



Consolidated Earnings Report for the Third Quarter of Fiscal 2014 [Japanese GAAP]

January 30, 2014

Company Name:	KOITO MANUFACTURING CO., LTD.
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	7276
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Filing of Quarterly Securities Report:	February 3, 2014
Scheduled Payment of Dividends:	—
Supplementary explanatory materials prepared:	None
Explanatory meeting:	None

(¥ millions are rounded down)

1. Consolidated Results for the Third Quarter of Fiscal 2014 (April 1, 2013 to December 31, 2013)

(1) Consolidated Operating Results (¥ millions; percentage figures represent year-on-year changes)

Third Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2014	422,970	24.4%	29,599	18.5%	31,393	22.5%	10,924	△11.0%
Fiscal 2013	339,970	13.8%	24,977	40.7%	25,622	49.8%	12,279	62.5%

Note: Comprehensive income: December 31, 2013: ¥30,908 million (44.3%), December 31, 2012: ¥21,417 million (656.0%)

Third Quarter,	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2014	67.98	—
Fiscal 2013	76.41	—

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
December 31, 2013	476,906	243,356	44.0	1,305.36
March 31, 2013	418,087	218,131	45.4	1,180.61

Note: Equity: December 31, 2013: ¥209,763 million; March 31, 2013: ¥189,720 million

2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2013	—	10.00	—	12.00	22.00
Fiscal 2014	—	12.00	—		
Fiscal 2014 (forecast)				—	—

Notes: 1. Revisions to recent dividend forecasts: None

2. The dividend record date is March 31, as prescribed by Koito's Articles of Incorporation; the dividend forecast for the March 31, 2014 record date is currently undecided.

3. Forecast of Consolidated Results for Fiscal 2014 (April 1, 2013 to March 31, 2014)

(¥ millions; percentage figures represent year-on-year changes)

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
Full year	587,000	24.1%	44,000	16.8%	46,000	15.0%	19,000	14.3%	118.24

Note: Revisions to recent consolidated business forecasts: Yes

***Notes**

- (1) Changes to important subsidiaries during the third quarter (changes in specified subsidiaries resulting in revised scope of consolidation): None
- (2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, accounting estimates and restatements
 - ① Changes in accounting policies in conjunction with revisions to accounting standards: None
 - ② Other changes: None
 - ③ Changes in accounting estimates: None
 - ④ Restatements: None

(4) Number of shares issued (common stock)

① Number of shares issued (including treasury stock):	Fiscal 2014, 3Q	160,789,436	Fiscal 2013	160,789,436
② Number of treasury shares:	Fiscal 2014, 3Q	94,893	Fiscal 2013	91,522
③ Average number of shares during the third quarter:	Fiscal 2014, 3Q	160,696,543	Fiscal 2013, 3Q	160,698,168

***Explanations concerning status of quarterly review procedures**

This quarterly earnings report is not subject to the review procedures for quarterly reporting based on the Financial Instruments and Exchange Act. At the time of issue of this report, the review procedures for quarterly reporting based on the Financial Instruments and Exchange Act were being carried out.

《 For Reference Only 》

Forecasts of Non-consolidated Results for Fiscal 2014 (April 1, 2013 to March 31, 2014)

(¥ millions; percentage figures represent year-on-year changes)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Full year	244,000 6.0%	16,000 △9.1%	27,000 7.4%	12,000 7.3%	74.68

Note: Revisions to recent non-consolidated business forecasts: Yes

*Explanations concerning proper use of business forecasts and other noteworthy matters

The above forecasts are based on information available, and certain assumptions that are judged to be reasonable, at the time of the release of this report. Koito is not promising that the Company will achieve these forecasts. Actual results could differ from forecasts due to a variety of factors.

Table of Contents of Supplementary Materials

1. Qualitative Information Concerning Quarterly Financial Statements and Other Matters.....	2
(1) Explanation Regarding Consolidated Operating Results.....	2
(2) Explanation Regarding Consolidated Financial Position.....	2
(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2014 and Other Future Projections.....	3
2. Summary Information (Notes).....	4
(1) Changes to Important Subsidiaries during the Third Quarter.....	4
(2) Application of Special Accounting Methods in the Preparation of Quarterly Consolidated Financial Statements.....	4
(3) Changes in Accounting Principles, Accounting Estimates and Restatements.....	4
3. Quarterly Consolidated Financial Statements.....	5
(1) Quarterly Consolidated Balance Sheets.....	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	7
(3) Quarterly Consolidated Statements of Cash Flows.....	9
(4) Notes on Quarterly Consolidated Financial Statements.....	11
(Going Concern Assumption).....	11
(Note Regarding Significant Changes in Shareholders' Equity).....	11
(Segment Information).....	11

1. Qualitative Information Concerning Quarterly Financial Statements and Other Matters

(1) Explanation Regarding Consolidated Operating Results

During the third quarter of fiscal 2014, the period under review, the Japanese economy experienced a recovery trend, albeit modest, as improvements were seen in corporate earnings mainly in the export industries, due to economic stimulus measures, correction of the strong yen and high stock prices. Growth in the world economy was robust, mainly due to economic conditions picking up in the U.S. and expansion of demand in emerging countries, despite the persistence of the debt problems in some European countries and instabilities in the Middle East.

In the auto industry, production volume in Japan increased year on year for the Third Quarter. Production picked up from September, partly because of a surge in demand ahead of the consumption tax increase, after it had decreased year on year for the first half as a result of the waning of reconstruction demand from the Great East Japan Earthquake and the depletion of subsidies for purchasing "eco-cars" (environmentally friendly vehicles) from the previous fiscal year. Overseas, production worldwide increased year on year, as expansion of production driven by higher demand in North America, as well as in emerging markets including China and Indonesia, made up for level year-on-year results in Europe due to economic stagnation.

In this climate, the Koito Group reported nine-month consolidated net sales of ¥422.9 billion, up 24.4% year on year, due to sales growth in the mainstay automotive lighting equipment segment.

Results by geographical segment are outlined as follows.

[Japan]

Sales in Japan increased 3.6% year on year to ¥196.2 billion. This reflected higher automobile production from September, partly due to a surge in demand ahead of the consumption tax increase, despite a decline in production during the first half, mainly due to the waning of reconstruction demand from the Great East Japan Earthquake and the depletion of "eco-car" subsidies from the previous fiscal year.

[North America]

Sales in North America increased 51.0% to ¥66.6 billion mainly due to an increase in automobile production by Japanese makers accompanying the recovery in automobile demand, and to increased orders from local automobile manufacturers.

[China]

Sales in China rose 55.7% to ¥106.2 billion. This increase was mainly due to increased orders from local automobile manufacturers amid growing demand for automobiles.

[Asia]

Sales in Asia rose 39.8% to ¥41.6 billion. Sales growth was driven by expanding market share and orders in Thailand, along with firm production of motorcycles and automobiles in Indonesia.

[Europe]

Sales in Europe increased 45.3% to ¥12.1 billion. This was mainly due to a slight pick-up in intraregional automobile sales and a positive foreign exchange impact, despite a continuing slump in the economies of Europe.

On the earnings front, operating income was ¥29.5 billion, up 18.5% year on year. The increase was driven by sales growth in Japan due to a surge in demand ahead of the consumption tax increase, higher sales accompanying increased automobile production in North America, China and Asia, and contributions from the operation of new overseas plants. Recurring profit was up 22.5% year on year at ¥31.3 billion. Net income amounted to ¥10.9 billion, down 11.0% year on year, mainly attributable to an extraordinary loss recorded in relation to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.

(2) Explanation Regarding Consolidated Financial Position

-1. Analysis of assets, liabilities and net assets

Total assets increased ¥58.8 billion from March 31, 2013 to ¥476.9 billion. This was mainly due to increases in current assets, mainly cash and time deposits, increases in property, plant and equipment, and increases in investment securities, among other factors.

Total liabilities increased ¥33.5 billion from March 31, 2013 to ¥233.5 billion, mainly reflecting an increase in trade notes and accounts payable, and an increase in borrowings.

Total net assets increased ¥25.2 billion from March 31, 2013 to ¥243.3 billion. This increase was mainly due to an increase in retained earnings from net income, and to an increase in total accumulated other comprehensive income accompanying the yen's depreciation and higher stock prices.

-2. Analysis of cash flows

Operating activities provided net cash of ¥27.3 billion after payment of taxes, mainly reflecting income before income taxes of ¥26.1 billion and depreciation of ¥15.7 billion.

Investing activities used net cash of ¥28.5 billion, mainly reflecting acquisition of property and equipment of ¥25.3 billion, including construction of a new plant at an overseas affiliate.

Financing activities provided net cash of ¥6.1 billion, mainly reflecting fund procurement of ¥11.8 billion and dividends paid of ¥6.6 billion.

As a result, cash and cash equivalents as of December 31, 2013 were ¥28.1 billion, ¥6.1 billion higher than on March 31, 2013.

(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2014 and Other Future Projections

As regards Koito's business forecast for fiscal 2014, the fiscal year ending March 31, 2014, net sales are projected to increase over the previous fiscal year because of an anticipated surge in demand in Japan ahead of a consumption tax increase, and higher overseas automobile production expected mainly in North America and emerging markets such as China.

On the earnings front, operating income, recurring profit and net income are expected to increase from the previous year mainly due to contributions from the commencement of operations at new plants overseas in the U.S., China, Thailand and Indonesia, among others.

The previously announced business results forecast (both consolidated and non-consolidated) for the year ending March 31, 2014 announced in the Consolidated Earnings Report for the Second Quarter of Fiscal 2014 on October 29, 2013, have been revised as announced today in the Announcement Regarding Revision of the Business Results Forecast.

Forecast of Consolidated Results for Fiscal 2014 (April 1, 2013 to March 31, 2014)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously announced forecast (A)	565,000	40,000	41,500	23,000	143.13
Revised forecast (B)	587,000	44,000	46,000	19,000	118.24
Difference (B-A)	22,000	4,000	4,500	△4,000	—
Change (%)	3.9	10.0	10.8	△17.4	—
(Reference) Actual results for fiscal 2013	472,843	37,668	40,007	16,625	103.46

(Reference) Forecast of Non-Consolidated Results for Fiscal 2014 (April 1, 2013 to March 31, 2014)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously announced forecast (A)	237,000	13,500	24,000	16,000	99.57
Revised forecast (B)	244,000	16,000	27,000	12,000	74.68
Difference (B-A)	7,000	2,500	3,000	△4,000	—
Change (%)	3.0	18.5	12.5	△25.0	—
(Reference) Actual results for fiscal 2013	230,263	17,611	25,130	11,184	69.60

2. Summary Information (Notes)

(1) Changes to Important Subsidiaries during the Third Quarter:

None

(2) Application of Special Accounting: Methods in the Preparation of Quarterly Consolidated Financial Statements:

None

(3) Changes in Accounting Principles, Accounting Estimates and Restatements:

None

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(¥ millions)

	Fiscal 2013 As of March 31, 2013	Third Quarter of Fiscal 2014 As of December 31, 2013
Assets		
Current assets:		
Cash and time deposits	76,485	96,106
Trade notes and accounts receivable	90,299	91,292
Electronically recorded monetary claims-operating	6,820	5,889
Marketable securities	778	1,226
Inventories	39,540	53,415
Deferred income tax assets	3,370	3,391
Accrued income	15,450	15,250
Other current assets	18,440	29,542
Less: Allowance for doubtful accounts	△12,846	△13,097
Total current assets	238,338	283,017
Fixed assets:		
Property, plant and equipment:		
Buildings and structures (net)	32,059	35,187
Machinery and transportation equipment (net)	30,570	39,934
Fixtures, equipment and tools (net)	9,786	13,372
Land	13,938	14,156
Construction in progress	12,837	11,577
Total property, plant and equipment	99,193	114,229
Intangible fixed assets	981	825
Investments and other assets:		
Investment securities	71,658	75,479
Loans	56	29
Deferred income tax assets	5,882	1,901
Other investments	2,141	1,574
Less: Allowance for doubtful accounts	△165	△150
Total investments and other assets	79,574	78,834
Total fixed assets	179,749	193,889
Total assets	418,087	476,906

(¥ millions)

	Fiscal 2013 As of March 31, 2013	Third Quarter of Fiscal 2014 As of December 31, 2013
Liabilities		
Current liabilities:		
Trade notes and accounts payable	86,495	104,278
Short-term loans	27,297	41,349
Accrued expenses	18,663	21,110
Income taxes payable	7,582	4,280
Allowance for employees' bonuses	4,408	4,155
Reserve for product warranties	1,800	1,800
Provision for administrative monetary penalty	3,428	—
Other current liabilities	6,957	15,371
Total current liabilities	156,633	192,346
Non-current liabilities:		
Long-term debt	2,800	3,341
Deferred income tax liabilities	—	656
Allowance for employees' retirement benefits	30,120	30,865
Allowance for directors' and corporate auditors' retirement benefits	293	327
Allowance for expenses for damages	7,960	4,098
Allowance for environmental strategies	253	243
Other non-current liabilities	1,894	1,671
Total non-current liabilities	43,322	41,204
Total liabilities	199,956	233,550
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	17,108	17,108
Retained earnings	140,588	147,656
Treasury common stock, at cost	△78	△84
Total shareholders' equity	171,889	178,951
Accumulated other comprehensive income:		
Valuation adjustment on investment securities	13,297	20,639
Translation adjustments	4,534	10,172
Total accumulated other comprehensive income	17,831	30,812
Non-controlling interests	28,410	33,592
Total net assets	218,131	243,356
Total liabilities and net assets	418,087	476,906

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Third Quarter, for the nine months ended December 31, 2013)

(¥ millions)

	Third Quarter of Fiscal 2013 April 1, 2012 to December 31, 2012	Third Quarter of Fiscal 2014 April 1, 2013 to December 31, 2013
Net sales	339,970	422,970
Cost of sales	288,069	360,467
Gross profit	51,900	62,503
Selling, general and administrative expenses	26,923	32,903
Operating income	24,977	29,599
Non-operating income:		
Interest income	378	1,109
Dividends	495	753
Equity in earnings of affiliates	2	6
Foreign exchange gains	247	130
Other non-operating income	1,190	858
Total non-operating income	2,313	2,858
Non-operating expenses:		
Interest expenses	423	588
Aircraft business safety measure expenses	321	381
Other non-operating expenses	923	94
Total non-operating expenses	1,668	1,064
Recurring profit	25,622	31,393
Extraordinary gains:		
Gain on sales of investment securities	757	985
Gain on sales of property and equipment	6	10
Other extraordinary gains	1	5
Total extraordinary gains	765	1,001
Extraordinary losses:		
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	—	5,965
Loss on sales and disposal of property and equipment	205	260
Loss on abandonment of inventories	7	11
Loss on revaluation of investment securities	3,031	—
Special retirement expenses	781	—
Loss on revaluation of inventories	18	—
Other extraordinary losses	—	7
Total extraordinary losses	4,044	6,244
Income before income taxes	22,343	26,150
Income taxes	9,501	10,428
Income tax adjustment	△1,465	137
Total income taxes	8,036	10,566
Income before non-controlling interests	14,307	15,583
Non-controlling interests in consolidated subsidiaries	2,027	4,659
Net income	12,279	10,924

(¥ millions)

	Third Quarter of Fiscal 2013 April 1, 2012 to December 31, 2012	Third Quarter of Fiscal 2014 April 1, 2013 to December 31, 2013
Non-controlling interests	2,027	4,659
Income before non-controlling interests	14,307	15,583
Other comprehensive income		
Valuation adjustment on marketable securities	3,435	7,398
Translation adjustments	3,674	7,925
Total other comprehensive income	7,110	15,324
Comprehensive income	21,417	30,908
(Breakdown)		
Attributable to shareholders of the parent company	18,262	23,905
Attributable to non-controlling interests	3,154	7,002

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	Third Quarter of Fiscal 2013 April 1, 2012 to December 31, 2012	Third Quarter of Fiscal 2014 April 1, 2013 to December 31, 2013
Cash flows from operating activities		
Income before income taxes	22,343	26,150
Depreciation	13,151	15,789
Equity in earnings of affiliated companies	△2	△6
Provision for allowance for doubtful accounts	125	139
Provision for accrued retirement benefits	239	731
Provision for reserve for bonuses	△399	△250
Interest and dividends received	△874	△1,863
Interest payments	423	588
Gain on sale of marketable and investment securities	△757	△983
Loss on revaluation of marketable and investment securities	3,031	—
Loss on sale of property and equipment	199	249
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	—	5,965
Decrease in trade notes and accounts receivable	19,104	6,349
Increase in inventories	△147	△10,931
Increase in other current assets	△8,148	△9,393
Increase or decrease in trade notes and accounts payable	△4,691	11,606
Increase in accrued expenses and other current liabilities	853	1,777
Directors' and corporate auditors' bonuses paid	△317	—
Others	1,067	1,295
Sub total	45,200	47,212
Interest and dividends received	874	1,863
Interest paid	△423	△588
Damages paid	△604	△3,861
Administrative monetary penalty paid	—	△3,428
Income taxes paid	△9,615	△13,867
Net cash provided by operating activities	35,432	27,331
Cash flows from investing activities		
Payments into time deposits	△44,957	△52,025
Proceeds from time deposits	32,039	38,331
Payments for purchase of marketable and investment securities	△12	△13
Proceeds from sale of marketable and investment securities	1,403	9,211
Acquisition of property and equipment	△19,591	△25,360
Proceeds or payments from sale of property and equipment	△10	58
Payments for new loans	△11	△6
Proceeds from loan repayments	48	35
Others	166	1,246
Net cash used in investing activities	△30,925	△28,523

(¥ millions)

	Third Quarter of Fiscal 2013 April 1, 2012 to December 31, 2012	Third Quarter of Fiscal 2014 April 1, 2013 to December 31, 2013
Cash flows from financing activities		
Increase or decrease in short-term loans	△1,393	11,236
Increase in long-term debt	1,342	1,396
Repayment of long-term debt	△798	△740
Payments for repurchase of treasury stock	△0	△6
Proceeds from stock issuance to non-controlling shareholders	—	888
Dividends paid by parent company	△3,084	△3,716
Dividends paid to non-controlling shareholders	△2,235	△2,955
Net cash provided by or used in financing activities	△6,168	6,103
Effect of exchange rate changes on cash and cash equivalents	376	1,243
Increase or decrease in cash and cash equivalents	△1,285	6,154
Cash and cash equivalents at beginning of quarter	23,217	21,992
Cash and cash equivalents at end of quarter	21,932	28,146

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

None

(Segment Information)

I. Third Quarter of fiscal 2013, April 1, 2012 to December 31, 2012

Information Concerning Net Sales and Operating Income or Loss for Each Segment

(¥ millions)

	Japan	North America	China	Asia	Europe	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated financial statements (Note 3)
Net sales								
Sales to outside customers	189,427	44,136	68,231	29,828	8,345	339,970	—	339,970
Inter-segment sales and transfers	84,271	6	1,112	3,262	9,051	97,705	△97,705	—
Total	273,699	44,143	69,344	33,090	17,397	437,675	△97,705	339,970
Segment operating income or loss	18,287	780	4,274	2,961	△868	25,435	△458	24,977

Notes: 1. The ¥△458 million adjustment in segment operating income includes ¥2,533 million in intersegment eliminations and ¥△2,992 million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the head office of the parent company.

2. The breakdown of countries and regions other than Japan and China is as follows:

(1) North America: United States

(2) Asia: Thailand, Indonesia, Taiwan and India

(3) Europe: Belgium, United Kingdom and Czech Republic

3. Segment operating income or loss is adjusted to operating income in the quarterly consolidated financial statements.

II. Third Quarter of fiscal 2014, April 1, 2013 to December 31, 2013

Information Concerning Net Sales and Operating Income or Loss for Each Segment

(¥ millions)

	Japan	North America	China	Asia	Europe	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated financial statements (Note 3)
Net sales								
Sales to outside customers	196,224	66,660	106,261	41,697	12,126	422,970	—	422,970
Inter-segment sales and transfers	87,876	—	3,263	3,486	13,023	107,649	△107,649	—
Total	284,101	66,660	109,524	45,183	25,150	530,620	△107,649	422,970
Segment operating income or loss	18,670	922	5,892	4,589	△175	29,900	△300	29,599

- Notes:1. The ¥△300 million adjustment in segment operating income includes ¥2,770 million in intersegment eliminations and ¥△3,071 million in unallocated expenses. Unallocated expenses comprise expenses related to management divisions such as administrative and accounting divisions of the head office of the parent company.
2. The breakdown of countries and regions other than Japan and China is as follows:
- (1) North America: United States and Mexico
 - (2) Asia: Thailand, Indonesia, Taiwan and India
 - (3) Europe: Belgium, United Kingdom and Czech Republic
3. Segment operating income or loss is adjusted to operating income in the quarterly consolidated financial statements.