



Consolidated Earnings Report for the Second Quarter of Fiscal 2015 [Japanese GAAP]

October 28, 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:	November 4, 2014
Scheduled Payment of Dividends:	December 5, 2014
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes

(¥ millions are rounded down)

1. Consolidated Results for the Second Quarter of Fiscal 2015 (April 1, 2014 – September 30, 2014)

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

Second Quarter,	Net sales		Operating income		Recurring profit		Net income	
Fiscal 2015	323,279	21.0%	24,520	50.3%	25,607	47.1%	14,661	44.3%
Fiscal 2014	267,229	18.4%	16,315	△6.9%	17,410	0.9%	10,156	40.3%

Note: Comprehensive income: September 30, 2014: ¥27,792 million (142.0%),
September 30, 2013: ¥19,571 million (528.7%)

Second Quarter,	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2015	91.24	—
Fiscal 2014	63.21	—

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
September 30, 2014	511,269	276,631	46.6	1,481.27
March 31, 2014	483,093	256,072	45.5	1,368.72

Note: Equity: September 30, 2014: ¥238,031 million; March 31, 2014: ¥219,945 million

2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2014	—	12.00	—	14.00	26.00
Fiscal 2015	—	14.00			
Fiscal 2015 (forecast)			—	—	—

Notes: 1. Revisions to recent dividend forecasts: Yes

2. The dividend record date is March 31, as prescribed by Koito's Articles of Incorporation; the dividend forecast for the March 31, 2015 record date is currently undecided.

3. Forecast of Consolidated Results for Fiscal 2015 (April 1, 2014 - March 31, 2015)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
Full year	684,000	14.5%	59,000	19.2%	61,500	18.5%	35,000	63.7%	217.81

Note: Revisions to recent consolidated business forecasts: Yes

***Notes**

- (1) Changes to important subsidiaries during the second 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: Yes
 - ② Other changes: None
 - ③ Changes in accounting estimates: None
 - ④ Restatements: None

(Note) For details, please refer to (3) Changes in Accounting Principles, Accounting Estimates and Restatements under 2. Summary Information (Notes) on page 5 of the supplementary materials.

(4) Number of shares issued (common stock)

- ① Number of shares issued (including treasury stock):
- ② Number of treasury shares:
- ③ Average number of shares during the second quarter:

Fiscal 2015, 2Q	160,789,436	Fiscal 2014	160,789,436
Fiscal 2015, 2Q	95,253	Fiscal 2014	95,079
Fiscal 2015, 2Q	160,694,321	Fiscal 2014, 2Q	160,697,216

***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 》

Forecast of Non-consolidated Results for Fiscal 2015 (April 1, 2014 - March 31, 2015)

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

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Full year	249,000 1.5%	18,500 2.3%	31,500 5.5%	22,000 64.6%	136.91

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.

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1. Qualitative Information Concerning Quarterly Financial Statements and Other Matters

(1) Explanation Regarding Consolidated Operating Results

During the second quarter of fiscal 2015, the period under review, the Japanese economy stagnated as a consequence of domestic demand that was lackluster in the wake of last-minute demand prior to an increase in the consumption tax rate, and external demand waning after growth slowed in the emerging markets and corrections from the yen's appreciation ran their course. Growth in the world economy remained strong, underscored mainly by recovery in the U.S. economy and economic restoration in Europe, despite lingering instability in the Middle East and Ukraine.

In the Japanese auto industry, production volume was largely unchanged year on year as a result of increased demand in Japan mainly due to back orders from last-minute demand prior to an increase in the consumption tax rate being offset by production cutbacks mainly due to the trend of carmakers to transfer production overseas for the financial settlement of cars for export. Overseas, production worldwide increased year on year, as expansion of production in North America, China and other countries, outweighed the impact of production cuts in Thailand and other countries.

In this climate, the Koito Group reported second-quarter consolidated net sales of ¥323.2 billion, up 21.0% year on year, due to a sales growth in the mainstay automotive lighting equipment segment.

Results by geographical segment are outlined as follows.

[Japan]

Sales in Japan increased 3.3% to ¥130.1 billion. Against the backdrop of flat domestic automobile production, there was a trend to select LED lamps for automobile lamps, among other positive impacts.

[North America]

Sales in North America increased 41.2% to ¥59.6 billion mainly due to increases in production accompanying the recovery in automobile demand and in new orders, and because of the trend to select LED lamps for automobile lamps.

[China]

Sales in China rose 31.9% to ¥85.9 billion. This increase was mainly due to increased orders from Japanese, European and U.S. automobile manufacturers amid growing demand for automobiles, and contributions from operations at a new plant.

[Asia]

Sales in Asia rose 19.9% to ¥32.5 billion. Sales growth was driven mainly by increased orders in Thailand and an increase in orders from motorcycle and automobile production in Indonesia.

[Europe]

Sales in Europe increased 124.8% to ¥14.9 billion due to an increase in new orders and because of the trend to select LED lamps for automobile lamps, amid strong automobile production in the region accompanying a restoration in the European economy.

On the earnings front, operating income was ¥24.5 billion, up 50.3% year on year. The gain was mainly attributable to revenues rising in Japan, as well as increased automobile production in North America, China and elsewhere, and contributions from the operation of a new plant overseas. Recurring profit increased 47.1% to ¥25.6 billion. Net income amounted to ¥14.6 billion, up 44.3% year on year. This increase was mainly due to the impact of increased sales.

(2) Explanation Regarding Consolidated Financial Position

-1. Analysis of assets, liabilities and net assets

Total assets increased ¥28.1 billion from March 31, 2014 to ¥511.2 billion. This was mainly due to capital investment in response to bolstering overseas production, in addition to increases in current assets such as cash and time deposits.

Total liabilities increased ¥7.6 billion from March 31, 2014 to ¥234.6 billion, mainly reflecting an increase in trade notes and accounts payable, and an increase in borrowings and accrued expenses.

Total net assets increased ¥20.5 billion from March 31, 2014 to ¥276.6 billion. This increase was mainly due to an increase in retained earnings from net income, and an increase in total accumulated other comprehensive income.

-2. Analysis of cash flows

Operating activities provided net cash of ¥33.6 billion after payment of taxes, mainly reflecting income before income taxes of ¥26.6 billion and depreciation of ¥11.4 billion.

Investing activities used net cash of ¥31.1 billion, mainly reflecting acquisition of property and equipment of ¥21.6 billion.

Financing activities used net cash of ¥5.9 billion, the result mainly of ¥5.6 billion in dividends paid.

As a result, cash and cash equivalents as of September 30, 2014 were ¥25.0 billion, ¥2.6 billion lower than on March 31, 2014.

(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2015 and Other Future Projections

As regards Koito's business outlook for fiscal 2015, the fiscal year ending March 31, 2015, net sales are projected to increase over the previous fiscal year because increased orders are expected mainly due to the trend to select LED lamps for automobile lamps and higher overseas automobile production is expected in mainly in the U.S. and China, despite a slight decrease in the number of automobiles produced in Japan.

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 full-scale operations at new plants overseas and improvements in productivity, in addition to the impact of increased sales.

For the second quarters of fiscal 2015, the fiscal year under review, Koito paid a dividend to shareholders of ¥14, ¥2 per share higher than in the corresponding period of the previous fiscal year, and the same level as the year-end dividend for the previous fiscal year. The year-end dividend for fiscal 2015 has not yet been decided as the outlook for the business environment remains uncertain. The Company plans to announce the year-end dividend projection at a later date based on business performance trends.

Looking ahead, we will continue our efforts to further improve earnings to meet the expectations of all shareholders.

The differences between the actual results for the second quarter of fiscal 2015 herein and the previously announced outlooks (both consolidated and non-consolidated) for the second quarter of fiscal 2015 (the six month period ended September 30, 2014) announced in the Consolidated Earnings Report for the First Quarter of Fiscal 2015 on July 29, 2014, are shown below.

In addition, the full-year business forecast (both consolidated and non-consolidated) for fiscal 2015 has been revised in the following manner.

Differences between the Consolidated Forecast and Actual Business Results for the Second Quarter of Fiscal 2015 (April 2014 to September 30, 2014)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously announced forecast (A)	307,000	21,700	22,500	11,300	70.32
Actual Results (B)	323,279	24,520	25,607	14,661	91.24
Difference (B-A)	16,279	2,820	3,107	3,361	—
Change (%)	5.3	13.0	13.8	29.7	—
(Reference) Actual results for the second quarter of fiscal 2014	267,229	16,315	17,410	10,156	63.21

(Reference) Differences between the Non-Consolidated Forecast and Actual Business Results for the Second Quarter of Fiscal 2015 (April 2014 to September 30, 2014)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously announced forecast (A)	116,000	7,800	15,300	10,600	65.96
Actual Results (B)	119,645	8,561	16,637	12,605	78.44
Difference (B-A)	3,645	761	1,337	2,005	—
Change (%)	3.1	9.8	8.7	18.9	—
(Reference) Actual results for the second quarter of fiscal 2014	113,974	6,876	14,089	10,867	67.63

Forecast of Consolidated Results for Fiscal 2015 (April 1, 2014 to March 31, 2015)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously announced forecast (A)	639,000	53,200	55,000	28,800	179.22
Revised forecast (B)	684,000	59,000	61,500	35,000	217.81
Difference (B-A)	45,000	5,800	6,500	6,200	—
Change (%)	7.0	10.9	11.8	21.5	—
(Reference) Actual results for fiscal 2014	597,502	49,506	51,895	21,378	133.04

(Reference) Forecast of Non-Consolidated Results for Fiscal 2015 (April 1, 2014 to March 31, 2015)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously announced forecast (A)	240,000	16,300	27,800	17,600	109.52
Revised forecast (B)	249,000	18,500	31,500	22,000	136.91
Difference (B-A)	9,000	2,200	3,700	4,400	—
Change (%)	3.8	13.5	13.3	25.0	—
(Reference) Actual results for fiscal 2014	245,412	18,085	29,857	13,364	83.17

2. Summary Information (Notes)

(1) Changes to Important Subsidiaries during the Second 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:
Change in Accounting Principle

(Application of accounting standard for retirement benefits)

With regard to Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter the "Retirement Benefits Accounting Standard") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Retirement Benefits Guidance") the Company has adopted the provisions of Article 35 of the Retirement Benefits Accounting Standard and Article 67 of the Retirement Benefits Guidance from the first quarter ended June 30, 2014. As a result, the Company revised its calculation method of retirement benefit obligations, and changed its method for attributing estimated retirement benefits to accounting periods from the straight-line method to the benefits formula method. At the same time, the method for determining the discount rate was changed.

As a result, the Company marked up the starting balance of net defined liability for retirement benefits by ¥1,203 million, and marked down retained earnings by ¥735 million, in the first quarter ended June 30, 2014. The effect of this change on earnings was negligible.

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

(¥ millions)

	Fiscal 2014	Second Quarter of Fiscal 2015
	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets:		
Cash and time deposits	95,018	102,615
Trade notes and accounts receivable	105,236	102,977
Electronically recorded monetary claims-operating	6,236	6,438
Marketable securities	1,847	2,614
Inventories	52,046	55,665
Accrued income	16,255	15,779
Deferred income tax assets	3,565	4,272
Other current assets	26,774	27,368
Less: Allowance for doubtful accounts	△13,103	△14,188
Total current assets	293,878	303,542
Fixed assets:		
Property, plant and equipment:		
Buildings and structures (net)	34,262	39,470
Machinery and transportation equipment (net)	39,649	48,601
Fixtures, equipment and tools (net)	13,257	16,195
Land	13,821	14,018
Construction in progress	13,089	9,882
Total Property, plant and equipment	114,080	128,167
Intangible fixed assets	1,039	1,260
Investments and other assets:		
Investment securities	71,695	76,655
Long-term loans	29	21
Deferred income tax assets	1,000	—
Other investments	1,520	1,774
Less: Allowance for doubtful accounts	△152	△152
Total investments and other assets	74,093	78,298
Total fixed assets	189,214	207,726
Total assets	483,093	511,269

(¥ millions)

	Fiscal 2014 As of March 31, 2014	Second Quarter of Fiscal 2015 As of September 30, 2014
Liabilities		
Current liabilities:		
Trade notes and accounts payable	105,326	107,433
Short-term loans	38,269	39,431
Accrued expenses	17,969	21,786
Income taxes payable	8,506	7,366
Allowance for employees' bonuses	4,546	4,626
Reserve for product warranties	2,151	2,101
Other current liabilities	8,558	9,740
Total current liabilities	185,328	192,487
Non-current liabilities:		
Long-term debt	5,241	5,222
Deferred income tax liabilities	582	1,360
Allowance for employees' retirement benefits	26,141	26,607
Allowance for directors' and corporate auditors' retirement benefits	353	357
Allowance for expenses for damages	2,589	1,596
Reserve for product warranties	4,841	4,880
Allowance for environmental strategies	246	232
Other non-current liabilities	1,694	1,893
Total non-current liabilities	41,692	42,149
Total liabilities	227,020	234,637
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	17,108	17,108
Retained earnings	158,109	169,786
Treasury common stock, at cost	△84	△85
Total shareholders' equity	189,404	201,080
Accumulated other comprehensive income:		
Valuation adjustment on investment securities	18,532	21,998
Translation adjustments	8,665	12,322
Adjustments in defined benefit plans	3,343	2,630
Total accumulated other comprehensive income	30,541	36,951
Non-controlling interests	36,127	38,600
Total net assets	256,072	276,631
Total liabilities and net assets	483,093	511,269

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Second Quarter, for the six months ended September 30)

(¥ millions)

	Second Quarter of Fiscal 2014 April 1, 2013 to September 30, 2013	Second Quarter of Fiscal 2015 April 1, 2014 to September 30, 2014
Net sales	267,229	323,279
Cost of sales	230,309	276,694
Gross profit	36,920	46,585
Selling, general and administrative expenses	20,604	22,064
Operating income	16,315	24,520
Non-operating income:		
Interest income	807	759
Dividends	308	460
Equity in earnings of affiliates	0	6
Foreign exchange gains	99	118
Other non-operating income	478	396
Total non-operating income	1,694	1,741
Non-operating expenses:		
Interest expenses	381	424
Aircraft business safety measure expenses	149	118
Other non-operating expenses	68	111
Total non-operating expenses	599	654
Recurring profit	17,410	25,607
Extraordinary gains:		
Gain on abolishment of retirement benefits plan	—	936
Gain on sales of investment securities	985	423
Gain on sales of property and equipment	5	15
Other extraordinary gains	20	1
Total extraordinary gains	1,011	1,377
Extraordinary losses:		
Loss on sales and disposal of property and equipment	179	295
Loss on abandonment of inventories	11	—
Other extraordinary losses	2	6
Total extraordinary losses	192	301
Income before income taxes	18,228	26,683
Income taxes	5,603	8,098
Income tax adjustment	103	△354
Total income taxes	5,707	7,743
Income before non-controlling interests	12,521	18,939
Non-controlling interests in consolidated subsidiaries	2,364	4,278
Net income	10,156	14,661

(¥ millions)

	Second Quarter of Fiscal 2014 April 1, 2013 to September 30, 2013	Second Quarter of Fiscal 2015 April 1, 2014 to September 30, 2014
Non-controlling interests	2,364	4,278
Income before non-controlling interests	12,521	18,939
Other comprehensive income or loss		
Valuation adjustment on marketable securities	4,849	3,614
Translation adjustments	2,200	5,538
Adjustments in defined benefit plans	—	△299
Total other comprehensive income	7,050	8,853
Comprehensive income	19,571	27,792
(Break down)		
Attributable to shareholders of the parent company	16,533	21,133
Attributable to non-controlling interests	3,037	6,659

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	Second Quarter of Fiscal 2014 April 1, 2013 to September 30, 2013	Second Quarter of Fiscal 2015 April 1, 2014 to September 30, 2014
Cash flows from operating activities		
Income before income taxes	18,228	26,683
Depreciation	10,163	11,475
Equity in earnings of affiliated companies	△0	△6
Provision for allowance for doubtful accounts	521	1,019
Provision for accrued retirement benefits	494	—
Net defined liability for retirement benefits	—	△940
Provision for reserve for bonuses	16	80
Reserve for product warranties	—	△12
Interest and dividends received	△1,115	△1,219
Interest payments	381	424
Gain on abolishment of retirement benefit plan	—	△936
Gain on sale of marketable and investment securities	△983	△429
Loss on sale of property and equipment	173	187
Decrease in trade notes and accounts receivable	8,565	4,726
Increase in inventories	△3,984	△1,885
Increase or decrease in other current assets	△2,743	1,161
Increase or decrease in trade notes and accounts payable	2,242	△1,094
Increase or decrease in accrued expenses and other current liabilities	2,435	3,181
Others	837	769
Sub total	35,230	43,184
Interest and dividends received	1,115	1,219
Interest paid	△381	△424
Damages paid	△3,861	△993
Administrative monetary penalty paid	△3,428	—
Income taxes paid	△8,268	△9,351
Net cash provided by operating activities	20,407	33,635
Cash flows from investing activities		
Payments into time deposits	△41,961	△29,036
Proceeds from time deposits	27,947	18,593
Payments for purchase of marketable and investment securities	△8	△8
Proceeds from sale of marketable and investment securities	9,211	1,015
Acquisition of property and equipment	△17,021	△21,694
Proceeds from sale of property and equipment	7	278
Payments for new loans	△5	△5
Proceeds from loan repayments	18	11
Others	788	△300
Net cash used in investing activities	△21,024	△31,146

(¥ millions)

	Second Quarter of Fiscal 2014 April 1, 2013 to September 30, 2013	Second Quarter of Fiscal 2015 April 1, 2014 to September 30, 2014
Cash flows from financing activities		
Increase or decrease in short-term loans	5,679	△180
Increase in long-term debt	1,390	202
Repayment of long-term debt	△476	△328
Payments for repurchase of treasury stock	△3	△0
Dividends paid by parent company	△1,928	△2,249
Dividends paid to minority shareholders	△2,916	△3,423
Net cash provided by or used in financing activities	1,746	△5,978
Effect of exchange rate changes on cash and cash equivalents	476	838
Increase or decrease in cash and cash equivalents	1,605	△2,651
Cash and cash equivalents at beginning of quarter	21,992	27,750
Cash and cash equivalents at end of quarter	23,597	25,099

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

None

(Segment Information)

I. Second Quarter of fiscal 2014, April 1, 2013 to September 30, 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	126,015	42,265	65,132	27,155	6,659	267,229	—	267,229
Inter-segment sales and transfers	56,042	—	1,378	2,143	7,846	67,412	(67,412)	—
Total	182,058	42,265	66,511	29,299	14,506	334,641	(67,412)	267,229
Segment operating income or loss	10,461	△224	3,154	3,069	△335	16,125	189	16,315

Notes: 1. The ¥189 million adjustment in segment operating income includes ¥2,246 million in intersegment eliminations and ¥△2,056 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, Mexico

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

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

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

II. Second Quarter of fiscal 2015, April 1, 2014 to September 30, 2014

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	130,148	59,674	85,912	32,572	14,971	323,279	—	323,279
Inter-segment sales and transfers	60,870	86	1,866	2,698	14,320	79,841	(79,841)	—
Total	191,019	59,760	87,778	35,271	29,291	403,121	(79,841)	323,279
Segment operating income or loss	11,952	1,779	6,486	3,452	638	24,310	210	24,520

Notes: 1. The ¥210 million adjustment in segment operating income includes ¥2,475 million in intersegment eliminations and ¥△2,265 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, Mexico

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

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

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