



March 28, 2024

## PRESS RELEASE

KOITO MANUFACTURING CO., LTD.  
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(Stock Code: 7276 Prime Market, TSE)  
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### **Announcement Regarding the 1st Medium-Term Management Plan**

KOITO MANUFACTURING CO., LTD. ("KOITO") announces that KOITO resolved the 1st Medium-Term Management Plan for the three-year period from FY2025 to FY2027 at the Board of Directors held on March 28, 2024 as follows.

Please refer to the attached document for details.

#### **1. Background the Formulation of the 1st Medium-Term Management Plan**

In the automotive industry, there are concerns about a decline in the market share of Japanese OEMs in the global market, the increasing shift to EVs in China and elsewhere in the world, and the expected acceleration of the spread and advancement of ADAS (Advanced Driver Assistance Systems) and autonomous driving technologies.

In addition, while population growth and rising income levels are expected in emerging countries, the external environment surrounding our company remains uncertain and is expected to become even more challenging in the future due to soaring labor costs and declining labor force participation in developed countries.

Under these circumstances, as the first step toward achieving KOITO VISION "Lighting the Way for Our Sustainable Future" formulated in November 2022 and the "Management Plan 2030", we have formulated the "1st Medium-Term Management Plan" with the basic policy of laying the foundation for significant growth as a leading company of automotive lighting equipment by "strengthening profitability" through investments in automation of production lines and other investments for future growth and rationalization.

#### **2. Basic Policies of the 1st Medium-Term Management Plan**

##### **(1) Building a Strong Revenue Base**

- In order to build a strong revenue base, we will promote rationalization activities appropriate to each plant, such as reviewing product design / structure and innovative manufacturing through make use of digital technology, such as automation of production lines, to further strengthen our competitiveness.

##### **(2) Expansion of Sales and Production System**

- Achieve 5% CAGR growth on consolidated net sales through increasing sales to Japanese OEMs exceeding the automotive market growth, as well as doubled sales to non-Japanese OEMs.
- In line with expansion of sales, we will strengthen our production system at multiple sites around the world, including Mexico, Brazil, India, and Japan.

##### **(3) Investment in Growth to Create Products and Technologies Required by Society**

- Under the basic theme of "light", we will invest for the future growth, mainly in mobility business.
- Investment decisions are made based on appropriate criteria and processes, withdrawal conditions are set for each investment, and monitoring is conducted regularly.

### 3. Financial Strategy

- (1) We will make **proactive investments while securing financial soundness**
- (2) We will **implement buybacks** for optimizing capital structure and implement **shareholder returns by stably increasing dividend level.**

### 4. Management Indicators

- Toward FY2031, we set targets for FY2027: **net sales of 1 trillion yen or more, operating profit margin of 8%, and ROIC and ROE of 9% or more.**

	FY2023 Actual	FY2027 Target	FY2031 KOITO VISION
< Profitability > Net sales	¥864.7 billion	<b>¥1 trillion or more</b> <b>CAGR 5%</b> (FY2025-FY2027)	— CAGR 5%
Operating profit margin	5.4%	<b>8%</b>	10% or more
< Capital efficiency > ROIC	6.6%	<b>9% or more</b>	10% or more
ROE	4.9%	<b>9% or more</b>	10% or more

### 5. Shareholder Return Policy

- (1) We aim to achieve **shareholder returns of 200 billion yen or more** (cumulative total for the five-year period from FY2025 to FY2029).
- (2) Regarding dividends, based on the basic policy of stable and continuous dividend payments, we aim to maintain **a consolidated dividend payout ratio of 40% or more.**

In addition, as part of the above-mentioned shareholder return measures, the Board of Directors today approved a resolution on matters related to the acquisition of own shares.

For details, please refer to the "Announcement Regarding Determination of Matters Related to Acquisition of Own Shares" announced today.

(Reference)

In formulating the 1st Medium-Term Management Plan, we invited outside experts to the Capital Management Committee meeting (five times in total) to discuss medium- to long-term management strategies.

Attendee of the Committee (3 external and 1 internal / Michiaki Kato, President and COO of KOITO)

Taneki Ono New York State Attorney  
Former Partner Managing Director of Goldman Sachs  
Former Senior Managing Executive Officer of Japan Post Holdings Co., Ltd.  
Outside Director of PCI Holdings, INC.  
Outside Director of AVILEN, Inc.

Koji Nitto Former Director, Senior Managing Executive Officer, Chief Financial Officer (CFO),  
Global Strategy HQ of OMRON Corporation  
External Director of Wacoal Holdings Corp.  
Director of Japan Association for CFOs  
Member of Corporate Restructuring Study Group, Ministry of Economy, Trade and Industry (FY2021)

Haruya Uehara Outside Director of KOITO  
Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation

# The 1st Medium-Term Management Plan (FY2025-FY2027)



## KOITO VISION

Lighting the Way  
for Our Sustainable Future



### FY2031

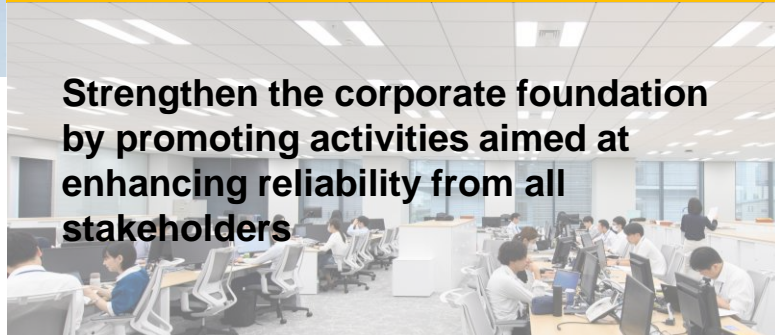
Operating Profit Margin **10% or more**

ROIC\* **10% or more**

ROE **10% or more**

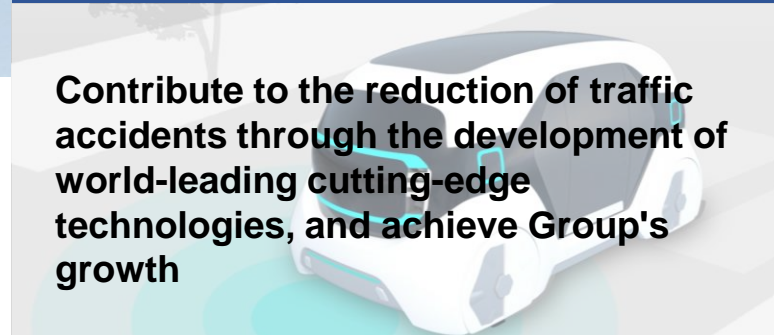
\*ROIC= (operating income - income taxes) / average invested capital

### Enforcement of Corporate Foundation



Strengthen the corporate foundation by promoting activities aimed at enhancing reliability from all stakeholders

### Sustainable Growth



Contribute to the reduction of traffic accidents through the development of world-leading cutting-edge technologies, and achieve Group's growth

### Coexistence with the Earth and Society



Become a company that is required by society through business activities that contribute to resolving social issues

## Economic and social situation

- ◆ Population growth and rising incomes in ASEAN countries, India, and other emerging economies
- ◆ Increased geopolitical risks, such as U.S.-China Trade Friction

## Employment environment

- ◆ Soaring labor costs associated with inflation in various countries around the world
- ◆ Declining labor force in developed countries due to falling birthrates and aging populations
- ◆ Shortage of human resources in the manufacturing industry, especially in the U.S.

## Automotive industry

- ◆ Rise of Non-Japanese OEMs
- ◆ The shift to EVs are increasing worldwide, mainly in China. On the other hand, there are signs of a return to HVs in some areas
- ◆ Spread and advancement of ADAS and autonomous driving technologies

## Sustainability

- ◆ Prevention of global warming by realizing a decarbonized society (TCFD, GHG reduction)
- ◆ Accelerate efforts to realize a sustainable society (Prompt response to the business environment and improved management transparency)



## Issues to be addressed by the company

Diversification of client portfolio

Technical development based on the characteristics of each client/region

[Long lamps, center lamps, ADB\*, etc.]

Labor saving by automation, and energy saving by light weight products, etc.

Further strengthen corporate governance

\*Adaptive Driving Beam

# 3 Positioning and Basic Policies of the 1st Medium-Term Management Plan



## Basic Policies of the 1st Medium-Term Management Plan:

As the first step toward achieving KOITO VISION, creating a foundation for significant growth as a leading company of automotive lighting equipment by **"strengthening profitability"** through investments in automation of production lines and other growth investments and rationalization



**FY2031 (Forecast)**  
**Operating profit margin**  
**ROIC**  
**ROE**  
**10% or more**



### FY2022-FY2024

- **Gradually recover from the impact of automobile production decline** due to COVID-19, semiconductor shortages, etc.
- **Sales recovers** as automobile production recovers
- **Rationalization activities** were implemented in response to deteriorating earnings due to inflation and other factors

### 1st Medium-Term Management Plan (FY2025-FY2027)

- Strategy(1)
  - **Building a strong revenue base (Innovative product structure / manufacturing)**
- Strategy(2)
  - **Expansion of sales and production system (Continue to increase sales to Japanese OEMs and expand sales to non-Japanese OEMs, etc.)**
- Strategy(3)
  - **Investment for further growth to create products and technologies required by the society**

### 2nd Medium-Term Management Plan (FY2028-FY2031)

- **Begin reaping the results of investments for growth**
- **New businesses expected to drive profit growth**
- Consolidated operating profit margin is expected to **recover to 10% or more**, due to improvement of profit margin in the Americas, China, Japan, etc.

# 4.1 Strategy(1) Building a Strong Revenue Base

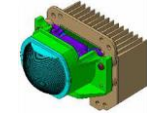
■ In order to build a strong revenue base, we will promote rationalization activities appropriate to each plant to further strengthen our competitiveness.

## Reviewing product design / structure

Achieve cost reductions through the evolution of LED standard units



Target cost of LED Units  
50% reduction

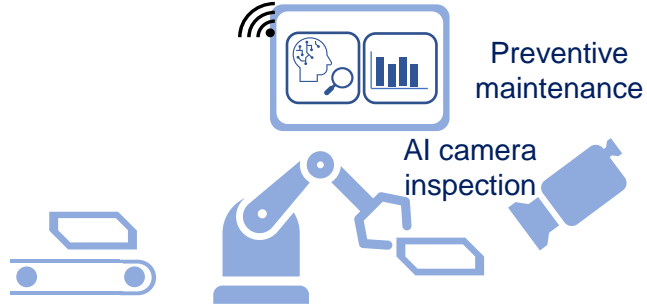


Next unit  
(Market launch target for FY2027)

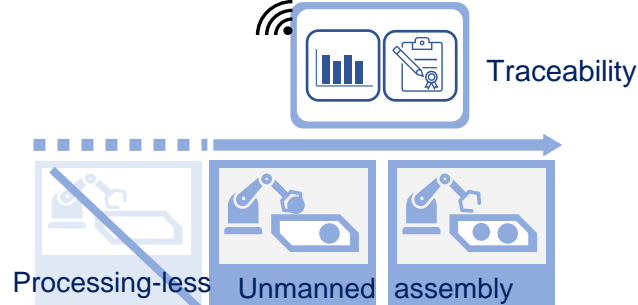
## Promote innovative manufacturing through make use of digital technology, such as automation of production lines

**30% reduction in manufacturing costs [Automation / Digitization / Optimization]**

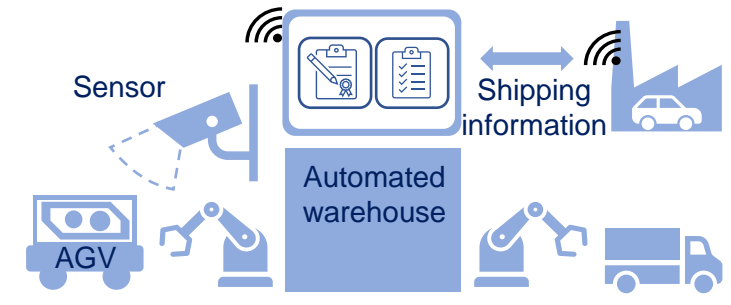
### Components



### Assembly



### Logistics

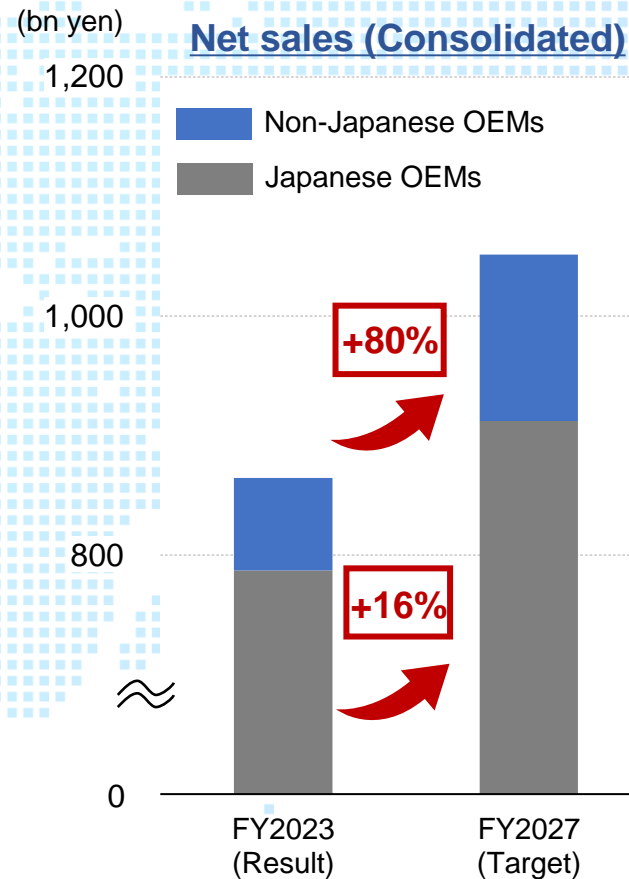
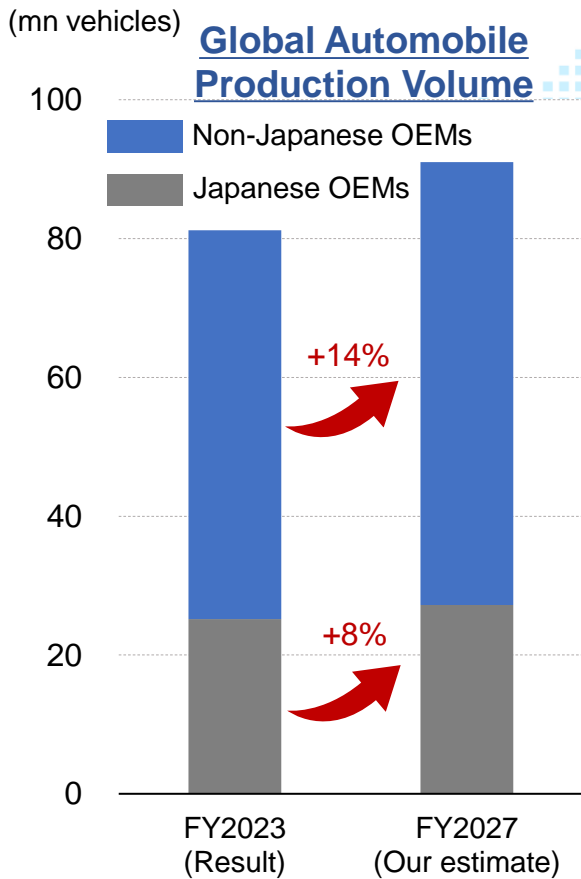


Automatization	Good or bad judgement with AI camera	Fully automated	Automated loading / shipping warehouse
Digitalization	Prevent maintenance by utilizing DX	Strengthen procurement / manufacturing traceability for quality assurance	Quick understanding production / shipping information
Optimization	Processing-less and treatment-less	Processing-less and jig-less	Shortest transportation time in the plant by using sensors

# 4.2 Strategy(2) Expansion of Sales and Production System



■ Achieve 5% CAGR\* growth on consolidated net sales through increasing sales to Japanese OEMs exceeding the automotive market growth, as well as doubles sales to non-Japanese OEMs. \*vs FY2023



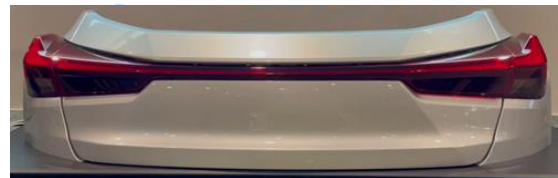
## Initiatives to expand sales to non-Japanese OEMs

### U.S.

- Expect to increase in sales / share due to new orders mainly from U.S. OEMs  
(Sales to U.S. OEMs in FY2027 will be approx. double the FY2023 level)

### China

- Strengthen sales activities to Chinese OEMs by utilizing GUANGZHOU KOITO Technical Center (established in 2022)
- Develop new products (long lamps, etc.) and expect to increase sales / share for Chinese OEMs.  
(Sales to Chinese OEMs in FY2027 will be approx. double the FY2023 level)



Long rear combination lamp with animation function (Prototype)



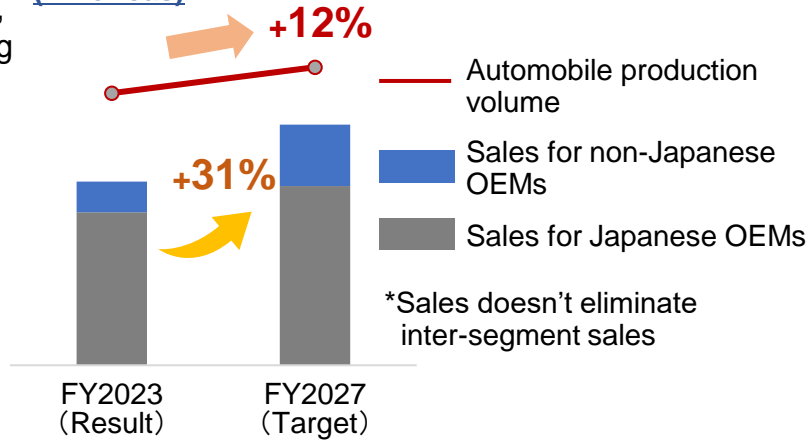
# 4.2 Strategy(2) Expansion of Sales and Production System



**In line with expansion of sales and market share mainly from non-Japanese OEMs, strengthen our production systems at multiple sites around the world**

## Americas

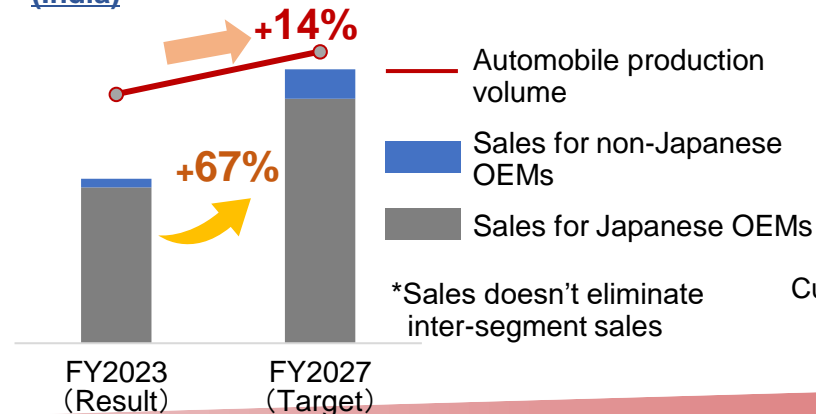
Trends in net sales / automobile production volume (Americas)



- In anticipation of solid market growth in the South America, our customers are revitalizing capital investment, including the construction of new production lines in Mexico, Brazil, and other countries
- Aim to increase orders, we also began considering expansion our plants in Mexico and Brazil. Expand production capacity overall in the Americas

## India

Trends in net sales / automobile production volume (India)

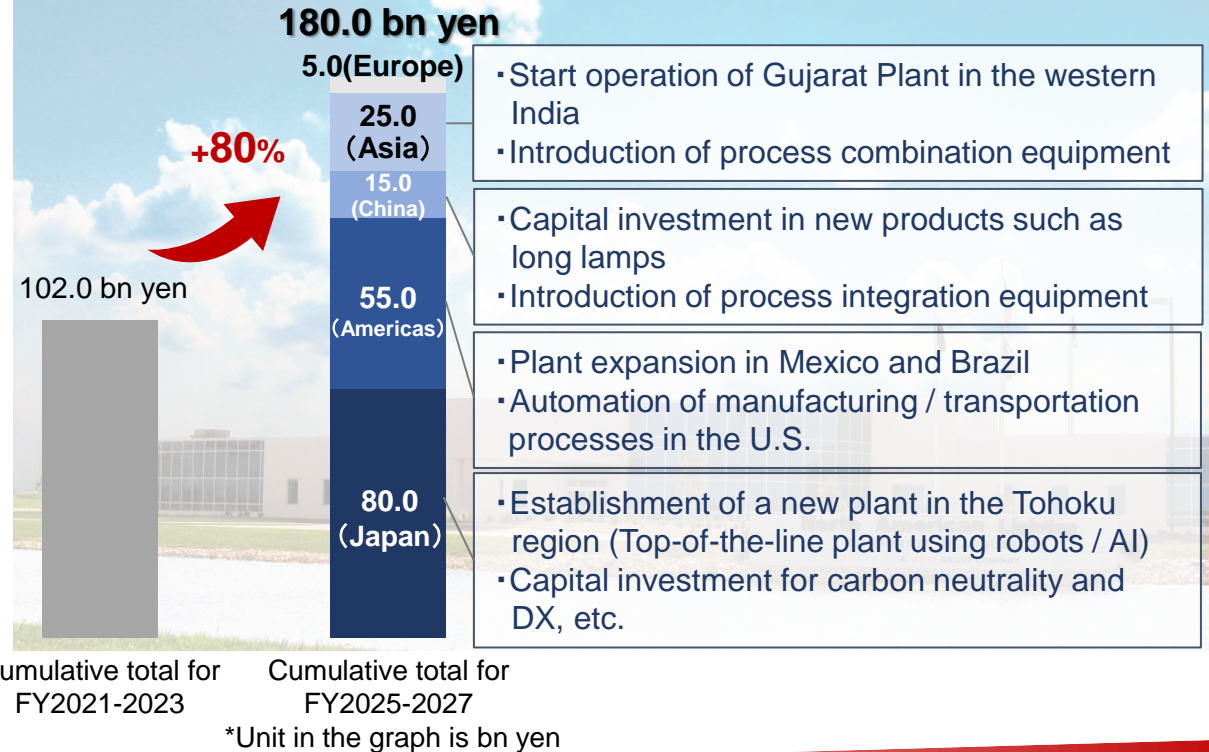


- Gujarat Plant in the western India started operations to catch up with the growing demand in India, which has become the world's most populous country
- Started operation in March 2024

## Japan

- Top-of-the-line plant with inspection robots utilizing cameras and AI (Natori City, Miyagi Pref. / scheduled to start operation in the fiscal year ending March 31, 2027)
- Apply as a model plant for automated equipment and horizontally spread know-how to other factories

Trends in capital investment (Consolidated)



# 4.3 Strategy(3) Investment in Growth to Create Products and Technologies Required by Society

■ Under the basic theme of “light”, invest for the future growth, mainly in mobility business

## Growth investments

Total investment:  
**50.0 bn yen** for 3 years

- R&D investment in **new businesses**
- **M&A** will also be conducted if it is determined that it will lead to sustainable growth in the future
- Aggressively invest in carbon neutrality as part of **ESG investments**

## Investment decision criteria and process

Make investment decisions based on appropriate criteria and processes  
Establish withdrawal conditions for each investment and monitor them regularly

### Investment decision criteria

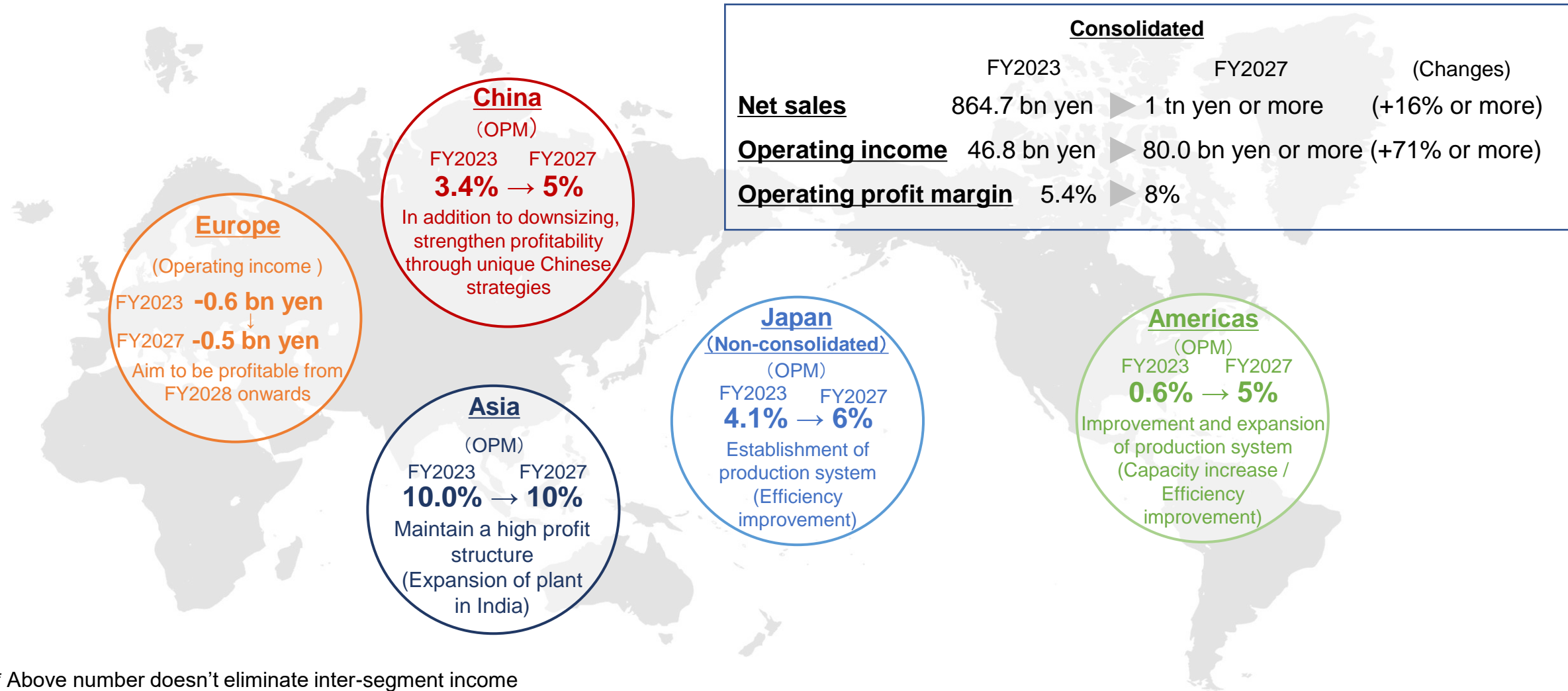


### Decision process in making investment



# 5 Medium-Term Business Plan / Operating Profit Margin Forecast by Segment **KOITO**

■ Aim for consolidated overall CAGR of 5% or more through growth mainly in Japan and the U.S.



\* Above number doesn't eliminate inter-segment income

# 6 Business Strategies to Improve Profitability (Consolidated)

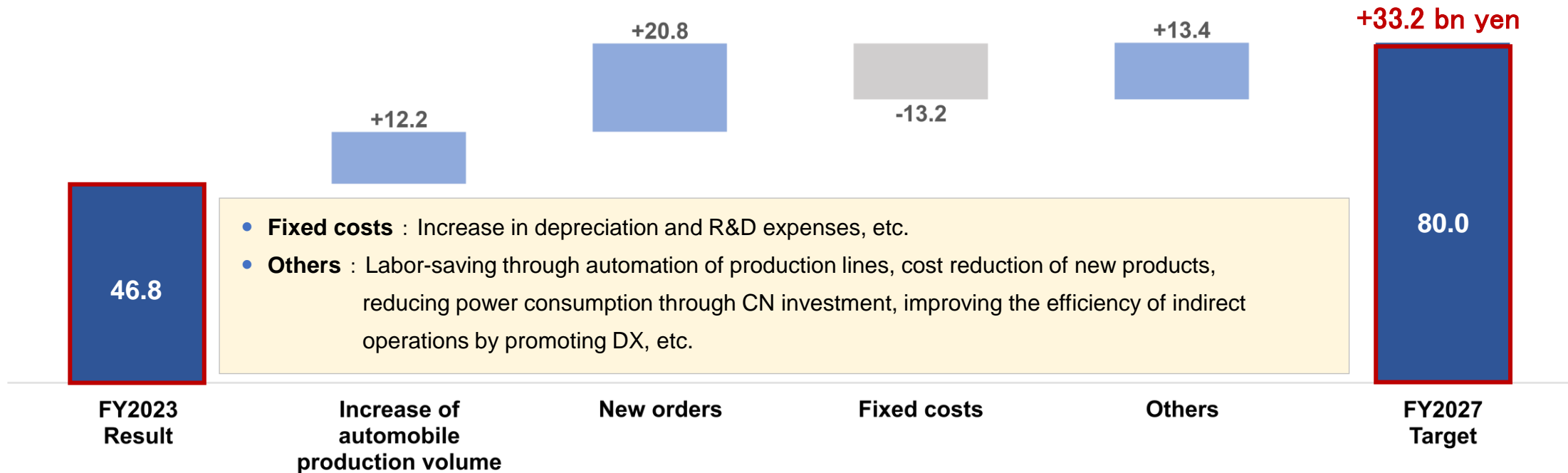


■ Achieve sales growth of approximately 5% per year, mainly in Japan and the U.S., while absorbing the impact of increased fixed costs through rationalization and improving operating profit margin

Net sales / Operating income (Consolidated)	FY2023	FY2027	Changes	
			From FY2023	%
Net sales	864.7 bn yen	1 tn yen or more	+135.3 bn yen or more	+16% or more
Operating income (Operating profit margin)	46.8 bn yen (5.4%)	80.0 bn yen or more (8%)	+33.2 bn yen or more -	+71% or more (+2.6%)

FY2027 Analysis of consolidated operating income (vs FY2023)

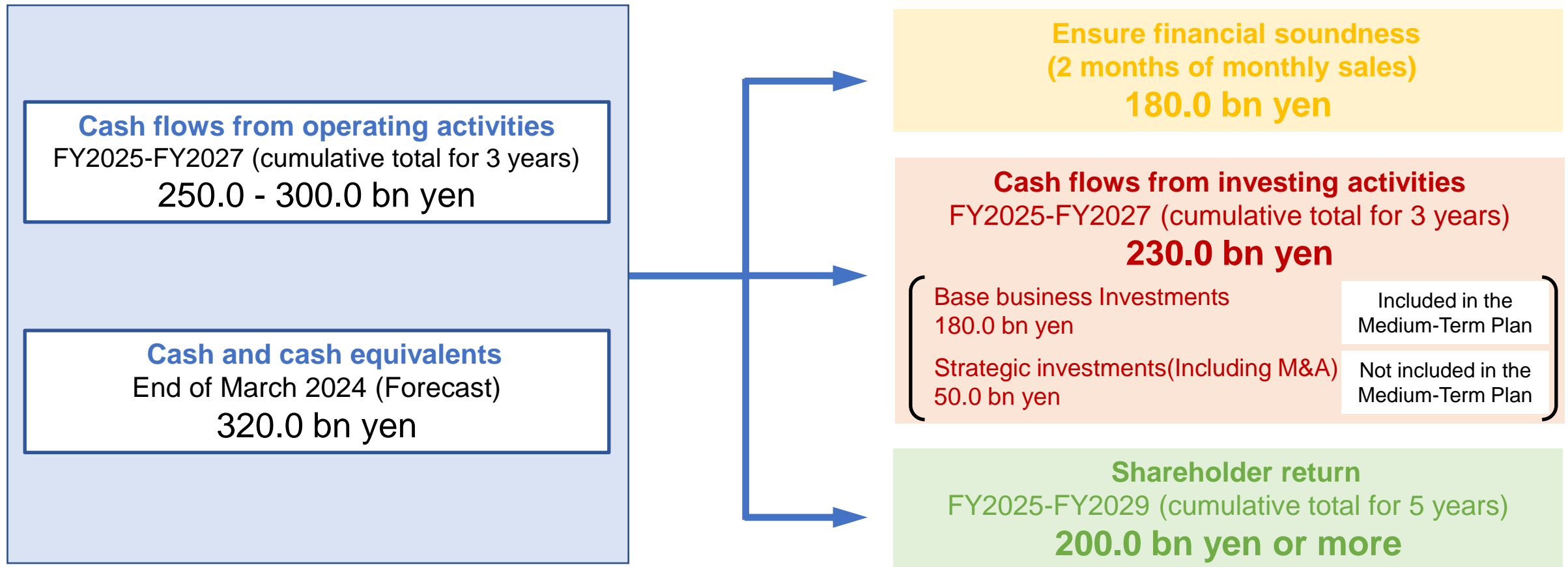
(bn yen)



# 7 Financial Strategies

<Basic Policy>

1. **Make proactive investments** while **securing financial soundness**
2. **Implement buybacks** for optimizing capital structure and implement **shareholder returns by stably increasing dividend level**



# 8 Management KPIs

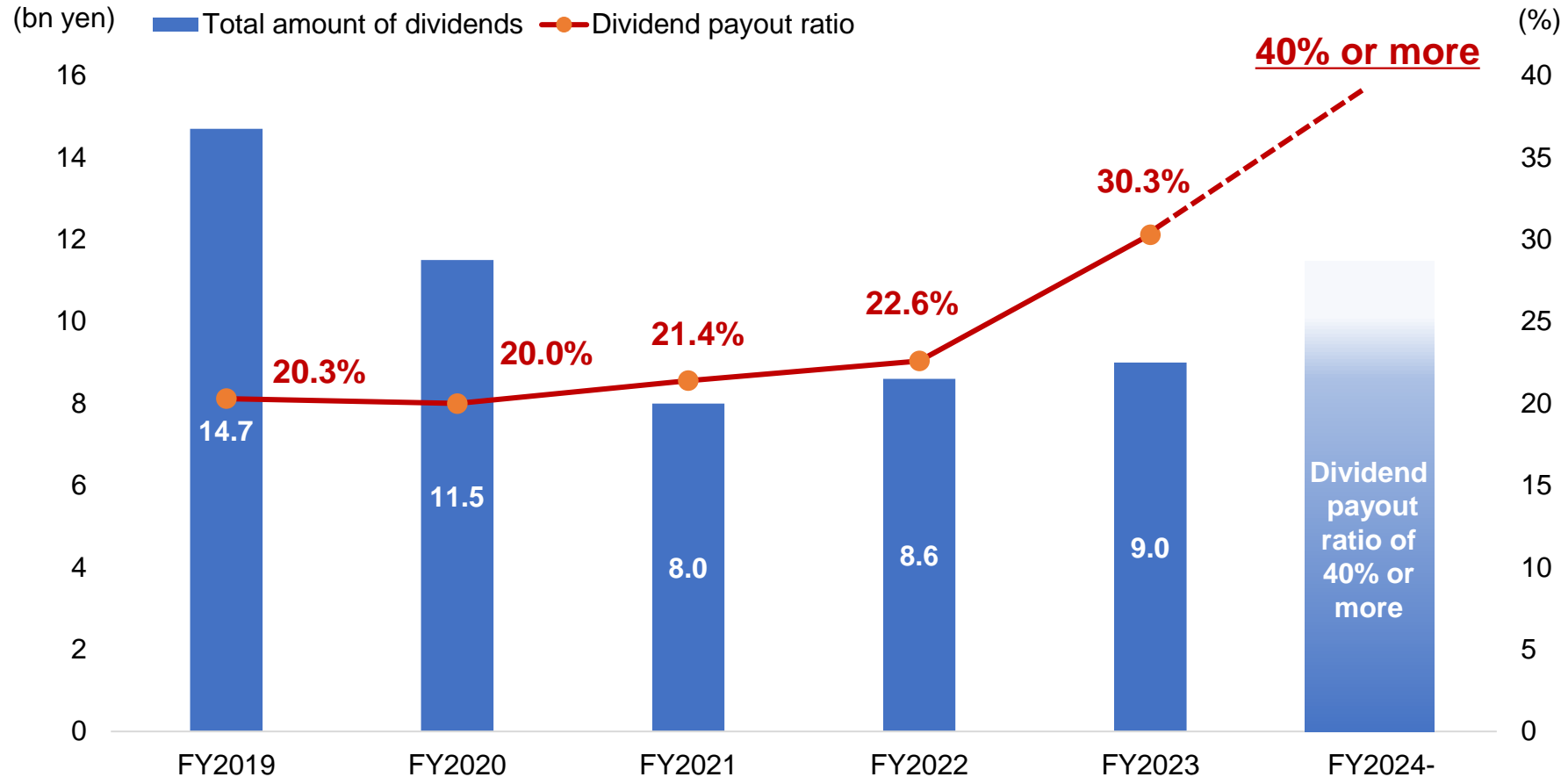
- Targets for FY2027 : **Net sales of 1tn yen or more, operating profit margin of 8%, ROIC / ROE of 9% or more**
- Aim for an **operating profit margin of 10% or more, ROIC / ROE of 10% or more** in FY2031

	FY2023 Results	FY2027 Target	FY2031 KOITO VISION
<b>&lt;Profitability&gt;</b>			
Net sales	864.7 bn yen	<b>1 tn yen or more</b>  <b>CAGR 5%</b> (FY2025-FY2027)	-  <b>CAGR 5%</b>
Operating profit margin	5.4%	<b>8%</b>	<b>10% or more</b>
<b>&lt;Capital efficiency&gt;</b>			
ROIC	6.6%	<b>9% or more</b>	<b>10% or more</b>
ROE	4.9%	<b>9% or more</b>	<b>10% or more</b>

# 9 Shareholder Return Policy

## <Basic Policy>

1. Aim to achieve **shareholder returns of 200 billion yen or more** (cumulative total for 5 years from FY2025 to FY2029)
2. Regarding dividends, based on our policy of paying stable and continuous dividends, aim for a **dividend payout ratio of 40% or more**



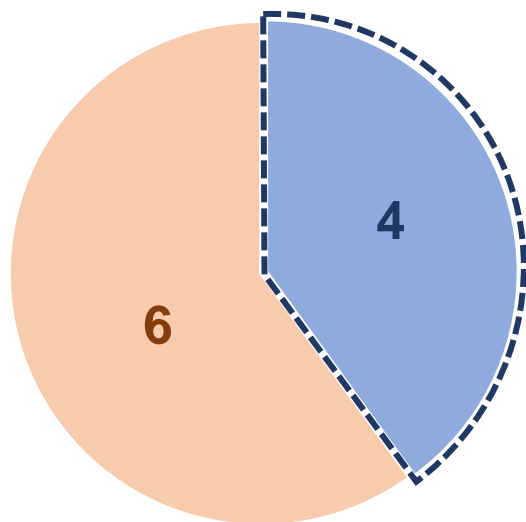
## Review of executive compensation system

- Aim for a system that is aware of long-term stock price, incorporate a compensation system linked to stock price, such as TSR\*, etc.

\*Total Shareholder Return

## Composition of Board of Directors

Proportion of  
Outside Independent Directors



- To enhance corporate governance, increase the percentage of Independent Outside and women Directors to improve the effectiveness of the Board of Directors, and pursue opportunities for discussion from a wide variety of perspectives
- Continuing to strengthen the system with an eye on global standards

**4 Outside Independent Directors out of 10 total members  
(2 women Outside Independent Directors out of 4)**

■ Outside Independent Directors

\*Directors will be proposed at the general meeting of shareholders to be scheduled on June 27, 2024.



This presentation contains forward-looking statements concerning KOITO MANUFACTURING CO., LTD. and its consolidated subsidiaries' future plans and performance, which are based on assumptions from available information at the present moment.

Furthermore, they are subject to a number of risks and uncertainties including, but not limited to economic conditions, worldwide competition in the automotive industry, market trends, foreign currency exchange rates, tax rules, regulations and other factors. Koito therefore wishes to caution readers that actual results may differ from our forecasts.