one thousand stocks are disregarded.

Stock Price Transition/Total Shareholder Returns (TSR)



Corporate Information (as of March 31, 2022)

Company Name	KOITO MANUFACTURING CO., LTD.
Founded	April 1, 1915
Incorporated	April 1, 1936
Capital	¥ 14,270 million
Number of employees	[consolidated] 23,454 [non-consolidated] 4,417
Head Office	4-8-3 Takanawa, Minato-ku, Tokyo 108-8711 Japan Phone: +81-3-3443-7111 Fax: +81-3-3447-1520

The KOITO Group's Subsidiaries and Affiliates

Company Name	Capital	Business Lines
KOITO KYUSHU LIMITED	3 billion yen	Manufacturing and marketing of automotive lighting equipment
Koito Transport Co., Ltd.	40 million yen	Transportation services and logistics
Aoitec Co., Ltd.	100 million yen	Manufacturing and marketing of electronic components, electrical devices, telecommunications equipment and precision machinery
Shizuokadensho Co., Ltd.	76 million yen	Manufacturing and marketing of automotive lighting equipment
Nissei Industries Co., Ltd.	51 million yen	Manufacturing and marketing of miniature bulbs and electrical equipment
Fujieda Auto Lighting Co., Ltd.	100 million yen	Manufacturing and marketing of automotive lighting equipment
Shizuoka Wire Harness Co., Ltd.	100 million yen	Manufacturing and marketing of automotive lighting equipment
Haibara Machine and Tools Co., Ltd.	50 million yen	Manufacturing and marketing of resin metal molds
Shizuoka Kanagata Co., Ltd.	20 million yen	Manufacturing and marketing of resin metal molds
Koito Insurance Services Co., Ltd.	10 million yen	Insurance agent
Takeda Suntech Co., Ltd.	15 million yen	Manufacturing and marketing of resin metal molds
New Fuji Co., Ltd.	10 million yen	Service businesses
KOITO ELECTRIC INDUSTRIES, LTD.	90 million yen	Manufacturing and marketing of railroad car control equipment, road traffic signals and traffic control systems, and seats for railroad cars, etc.
Minatsu, Ltd.	40 million yen	Maintenance and upkeep of traffic signals and safety equipment
Okayama Industry Co., Ltd.	50 million yen	Manufacturing and marketing of railroad car seats
North American Lighting, Inc.	130 million USD	Manufacturing and marketing of automotive lighting equipment
North American Lighting Mexico. S.A. de C.V.	750 million MXN	Manufacturing and marketing of automotive lighting equipment
KPS N.A., INC.	400 thousand USD	Manufacturing and marketing of railroad car electric components
NAL do Brasil Indústria e Comércio de Componentes de Iluminação Ltda.	303 million Real	Manufacturing and marketing of automotive lighting equipment
Koito Europe Limited	65 million Pound Sterling	Manufacturing and marketing of automotive lighting equipment
Koito Czech s.r.o.	1,000 million Czech Koruna	Manufacturing and marketing of automotive lighting equipment
GUANGZHOU KOITO AUTOMOTIVE LAMP CO., LTD.	4,000 million yen	Manufacturing and marketing of automotive lighting equipment
Hubei Koito Automotive Lamp Co., Ltd.	5,000 million yen	Manufacturing and marketing of automotive lighting equipment
FUZHOU KOITO TAYIH AUTOMOTIVE LAMP CO., LTD.	9,000 thousand USD	Manufacturing and marketing of automotive lighting equipment
THAI KOITO COMPANY LIMITED	365.2 million Thai Baht	Manufacturing and marketing of automotive lighting equipment
PT. INDONESIA KOITO	60 million USD	Manufacturing and marketing of automotive lighting equipment
Ta Yih Industrial Co., Ltd.	762.3 million Taiwan Dollar	Manufacturing and marketing of automotive lighting equipment
INDIA JAPAN LIGHTING PRIVATE LIMITED	4,099 million Indian Rupee	Manufacturing and marketing of automotive lighting equipment
KOITO MALAYSIA SDN. BHD.	200 million Ringgit	Manufacturing and marketing of automotive lighting equipment
BrightWay Vision Ltd.	69 thousand USD	Developing and manufacturing of Forward Monitoring System for ADAS



KOITO MANUFACTURING CO., LTD.

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