

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.

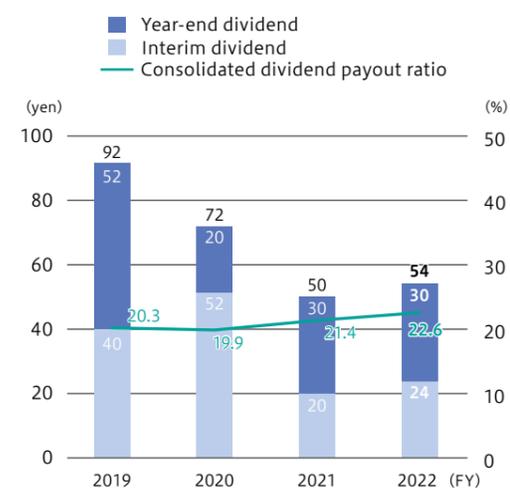
In FY 2022, in addition to initial investment of \$50 million, we have made an additional investment of \$50 million to Cepton, a company that had been developing LiDAR in collaboration with the KOITO Group.

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.

