

**Items Concerning**  
***Notice of the 90th Ordinary General Meeting of Shareholders***  
**to be Disclosed on Internet**

Notes to the Consolidated Financial Statements  
Notes to the Non-consolidated Financial Statements  
Systems to Ensure the Appropriateness of Business Execution and the Status of its Operation  
(January 1, 2019 to December 31, 2019)

ICHIKOH INDUSTRIES, LTD.

Among the documents provided with the *Notice of the 90th Ordinary General Meeting of Shareholders*, the *Notes to the Consolidated Financial Statements*, the *Notes to the Non-consolidated Financial Statements* and *Systems to Ensure the Appropriateness of Business Execution and the Status of its Operation* are provided to our shareholders by posting it on our website (<http://www.ichikoh.com/ir/stockholder/stock09.html>) in accordance with relevant laws and regulations and Article 15 of our Articles of Incorporation.

## ■ Notes to the Consolidated Financial Statements

### Notes pertaining to significant items which are the basis for the preparation of the Consolidated Financial Statements

#### 1. Scope of consolidation

##### (1) Status of consolidated subsidiaries

- Number of consolidated subsidiaries: 10
- Name of major consolidated subsidiaries: PIAA Corporation  
Ichikoh (Malaysia) SDN. BHD.  
PT. Ichikoh Indonesia  
Ichikoh Industries (Thailand) Co., Ltd.  
Ichikoh (Wuxi) Automotive Parts Co., Ltd.

#### 2. Application of the equity method

##### (1) Status of equity method affiliates

- Number of equity method affiliates: 2
- Name of equity method affiliates: Valeo Ichikoh Holding Ltd.  
Foshan Ichikoh Valeo Auto Lighting  
Systems Co., Ltd.

##### (2) Non-consolidated subsidiaries/affiliates not covered by the equity method

Name of major company: Rongcheng Life Lamp Co., Ltd.

Reason for exclusion from equity method coverage:

We do not include Rongcheng Life Lamp Co., Ltd., within our scope of equity method coverage because we consider our investment in this company to be of little importance in terms of its proportional equity contribution to our net income, retained earnings, etc.

### 3. Matters relating to Fiscal years of consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

### 4. Summary of accounting policies

#### (1) Standards and methods for valuation of significant assets

##### ① Marketable securities

Other marketable securities:

- Those having a fair market value

Marked value method based on the market value (etc.) as of settlement date  
(all differences in valuation are fully included in the net asset method, and sales costs are calculated by the moving average method)

- Those not having a fair market value

Cost method on the moving average method

##### ② Inventories

Product, raw materials and work in progress:

Cost method with FIFO

(Balance sheet values are calculated by the book value devaluation method based on lowered profitability)

Stored goods

Cost method on moving average method

#### (2) Depreciation method for important depreciable assets

##### ① Tangible fixed assets

By the straight-line method.

Estimated useful lives for major assets are as follows:

Buildings and structures	10 to 50 years
Mechanical, equipment & transport equipment	4 to 12 years
Tooling & fixtures	2 to 10 years

##### ② Intangible fixed assets

Software for internal use

Software for internal use is depreciated under the straight-line method over its expected available period (5 years).

Other intangible fixed assets

Intangible fixed assets are depreciated under the straight-line method.

##### ③ Leased assets

Leased assets subject to finance leases without title transfer

Leased assets of this type are depreciated using the straight-line method with no

residual value and with the lease term as a useful life

(3) Accounting standard for significant allowances/reserves

① Allowance for bad debt

Allowance is provided at an estimated uncollectable amount by historical loss experience with regard to receivables in general, and by collectability determined for each receivable with regard to specific receivables of questionable collectability, in order to prepare for loss on bad debt from sales receivables, loans outstanding, etc.

② Warranty reserve

Warranty reserve is provided at the estimated amount calculated by actual rate in the past experience with regard to products in general and, at the estimated amount individually calculated for each case with regard to certain specific products in order to prepare for the loss on the expenditure for product warranties.

③ Reserve for bonuses

The Company and its consolidated domestic subsidiaries provided the amount to be paid in this consolidated fiscal year from the estimated amount of the bonuses to prepare for the payment of bonuses to their employees.

④ Reserve for directors' bonuses

The Company and its consolidated domestic subsidiaries provided the estimated amount of the bonuses to be paid as of the end of the current consolidated fiscal year to prepare for the payment of bonuses to their directors and corporate auditors.

⑤ Reserve for Environmental Measures

Allowance is provided based on the amount of expected payments as of the end of the consolidated fiscal year to prepare for the expenditure on environmental measures.

(4) Retirement Benefit Accounting

① Period allocation of expected retirement benefit amounts to fiscal years

In calculating retirement benefit payables, we use the benefit formula standard as the formula to allocate expected amounts of retirement benefits up through the end of this consolidated fiscal year.

② Method of expensing actuarial differences and past service costs

Actuarial differences are expensed from the subsequent consolidated fiscal year in the prorated amount using a straight-line method over a number of years (13 years) that is within the average number of remaining service years of employees when incurred.

Past service costs are expensed using a straight-line method over the average number of remaining service years of employees when incurred (13 years).

(5) Principal Accounting Methods for Hedge Transactions

① Hedge accounting methods

The Company applies deferred hedge accounting. Also, as for interest-rate swap agreements, a special accounting method is applied in cases where the specific requirements for this treatment are fulfilled.

② Hedge instruments and hedge items

Hedge instruments:

Interest rate swaps; foreign currency forward contracts

Hedge items:

Floating rate interest on borrowings; Foreign currency-denominated forecasted transactions

③ Hedge policy

Interest rate swaps are executed to lower the interest-rate risk of borrowings. Foreign currency forward contracts are executed to lower the currency risk of transactions denominated in foreign currencies.

④ Assessment of hedge effectiveness

With regard to interest rate swaps, hedge effectiveness is assessed by comparing cumulative changes in the value of the hedged item and the value of the hedge from the start of hedging to the point at which said effectiveness is to be determined. This assessment is omitted should the hedged item be deemed to fulfill requirements for exceptional treatment, in which case such treatment itself is the assessment of effectiveness.

With regard to foreign currency forward contracts, hedge effectiveness is assessed in terms of the correlation between the fair value of the forward contract and the fair value of the transaction. Changes in the former are expected to be 100% effective in offsetting changes in the latter because both are denominated in the same currencies at the same time.

(6) Method and Period of Depreciation of Goodwill

Goodwill is depreciated by straight-line method over 6 years.

(7) Consumption Tax

Transactions subject to consumption tax are recorded at amounts exclusive of said tax.

**Note on the Change to the Method of Presentation**

(Application of “Partial revision of ‘Accounting Standard on Tax Effect Accounting’”)

“Partial revision of ‘Accounting Standard on Tax Effect Accounting’” (Corporate Accounting Standard No.28 on February 16, 2018) is applied from this fiscal year, and deferred tax assets

are presented in Investment & other Assets section and deferred tax liabilities are presented in Long-term Liabilities section.

## Notes to Consolidated Balance Sheet

1. **Cumulative amount of depreciation of tangible fixed assets** 64,759 Million yen

### 2. **Discounts to Electronically Recorded Monetary Claim**

Discounts to Electronically Recorded Monetary Claim 1,303 Million yen

### 3. **Contingent Liabilities**

The U.S. Department of Justice has requested that Ichikoh submit information on the automotive parts business in relation to anti-trust law. Furthermore, with regard to our automotive lamps, we are the subject of law suits (class action) for damages in Canada on the grounds of allegations that we have paid administrative fine in accordance with the order from the Japan Fair Trade Commission in relation to actions in violation of anti-trust law and that we had been in violation of US antitrust law. With regard to these developments, it is possible that we may incur a financial burden in the form of fines, damage awards, etc. However, as the situation stands now, we do not have any rational basis upon which to estimate corresponding monetary impacts on our consolidated financial statements.



## Notes to Statement of Consolidated Changes in Shareholders' Equity

### 1. Total number and type of shares issued as of end of consolidated fiscal year:

Common stock 96,292,401 shares

### 2. Dividends

#### (1) Dividends paid to shareholders

Resolution approved	Types of shares	Source of dividends	Amount (million yen)	Amount of dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders as of March 26, 2019	Common stock	Retained earnings	432	4.5	December 31, 2018	March 27, 2019
Board of directors meeting as of August 8, 2019	Common stock	Retained earnings	336	3.5	June 30, 2019	September 6, 2019

#### (2) Dividends with a shareholders' cut-off date within the current consolidated fiscal year but an effective date within the subsequent consolidated fiscal year

Resolution approved	Types of shares	Source of dividends	Amount (millions yen)	Amount of dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders as of March 26, 2020 (scheduled)	Common stock	Retained earnings	336	3.5	December 31, 2019	March 27, 2020

## Notes Regarding Financial Instruments

### 1. Status of financial instruments

The Company group, in principle, limits their fund management to short-term deposits and procures funds mainly by borrowings from Valeo.

Regarding such customer credit risk items as notes receivables, accounts receivable and electronically recorded monetary claims, the Company seeks to reduce such risk through the management of due date and balances due for each counterparty.

Investments in securities are mostly stocks, and the fair market values of listed stocks are recorded quarterly.

Borrowings are used for working capital (mainly short-term) and capital investment (long-term). For interest rate risk of a portion of long-term borrowings, we have interest rate swaps intended to fix the amount of interest payable in the future.

Similarly, for foreign currency exchange rate risk of long-term foreign-currency borrowings, we have foreign currency forward contracts intended to fix the amount of future payments.

The execution and management of derivative transactions is conducted by the applicable finance/accounting division in accordance with internal company rules obtaining prior approval from the final-approval authority.

### 2. Items relating to the fair market values of financial instruments

Summarized below are the amounts in the consolidated balance sheet, fair market values and differences as of December 31, 2019 (settlement date of this fiscal year).

(Unit: Million yen)

	Consolidated balance sheet amount (*)	Fair market value (*)	Difference
(1) Cash on hand and in banks	8,196	8,196	—
(2) Notes and accounts receivable- trade	20,118	20,118	—
(3) Electronically recorded monetary claims	1,541	1,541	—
(4) Short-term loans receivable	5,888	5,888	—
(5) Securities and investments in securities			
Other securities	5,008	5,008	—
(6) Notes and accounts payable, trade	(29,549)	(29,549)	—
(7) Short-term loan	(1,012)	(1,012)	—
(8) Equipment related notes payable	(469)	(469)	—
(9) Long-term loan	(10,104)	(10,183)	△78
(10) Lease obligations	(1,221)	(1,218)	3
(11) Derivative transactions	—	—	—

(\* Amounts in parenthesis are carried as liabilities.

(Note 1)

Method of estimating the fair market values of financial instruments and items relating to securities and derivative transactions

(1) Cash on hand and in banks; (2) Notes and accounts receivable-trade; (3) Electronically recorded monetary claims; and (4) Short-term loans receivable

The book values are used because these instruments are settled on a short term and thus fair market values are nearly identical to their book values.

(5) Securities and investments in securities

For stocks, fair market value is determined by share price in the relevant securities exchange.

(6) Notes and accounts payable trade; (7) Short-term loans; and (8) Equipment related notes payable

The book values are used because these instruments are settled on a short term and thus fair market values are nearly identical to their book values.

(9) Long-term loan; and (10) Lease obligations

The fair market values for these are determined by the method of discounting the total amount of principal at the interest rate assumed to apply when a similar loan is newly borrowed.

(11) Derivative transactions

For those to which exceptional treatment on the interest rate swaps and the allotment of foreign exchange forward contracts are adopted, because these are handled together with long-term borrowing that are hedged as a whole, the fair market values are included in the fair market values of the long-term borrowing.

(Note 2)

Financial instruments for which the fair market values are extremely difficult to determine

(Unit: Million yen)

Non-listed securities (*1)	34
Investments in affiliates (*2)	7,510

(\*1)Non-listed securities have no marketability and have difficulties in estimating future cash flows, it is considered extremely difficult to calculate a fair market value for them and thus, we do not include them within “(5) Securities and investments in securities.”

(\*2)The investment in affiliates is not stated because it has no marketability and thus its future cash flow cannot be estimated and it is extremely difficult to determine the market value.

**■Notes on per share information**

Net assets per share      460.23 yen

Net income per share      54.26 yen

## Notes to the Non-consolidated Financial Statements

### Summary of significant accounting policies

#### 1. Standards and methods for valuation of significant assets

(1) Marketable securities

① Stocks of subsidiaries and affiliated companies

Cost method on the moving average method (moving average)

② Other marketable securities

-Those having a fair market value

Marked value method based on the market value (etc.) as of settlement date

(all differences in valuation are fully included in the net asset method, and sales costs are calculated by the moving average method)

-Those not having a fair market value

Cost method on moving average method

(2) Inventories

① Product, raw materials and work in progress

Cost method with FIFO

(Balance sheet values are calculated by the book value devaluation method based on lowered profitability)

② Stored goods

Cost method on moving average method

#### 2. Depreciation method for important depreciable assets

(1) Tangible fixed assets (excluding leased assets)

Tangible fixed assets

By the straight-line method.

Estimated useful lives for major asset classes are as follows:

Buildings and structures	10 to 50 years
Mechanical equipment & transport equipment	4 to 12 years
Tooling& fixtures	2 to 10 years

(2) Intangible fixed assets (excluding leased assets)

-Software for internal use

Software for internal use is depreciated under the straight-line method over its expected available period (5 years).

-Other intangible fixed assets

Intangible fixed assets are depreciated under the straight-line method.

(3) Leased assets

Leased assets subject to finance leases without title transfer

Leased assets of this type are depreciated using the straight-line method with no residual value and with the lease term as a useful life.

### 3. Accounting for allowances/reserves

#### (1) Allowance for bad debts

Allowance is provided at an estimated uncollectable amount by historical loss experience with regard to receivables in general, and by collectability determined for each receivable with regard to specific receivables of questionable collectability, in order to prepare for loss on bad debt from sales receivables, loans outstanding, etc.

#### (2) Warranty reserve

Warranty reserve is provided at the estimated amount calculated by actual rate in the past experience with regard to products in general and, at the estimated amount individually calculated for each case with regard to certain specific products in order to prepare for the loss on the expenditure for product warranties

#### (3) Allowance for retirement benefits

An allowance for retirement benefits is recorded based on the projected retirement benefit payables and pension assets as of the end of the current consolidated fiscal year, in order to provide for the employees' retirement benefits.

Our method of accounting for retirement benefit allowances and retirement benefit expenses is as follows.

##### ① Period allocation of expected retirement benefit amounts to fiscal years

In calculating retirement benefit payables, we use the benefit formula standard as the formula to allocate expected amounts of retirement benefits up through the end of this consolidated fiscal year.

##### ② Method of expensing actuarial differences and past service costs

Actuarial differences are expensed from the subsequent consolidated fiscal year in the prorated amount using a straight-line method over a number of years (13 years) that is within the average number of remaining service years of employees when incurred.

Past service costs are expensed using a straight-line method over the average number of remaining service years of employees when incurred (13 years).

The treatment of the unrecognized actuarial differences and unrecognized past service costs in the non-consolidated balance sheet is different from the treatment in the consolidated balance sheet.

#### (4) Reserve for Environmental Measures

Allowance is provided based on the amount of expected payments as of the end of the consolidated fiscal year to prepare for the expenditure on environmental measures.

(5) Reserve for bonuses

The Company provided the amount to be paid in this consolidated fiscal year from the estimated amount of the bonuses to prepare for the payment of bonuses to the employees.



(6) Reserve for directors' bonuses

The Company and its consolidated domestic subsidiaries provided the estimated amount of the bonuses to be paid as of the end of the current consolidated fiscal year to prepare for the payment of bonuses to their directors and corporate auditors.

**4. Other significant matters that serve as the basis for the preparation of financial statements**

(1) Principal accounting methods for hedge transactions

The Company applies deferred hedge accounting. Also, as for interest-rate swap agreements, a special accounting method is applied in cases where the specific requirements for this treatment are fulfilled.

(2) Consumption tax

Transactions subject to consumption tax are recorded at amounts exclusive of said tax.

**Note on the Change to the Method of Presentation**

(Application of "Partial revision of 'Accounting Standard on Tax Effect Accounting'")

"Partial revision of 'Accounting Standard on Tax Effect Accounting'" (Corporate Accounting Standard No.28 on February 16, 2018) is applied from this fiscal year, and deferred tax assets are presented in Investment & other Assets section and deferred tax liabilities are presented in Long-term Liabilities section.

## Notes to Balance Sheet

1. **Accumulated depreciation of tangible fixed assets** 44,911 Million yen

2. **Amount of Discount Electronically Recorded receivables** 1,303 Million yen

3. **Account receivables from and account payables to the affiliated companies**

Short-term monetary receivables 7,733 Million yen

Long-term monetary receivables 3,750 Million yen

Short-term monetary payables 2,623 Million yen

## 4. **Guarantee Obligations**

We guarantee the lease and loan obligations of the following affiliated company.

Guarantee	Balance (Million yen)	Content of guaranty
Ichikoh Industries (Thailand) Co. Ltd.	447	Guaranty of lease obligations

## 5. **Contingent Liabilities**

The U.S. Department of Justice has requested that Ichikoh submit information on the automotive parts business in relation to anti-trust law. Furthermore, with regard to our automotive lamps, we are the subject of law suits (class action) for damages in Canada on the grounds of allegations that we have paid administrative fine in accordance with the order from the Japan Fair Trade Commission in relation to actions in violation of anti-trust law and that we had been in violation of US antitrust law. With regard to these developments, it is possible that we may incur a financial burden in the form of fines, damage awards, etc. However, as the situation stands now, we do not have any rational basis upon which to estimate corresponding monetary impacts on our consolidated financial statements.

**Notes to Income Statement**

## Transactions with related parties

(Unit: Million yen)

Sales	2,089
Purchases	14,951
Transactions other than business transactions	421

**Note to Statement of Change in Shareholders' Equity**

Total number and type of treasury stocks as of end of the fiscal year:

Common stock	164,996 shares
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**Notes regarding deferred tax accounting**

Breakdowns of occurrences of deferred tax assets and deferred tax liabilities by cause

(Unit: Million yen)

Deferred tax assets	
Reserve for retirement benefits	2,229
Variation loss of stocks of affiliated companies	1,875
Undetermined liabilities	1,072
Warranty reserve	464
Reserve for bonuses	281
Inventory	314
Amount exceeding the limit for deductible amount of reserve for doubtful accounts	24
Fixed assets (impairment)	74
Asset retirement obligations	46
Amount exceeding the limit for deductible amount of allowance for depreciation	38
Accrued enterprise tax	66
Other	167
Deferred tax asset subtotal	6,656
Valuation allowance	△2,066
Total deferred tax assets	4,589
Deferred tax liabilities	
Other valuation difference on available-for-sale security	796
Tangible fixed assets (asset retirement obligations)	0
Prepaid pension cost	279
Total deferred tax liabilities	1,076
Net deferred tax assets	3,513

## Notes regarding related party transactions

### 1. Parent company and major shareholder etc.

(Unit: million yen)

Relation	Party	Ichikoh's share of voting rights	Relevant transaction types	Transaction description	Transaction amount	Line item	EOY balance
Parent company	Valeo S.A.	61.16% Indirectly owned	Loan	Loan	4,400	Short-term loan	4,400
				Interest Received (Note)	9		

Policies for determining transactions and their terms, etc.

(Notes) For the loan to Valeo, the interest rate is determined in consideration of market interest rate.

### 2. Subsidiaries, affiliates, etc.

(Unit: million yen)

Relation	Party	Ichikoh's share of voting rights	Relevant transaction types	Transaction description	Transaction amount	Line item	EOY balance
Subsidiary	Kyushu Ichikoh	100.0%, direct	Purchase of products and components; Paid supply;; Executives taking concurrent position	Purchase of components and products (Note )1	10,586	Accounts payables	945
				Fix asset rental (Note )1	173	—	—
				Interest income (Note )2	24	Long-term loans	2,425

Subsidiary	PT.Ichikoh Indonesia	99.9%,direct	Purchase and sale of components and products; Technical support; Royalty Agreement; Executives taking concurrent position	Interest income (Note )2	135	Short-term loans	1,719
Affiliate	Valeo Ichikoh Holding Ltd.	15.0%,direct	Supervision of automotive lamp business in China market	Interest income (Note )2	57	Long-term loans	1,325
						Current asset and others	96

Policies for determining transactions and their terms, etc.

(Notes) 1. The prices and other terms of transactions are determined through negotiations, based on the considerations calculated by the Company, taking into account market prices, etc..

(Notes) 2. For lending to Kyushu Ichikoh K.K., PT. Ichikoh Indonesia and Valeo Ichikoh Holding, the interest rate is determined in consideration of a market interest rate.

### Net assets, net income per share

Net assets per share 384.70 yen

Net income per share 36.65 yen

■ System to Ensure Appropriateness of Business Execution and Status of its Operation

- (1) System to ensure that execution of duties by Directors of the Company conforms to laws and the Articles of Incorporation and the other system to ensure appropriateness of the business operations

An outline of matters resolved at a meeting of the Board of Directors as a system for the Company to ensure appropriate business operations is shown below:

- ① System to ensure that execution of duties by Directors of the Company conforms to laws and the Articles of Incorporation:

Ichikoh Group Code of Conduct shall be implemented and each Director shall take initiative in complying with such Code. In addition, the Conflict of Interest Committee shall investigate transactions between the Parent Company and report the result to the Board of Directors. And also, awareness of the compliance with laws and the Articles of Incorporation by the Directors shall be enhanced through training of Directors and regular report from Compliance·CSR Committee at the Board of Directors meetings.

- ② System to maintain and control the information relating to the execution of duties by the Directors of the Company:

The internal rules shall be implemented respectively for the minutes of the shareholders' meeting, Board of Directors meeting and other important meetings as well as important decision making documents, and, such minutes and documents shall be appropriately and properly managed and maintained according to such internal rules as well as the "Information Management Rules."

- ③ The rules and other system to manage risks for losses of the Company:

Management system for the risk for the emergency situation and daily activities shall be established through the activities of identifying, analyzing and evaluating risks foreseeable in the corporate management, based on the Risk Management Rules. In particular, in case of an emergency situation, the Company will secure the continuity of business through the "Business Continuity Management Rules," disaster countermeasures manual and emergency communication network in preparation of a disaster and the person in charge of a disaster which the Company established.

- ④ System to ensure efficient execution of duties by Directors of the Company:

The materials for the Board of Directors meeting shall be described well in advance and thus enough time to review the subject shall be secured. The Directors who execute business shall also take the position of executive officer and the area of responsibility of each such Director shall be determined and the business is executed by each such Director. The yearly budget and mid-term management plan shall be prepared and deployed, and the business is executed.

- ⑤ System to ensure that execution of duties by employees of the Company conforms to laws and the Articles of Incorporation:

Thorough observation to the "Compliance Rules" and the "CSR Rules" shall be promoted, and internal "whistle blow" system has been operated Awareness by individual employee of compliance to laws shall have been enhanced by monitoring the activities of the Company and employees and providing training as the activities of the Compliance·CSR Committee.

- ⑥ System to ensure appropriateness of the operation of Corporate Group consisting of the Company and its subsidiaries:

The soundness and effectiveness of the corporate management of subsidiaries shall be checked and, as necessary, corrective action and guidance shall be provided to subsidiaries by implementing "Affiliate Companies Management Rules" and other rules relating to the affiliated companies.

- ⑥ 1) The matters relating to the report to the Company on the execution of the duties by Directors (and the equivalent) of the subsidiaries of the Company:

The status of the execution of the duties by Directors of the subsidiaries shall be supervised by both appointing Directors of the subsidiary and having submitted the minutes of the Board of Directors meetings to the Company. Any important matters shall be timely and properly reported to the Company by the subsidiaries in accordance with the "Affiliated Companies Management Rules" and other rules relating to the affiliated companies.

- ⑥ 2) The rules and other system to manage risks for losses of the subsidiaries of the Company:

The system for risk management as a corporate group shall be implemented by having the subsidiaries establish the risk management rules, regularly obtaining the information of the risks of the subsidiaries and analyzing and evaluating such risks.

- ⑥ 3) System to ensure efficient execution of duties by Directors of the subsidiaries of the Company:

The authority of the Directors of the subsidiary shall be established in the "Affiliated Company Management Rules" and the scope and policy of the business of each subsidiary shall be made clear in the mid-term plan.

- ⑥ 4) System to ensure that execution of duties by Directors and employees of the subsidiaries of the Company conforms to laws and the Articles of Incorporation:

Ichikoh Group Code of Conduct and "Compliance Rules" shall be deployed to each subsidiary and internal whistle blow system shall be implemented. The activities for compliance by each subsidiary shall be reported in the Compliance・CSR Committee.

- ⑦ The matters relating to employee assigned to provide assistance to the duties of the Corporate Auditor, when the Corporate Auditor requests such employee:

When a Corporate Auditor requests to assign an employee who provides assistance to the duty of the Corporate Auditor, the company shall have Audit Department and other organization provide such assistance.

- ⑧ The matters relating to the independency of the employee who should provide assistance to the duties of the Corporate Auditor from Directors of the Company:

In the case of personal change of the person who should provide assistance to the duties of the Corporate Auditor, the Company shall in advance consult with the Corporate Auditor and makes decision taking into account the opinion of the Corporate Auditor.

- ⑨ The matter to ensure the efficient execution of the instruction from the Corporate Auditor to the person who should provide assistance to the Corporate Auditor:

Directors should not intervene in the instruction by the Corporate Auditor to the person who should provide assistance to the duties of the Corporate Auditor. The job description of the Audit Department should clearly state the assistance to the duties of the Corporate Auditor.

- ⑩ System for reporting to the Corporate Auditors of the Company:



Directors and employees shall report the status of execution of business and provide other information in the Board of Directors meetings and other important internal meetings where the Corporate Auditor is present. Directors will fully cooperate in the audit pursuant to the audit plan prepared by Corporate Auditors and provide information.

⑩ 1) System for reporting by Directors and employees to the Corporate Auditor.

Directors and employees of the Company shall make report to the Corporate Auditor in the Board of Directors meetings, Management Committee meetings and other important meetings where the Corporate Auditor is present, directly during audit, the opportunity for the communication with President, Accounting Auditor and any other opportunities depending on the importance of the subject.

⑩ 2) System for reporting to the Corporate Auditor of the Company by Directors (and equivalent) and employees of the subsidiaries of the Company and the person who receives the report from such Directors and employees.

The Corporate Auditor of the Company shall receive reports from the Directors, employees of the subsidiaries of the Company and the person who receives the report from such Directors and employees through information exchange with the corporate auditor of the subsidiaries and audit of the subsidiaries. In addition, the Corporate Auditor shall directly receive whistle blow notice in the internal Whistle Blow system.

⑪ System to ensure that the person who makes a report to the Corporate Auditor of the Company shall not be adversely treated because of making such a report.

The rules relating to the internal Whistle Blow system clearly prohibits the adverse treatment to the person who makes the whistle blow notice because of making such whistle blow notice.

⑫ The matters relating to policy of the procedure for the advance payment or repayment of the expenses incurred as a result of performance of the duties by the Corporate Auditor of the Company and for the other processing of the expenses or the debt incurred as a result of such performance of the duties.

The Company shall not refuse the payment of the expenses necessary for the performance of the duties by the Corporate Auditor. When requested by the Corporate Auditor, such request shall be processed in accordance with the laws and procedure for the processing of

expenditure and payment schedule of the Company.

- ⑬ Other system to ensure efficient audit by Corporate Auditors of the Company:

The Company shall respect "Rules for the Board of Auditors," "Rules for the Audit by the Corporate Auditor" and "Standard for the Audit by the Corporate Auditor" and cooperate the execution of the audit plan.

(June 28, 2017)

(2) The status of the operation of the system to ensure the appropriateness of business operations

Overview of the implementation status of the system to ensure the appropriateness of the Company's business operations in the current fiscal year is as follows.

① Actions taken in relation to compliance

The Company hold the meetings of the Compliance · CSR Committee, which is chaired by the Officer in charge of Corporate Planning Department, 4 times this year, in accordance with the Compliance · CSR Committee Management Guidelines. The Committee has conducted maintenance of internal rules, such as Rules for Prevention of Insider Trading, education for non-Japanese managers, investigation whether there is any anti-social forces in our customers, report on the contact with competitors to secretariat office of the Compliance · CSR Committee and survey on status of compliance with laws and regulations using a tool by an external service provider. For internal reporting system, among other things, by include the Corporate Auditor as a recipient of the report, the Company has been trying to thoroughly eliminate the disadvantageous treatment of whistleblowers. In addition, the company also regularly conducts education for compliance awareness on a group-wide basis such as training of legal responsibility and Corporate Ethics for non-Japanese officers and training for foreign subsidiaries. Furthermore, the Conflict of Interest Monitoring Committee has been examining the conditions of the transactions with Valeo group companies and reported the result to the Board of Directors 7 times.

② Activities on risk management

Based on the Company's risk management regulations, the company has been extracting the significant risks including those of the Group companies and has been planning the way to reduce the risk, and the follow-up including the progress of the plan has been made in the management meeting in which the President participate. In addition, in particular, with regard to hazard risks, such as the earthquake and the typhoon, the BCM committee meetings were held three times a year, and an annual activity plan has been followed up in the meetings where the executives participate.

③ Activities on subsidiary management

Reporting and approval system is secured in accordance with the Affiliated Company Management Rules and the Overseas Affiliated Company Management Rules, activities of ASEAN foreign subsidiaries management have been reviewed on a monthly basis with participation by the President, and the activities of domestic subsidiaries have been followed up by the responsible business unit. In addition, in the current fiscal year, the business plans for

all group companies have been reported and shared by holding Leaders (policy presentation) in which President of subsidiaries also participated. Furthermore, the Global Compliance Committee meeting was held four times this year to develop and strengthen the Group compliance system.

④ Audit by Corporate Auditors

The Company's Board of Corporate Auditors is composed of three auditors, including two outside auditors and, for this fiscal year, meetings of the Board of Corporate Auditors were held 14 times. Corporate Auditors attended the meetings of the Board of Directors on the basis of the audit plan, participated as observers in the Compliance · CSR Committee meetings, and shared information with the accounting auditor. In addition to above activities as auditors, full-time corporate auditor also utilized supporting employees, attended the Management Committee meetings, participated as observers in the Global Compliance Committee meetings, had the conference with the internal audit department, made visiting audits to domestic and overseas subsidiaries and the individual audit, and all through these activities, he gathered various information. By all these means, the Corporate Auditors audit whether or not performance of duties of the Board of Directors violates the laws and regulations and the Articles of Incorporation this company.