

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

