

Koito Europe Limited Tax Strategy

1.0 Introduction

This document, as required by the Finance Act 2016, Schedule 19, Part 2, was approved by the Board of Koito Europe Limited (the company), sets out the company's policy and approach to conducting its tax affairs and dealing with tax risk, and is made available to all the company's stakeholders. The document will be periodically reviewed by the UK finance team, and any amendments will be approved by the Board of Directors. It is effective for the year ending 31 December 2018, and will remain in effect until any amendments are approved by the Board of Directors.

The finance team partners with our UK business and other companies within the wider Koito group to ensure that:

1. The tax strategy is adopted and followed consistently across the business, with clear lines of responsibility and accountability
2. There is alignment of the strategy with overall approach to corporate governance and risk management around the worldwide group, and
3. The company pays the right amount of tax required of it under the laws and regulations of the countries in which it operates.

2.0 Tax Policy

The company is committed to conduct its tax affairs consistent with the following objectives, to:

1. Comply with all relevant laws, rules, regulations, and reporting and disclosure requirements, wherever we operate
2. Ensure the tax strategy is at all times consistent with the Koito Group's overall strategy, its approach to risk, and the Group Core Values
3. Apply professional diligence and care in the management of all risks associated with tax matters, and ensure governance and assurance procedures are appropriate
4. Foster constructive, professional and transparent relationships with tax authorities, based on the concepts of integrity, collaboration and mutual trust
5. The company will use incentives and reliefs to minimise the tax costs of conducting its business activities, but will not use them for purposes which are knowingly contradictory to the intent of the legislation.

3.0 Tax Code of Conduct

This Tax Code of Conduct outlines the principles setting out how the company's people are expected to operate with respect to tax matters in support of the above Tax Policy. Non-adherence to this Code of Conduct could constitute a disciplinary matter, potentially leading to sanctions up to and including dismissal in extreme circumstances.

The Tax Code of conduct is set out in detail below.

1. Compliance with laws, rules and regulations.

The Company is committed to observing all applicable laws, rules, regulations, and reporting and disclosure requirements, wherever there is a requirement to do so as a result of our business presence and transactions.

The company will collaborate with Koito Group's head office to receive advice and guidance necessary to ensure compliance, obtaining external advice where necessary.

2. Consistency with The Koito Group strategy

Tax decisions will be made at all times in a manner which is consistent with and complements the Koito Group's overall strategy. Key business decisions should be made taking account of the tax consequences and with the aim of optimising the after-tax returns for the Koito Group.

3. Governance, Assurance and Tax Risk Management

Responsibility and accountability for the company's tax affairs rests with the Board of Directors, and decisions will be taken at an appropriate level, determined by formal Group Delegation of Authority.

Diligent professional care and judgement will be employed to assess tax risks in order to arrive at well-reasoned conclusions on how the risks should be managed. Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be taken from third party advisers to support the decision-making process.

In reviewing the risks of a tax action or decision, always bearing in mind the requirements of the Tax Policy, the following would be considered:

- the legal and fiduciary duties of directors and employees
- the requirements of The Koito Group Core Values and policies
- the maintenance of corporate reputation
- the tax benefits and impact on the Group's reported result comparative to the potential financial costs involved, including the risk of penalties and interest
- the wider consequences of potential disagreement with tax authorities, and any possible impact on relationships with them.

The company will employ various risk management processes and systems to provide assurance that the requirements of the Tax Policy are being met.

4. Relationships with tax authorities

The Company is committed to the principles of openness and transparency in its approach to dealing with tax authorities wherever it operates around the world. All dealings with the tax authorities and other relevant bodies will be conducted in a collaborative, courteous and timely manner. The aim would be to strive for early agreement on disputed matters, and to achieve certainty wherever possible.

5. Incentives and reliefs

The Company believes that it should pay the amounts of tax legally due in any territory. There will, however, be circumstances where this amount may not be clearly defined, or where alternative approaches may result in differing tax outcomes. The Group will use its best judgement in determining the appropriate course of action, using available reliefs and incentives where possible.

6. UK context

The Company commits to:

- adopt open and collaborative professional relationships at all times with HMRC;
- make fair, accurate and timely disclosure in correspondence and returns, and respond to queries and information requests in a timely fashion;
- seek to resolve issues with HMRC early and before returns are filed if possible, and where disagreements arise, work with HMRC to resolve issues by agreement (where possible);

- be open and transparent about decision-making, governance and tax planning;
- reasonably believe that transactions are structured to give a tax result which is not inconsistent with the economic consequences (unless specific legislation anticipates that result), nor contrary to the intentions of Parliament; and
- interpret the relevant laws in a reasonable way, and ensure transactions are structured consistently with a co-operative relationship;