



## Consolidated Earnings Report for the First Quarter of Fiscal 2018 [Japanese GAAP]

July 27, 2017

Company Name:	<b>KOITO MANUFACTURING CO., LTD.</b>
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	7276
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Filing of Quarterly Securities Report:	August 3, 2017
Scheduled Payment of Dividends:	—
Supplementary explanatory materials prepared:	None
Explanatory meeting:	None

(¥ millions are rounded down)

### 1. Consolidated Results for the First Quarter of Fiscal 2018 (April 1, 2017 to June 30, 2017)

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

First Quarter	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
Fiscal 2018	219,340	17.0%	23,283	34.6%	24,491	45.3%	14,600	46.0%
Fiscal 2017	187,405	1.0%	17,295	27.3%	16,859	15.5%	10,002	181.2%

Note: Comprehensive income or loss : June 30, 2017: ¥19,691 million (—%), June 30, 2016: ¥△6,783 million (—%)

First Quarter	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2018	90.86	90.82
Fiscal 2017	62.25	62.22

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
June 30, 2017	664,035	394,603	52.4	2,164.72
March 31, 2017	658,341	381,000	51.0	2,090.87

Note: Equity: June 30, 2017: ¥ 347,856 million, March 31, 2017: ¥ 335,988 million

### 2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2017	—	20.00	—	34.00	54.00
Fiscal 2018	—				
Fiscal 2018 (forecast)		—	—	—	—

Notes: 1. Revisions to recent dividend forecasts: None

2. The dividend record dates are September 30 and March 31, as prescribed by KOITO's Articles of Incorporation; the dividend forecast for the September 30, 2017 and March 31, 2018 record date are currently undecided.

### 3. Forecast of Consolidated Results for Fiscal 2018 (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent		Net income per share (¥)
First half	433,000	12.8%	47,000	18.2%	49,000	23.6%	28,000	22.1%	174.24
Full year	876,000	4.1%	96,000	3.8%	99,000	3.8%	60,000	5.8%	373.38

Note: Revisions to recent consolidated business forecasts: Yes

**\*Notes**

- (1) Changes to important subsidiaries during the first 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 2018, 1Q	160,789,436	Fiscal 2017	160,789,436
② Number of treasury stock:	Fiscal 2018, 1Q	95,916	Fiscal 2017	95,791
③ Average number of stock during the first quarter:	Fiscal 2018, 1Q	160,693,603	Fiscal 2017, 1Q	160,693,787

\*This financial report is not subject to the audit procedure.

《 For Reference Only 》

**Forecast of Non-consolidated Result for Fiscal 2018 (April 1, 2017 to March 31, 2018)**

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	161,000	17.1%	18,000	41.7%	30,000	30.3%	20,000	21.6%	124.46
Full year	330,000	10.8%	35,000	19.6%	52,000	13.7%	36,000	15.7%	224.03

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

\*Explanations concerning proper use of business forecasts and other noteworthy matters  
(Notes on future assumptions)

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 first quarter of fiscal 2018, the period under review, the Japanese economy experienced a trend of moderate recovery due to pickup in personal consumption led by improvement in employment, and the increase in capital expenditure and exports. Meanwhile, the global economy continued to be robust as a whole. This was primarily due to comparatively firm economy in the U.S. and Europe, despite the effect of deceleration of growth in China, as well as concerns over protectionist policies, and risks in the Middle East.

In the Japanese auto industry, the production volume increased year on year due to the effect of introduction of new vehicles, recovery in sales of mini vehicles, and increase in exports. Overseas, despite the production volume slightly decreased in the U.S., the global automobile production volume increased year on year. This was mainly due to the increased demand in Asia and Europe.

In this climate, the KOITO Group's first-quarter net sales increased 17.0% year on year to ¥219.3 billion. The increase was due to sales growth in the mainstay automotive lighting equipment segment, which was driven by an increase in new orders and a shift in automobile lamps to LED.

Results by geographical segment are outlined as follows.

#### **[Japan]**

Sales in Japan increased 20.8% year on year to ¥81.4 billion. This was mainly attributable to an increase in new orders and a shift in automobile lamps to LED, amid increased trend in automobile domestic production volume.

#### **[North America]**

Despite automobile production volume slightly decreased, sales in North America increased 6.8% year on year to ¥47.1 billion. Factors contributing to the sales increase were the increase in new orders and a shift in automobile lamps to LED.

#### **[China]**

Sales in China increased 18.8% year on year to ¥58.7 billion. This increase was led by expansion in new orders while the automobile production volume remained flat by continuous effect of a tax reduction on compact cars.

#### **[Asia]**

Sales in Asia increased 17.6% year on year to ¥21.2 billion. Sales growth was mainly driven by an increase in new orders in India, Thailand and Indonesia, and a shift in motorcycle lamps to LED, amid increased trend in automobile production volume.

#### **[Europe]**

Sales in Europe increased 28.9% year on year to ¥10.7 billion. Amid a robust trend in automobile production volume, KOITO's sales in Europe were mainly driven by an increase in new orders and a shift in automobile lamps to LED.

#### **[Other regions]**

As KOITO established a manufacturing subsidiary in Brazil, 'Other regions' segment was newly included to geographical segment from the previous fiscal year. The subsidiary is scheduled to commence operation in May, 2018.

On the earnings front, operating income was ¥23.2 billion, up 34.6%, recurring profit was ¥24.4 billion, up 45.3%, and profit attributable to owners of parent was ¥14.6 billion, up 46.0% year on year. In addition to the effect of sales increase in the above, the increase was mainly attributable to rationalization effect in Japan and overseas.

### (2) Explanation Regarding Consolidated Financial Position

#### -1. Analysis of assets, liabilities and net assets

Total assets as of June 30, 2017 increased ¥56.0 billion to ¥664.0 billion. This was mainly due to an increase in current assets such as cash and time deposits, and the increase in non-current assets such as capital expenditures to strengthen overseas production.

Total liabilities as of June 30, 2017 decreased ¥7.9 billion to ¥269.4 billion mainly due to a decrease in trade notes and accounts payable.

Net assets as of June 30, 2017 increased ¥13.6 billion to ¥394.6 billion. This increase was mainly due to an increase in retained earnings.

-2. Analysis of cash flows

Operating activities provided net cash of ¥30.2 billion after payment of taxes, mainly reflecting income before income taxes of ¥22.8 billion and depreciation of ¥7.4 billion.

Investing activities used net cash of ¥12.6 billion, mainly reflecting acquisition of property and equipment of ¥9.4 billion and payments into time deposits.

Financing activities used net cash of ¥7.2 billion, the result mainly of reflecting repayment of debt of ¥1.6 billion and dividends paid of ¥5.6 billion.

As a result, cash and cash equivalents as of June 30, 2017 were ¥50.6 billion, ¥11.1 billion higher than on March 31, 2017.

**(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2018 and Other Future Projections**

As regards KOITO's business forecasts for fiscal 2018, the fiscal year ending March 31, 2018, net sales are expected to increase year on year due to an increase in new orders and the worldwide market shift to LED automobile lamps while global automobile production volume remains flat.

On the earnings front, although R&D expenditure increases, operating income, recurring profit, and profit attributable to owners of parent are all expected to increase compared to the previous fiscal year due to increase in sales.

The previously announced first half and full-year business forecasts (both consolidated and non-consolidated) for fiscal 2018 announced in the Consolidated Earnings Report for Fiscal 2017 on April 26, 2017, have been revised in the following manner.

Forecast of Consolidated Results

Forecast of the Second Quarter of Fiscal 2018 (April 1, 2017 to September 30, 2017)

(¥ millions)

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Net income per share (¥)
Previously Announced forecast (A)	418,000	42,000	43,000	25,000	155.58
Revised forecast (B)	433,000	47,000	49,000	28,000	174.24
Difference (B-A)	15,000	5,000	6,000	3,000	—
Change (%)	3.6	11.9	14.0	12.0	—
(Reference) Actual results for the second quarter of fiscal 2017	383,720	39,748	39,646	22,929	142.69

Forecast of Fiscal 2018 (April 1, 2017 to March 31, 2018)

(¥ millions)

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Net income per share (¥)
Previously Announced forecast (A)	861,000	91,000	93,000	57,000	354.71
Revised forecast (B)	876,000	96,000	99,000	60,000	373.38
Difference (B-A)	15,000	5,000	6,000	3,000	—
Change (%)	1.7	5.5	6.5	5.3	—
(Reference) Actual results for fiscal 2017	841,456	92,523	95,336	56,692	352.80

(Reference) Forecast of Non-Consolidated Results

Forecast of the Second Quarter of Fiscal 2018 (April 1, 2017 to September 30, 2017)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously Announced forecast (A)	154,000	14,000	26,000	18,000	112.01
Revised forecast (B)	161,000	18,000	30,000	20,000	124.46
Difference (B-A)	7,000	4,000	4,000	2,000	—
Change (%)	4.5	28.6	15.4	11.1	—
(Reference) Actual results for the second quarter of fiscal 2017	137,505	12,700	23,017	16,442	102.32

Forecast of Fiscal 2018 (April 1, 2017 to March 31, 2018)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously Announced forecast (A)	323,000	31,000	48,000	34,000	211.58
Revised forecast (B)	330,000	35,000	52,000	36,000	224.03
Difference (B-A)	7,000	4,000	4,000	2,000	—
Change (%)	2.2	12.9	8.3	5.9	—
(Reference) Actual results for fiscal 2017	297,786	29,260	45,729	31,102	193.55

### 3. Quarterly Consolidated Financial Statements and Notes

#### (1) Quarterly Consolidated Balance Sheets

(¥ millions)

	Fiscal 2017	First Quarter of Fiscal 2018
	As of March 31, 2017	As of June 30, 2017
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	206,956	221,648
Trade notes and accounts receivable	136,251	124,427
Electronically recorded monetary claims-operating	11,589	12,042
Inventories	66,332	67,393
Deferred income tax assets	4,558	4,596
Other current assets	36,035	33,549
Less: Allowance for doubtful accounts	△843	△581
<b>Total current assets</b>	<b>460,880</b>	<b>463,076</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures (net)	42,829	42,713
Machinery and transportation equipment (net)	55,911	59,156
Fixtures, equipment and tools (net)	18,768	18,908
Land	14,718	14,684
Construction in progress	9,310	8,994
<b>Total property, plant and equipment</b>	<b>141,538</b>	<b>144,457</b>
<b>Intangible fixed assets</b>	<b>1,985</b>	<b>1,920</b>
<b>Investments and other assets:</b>		
Investment securities	46,889	47,810
Claims provable in bankruptcy, claims provable in rehabilitation and other	60	60
Deferred income tax assets	5,522	5,229
Other investments	1,768	1,782
Less: Allowance for doubtful accounts	△302	△302
<b>Total investments and other assets</b>	<b>53,937</b>	<b>54,580</b>
<b>Total non-current assets</b>	<b>197,460</b>	<b>200,958</b>
<b>Total assets</b>	<b>658,341</b>	<b>664,035</b>



(¥ millions)

	Fiscal 2017 As of March 31, 2017	First Quarter of Fiscal 2018 As of June 30, 2017
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade notes and accounts payable	127,126	115,696
Electronically recorded monetary obligations-operating	16,366	18,600
Short-term loans	21,885	21,028
Accrued expenses	18,269	21,375
Income taxes payable	15,122	8,933
Allowance for employees' bonuses	5,767	8,776
Reserve for product warranties	3,070	3,070
Provision for loss on litigation	3,393	—
Other current liabilities	11,987	17,702
<b>Total current liabilities</b>	<b>222,989</b>	<b>215,183</b>
<b>Non-current liabilities:</b>		
Long-term debt	13,172	12,649
Deferred income tax liabilities	6,516	6,779
Allowance for directors' and corporate auditors' retirement benefits	363	375
Reserve for product warranties	5,201	5,201
Allowance for environmental strategies	193	193
Net defined liability for retirement benefits	26,838	26,806
Other non-current liabilities	2,066	2,242
<b>Total non-current liabilities</b>	<b>54,351</b>	<b>54,248</b>
<b>Total liabilities</b>	<b>277,340</b>	<b>269,432</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Common stock	14,270	14,270
Additional paid-in capital	17,107	17,107
Retained earnings	278,755	287,891
Treasury common stock, at cost	△87	△88
<b>Total shareholders' equity</b>	<b>310,045</b>	<b>319,181</b>
<b>Accumulated other comprehensive income:</b>		
Valuation adjustment on investment securities	21,562	22,165
Translation adjustments	4,572	6,754
Adjustments in defined benefit plans	△192	△245
<b>Total accumulated other comprehensive income</b>	<b>25,942</b>	<b>28,674</b>
<b>Subscription rights to shares</b>	<b>291</b>	<b>291</b>
<b>Non-controlling interests</b>	<b>44,719</b>	<b>46,454</b>
<b>Total net assets</b>	<b>381,000</b>	<b>394,603</b>
<b>Total liabilities and net assets</b>	<b>658,341</b>	<b>664,035</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**

(First quarter, for the three months ended June 30)

(¥ millions)

	First Quarter of Fiscal 2017 April 1, 2016 to June 30, 2016	First Quarter of Fiscal 2018 April 1, 2017 to June 30, 2017
<b>Net sales</b>	187,405	219,340
Cost of sales	155,381	180,698
<b>Gross profit</b>	32,024	38,642
Selling, general and administrative expenses	14,728	15,358
<b>Operating income</b>	17,295	23,283
Non-operating income:		
Interest income	145	192
Dividends	590	650
Equity in earnings of affiliates	2	6
Other non-operating income	365	694
Total non-operating income	1,103	1,543
Non-operating expenses		
Interest expenses	216	239
Foreign exchange losses	1,145	—
Other non-operating expenses	177	96
Total non-operating expenses	1,539	335
<b>Recurring profit</b>	16,859	24,491
Extraordinary gains:		
Gain on sales of property and equipment	6	18
Total extraordinary gains	6	18
Extraordinary losses:		
Loss on sales and disposal of property and equipment	93	127
Loss on valuation of investment securities	32	—
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	—	1,575
Total extraordinary losses	125	1,702
<b>Income before income taxes</b>	16,739	22,807
Income taxes	4,697	5,857
Income tax adjustment	408	597
Total income taxes	5,105	6,454
<b>Profit</b>	11,633	16,353
(Break down)		
Profit attributable to owners of parent	10,002	14,600
Profit attributable to non-controlling interests	1,630	1,753

	(¥ millions)	
	First Quarter Fiscal 2017 April 1, 2016 to June 30, 2016	First Quarter Fiscal 2018 April 1, 2017 to June 30, 2017
Other comprehensive income		
Valuation difference on available-for-sale securities	△3,457	653
Translation adjustments	△14,917	2,732
Adjustments in defined benefit plans	△42	△47
Total other comprehensive income	△18,417	3,338
Comprehensive income	△6,783	19,691
(Break down)		
Comprehensive income attributable to owners of parent	△4,724	17,331
Comprehensive income attributable to non-controlling interests	△2,058	2,359

**(3) Quarterly Consolidated Statements of Cash Flows**

(¥ millions)

	First Quarter of Fiscal 2017 April 1, 2016 to June 30, 2016	First Quarter of Fiscal 2018 April 1, 2017 to June 30, 2017
<b>Cash flows from operating activities</b>		
Income before income taxes	16,739	22,807
Depreciation	7,036	7,449
Equity in earnings of affiliated companies	△2	△6
Provision for allowance for doubtful accounts	88	△266
Net defined liability for retirement benefits	△121	△105
Provision for reserve for bonuses	472	2,995
Interest and dividends received	△735	△842
Interest payments	216	239
Loss on valuation of marketable and investment securities	32	—
Loss on sale of property and equipment	87	109
Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	—	1,575
Decrease in trade notes and accounts receivable	16,005	12,719
Increase in inventories	△1,539	△184
Increase or decrease in other current assets	△1,070	2,909
Decrease in trade notes and accounts payable	△4,246	△10,680
Increase in accrued expenses and other current liabilities	4,892	2,905
Others	662	184
Sub total	38,516	41,808
Interest and dividends received	735	842
Interest paid	△216	△239
Income taxes paid	△6,698	△12,142
<b>Net cash provided by operating activities</b>	32,337	30,269
<b>Cash flows from investing activities</b>		
Payments into time deposits	△30,011	△36,139
Proceeds from time deposits	29,789	32,665
Payments for purchase of marketable and investment securities	△42	△5
Proceeds from sale of marketable and investment securities	0	0
Acquisition of property and equipment	△7,873	△9,477
Proceeds from sale and disposal of property and equipment	△15	15
Payments for new loans	△2	△0
Proceeds from loan repayments	1	3
Others	△114	296
<b>Net cash used in investing activities</b>	△8,267	△12,642
<b>Cash flows from financing activities</b>		
Decrease in short-term loans	△10,849	△1,053
Increase in long-term debt	875	503
Repayment of long-term debt	△152	△1,100
Payments for repurchase of treasury stock	—	△0
Dividends paid by parent company	△2,951	△5,020
Dividends paid to non-controlling interests	△759	△627
<b>Net cash used in financing activities</b>	△13,836	△7,297
<b>Effect of exchange rate changes on cash and cash equivalents</b>	△1,993	779
<b>Increase in cash and cash equivalents</b>	8,241	11,109
<b>Cash and cash equivalents at beginning of quarter</b>	31,886	39,500
<b>Cash and cash equivalents at end of quarter</b>	40,127	50,609

#### (4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

None

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

None

(Segment Information)

##### 【Segment Information】

I. First Quarter of fiscal 2017 (April 1, 2016 to June 30, 2016)

##### 1. Information Concerning Net Sales and Operating Income 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	67,421	44,149	49,423	18,068	8,343	187,405	—	187,405
Inter-segment sales and transfers	35,965	2	1,317	1,736	423	39,445	(39,445)	—
Total	103,387	44,151	50,741	19,805	8,766	226,851	(39,445)	187,405
Segment operating income	7,681	4,087	2,963	2,243	1,217	18,194	(898)	17,295

Notes 1. The ¥△898 million adjustment in segment operating income includes ¥456 million in intersegment eliminations and ¥△1,355 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: United Kingdom and Czech Republic

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

##### 2. Information Concerning Impairment Loss or Goodwill on Non-current Assets for Each Segment

(Material Change in Amounts of Goodwill)

None

(Material Impairment Loss on Non-current Assets)

None

II. First Quarter of fiscal 2018 (April 1, 2017 to June 30, 2017)

1. Information Concerning Net Sales and Operating Income for Each Segment

(¥ millions)

	Japan	North America	China	Asia	Europe	Other regions	Total	Adjustment (Note 1)	Amount recorded on quarterly consolidated financial statements (Note 3)
Net sales									
Sales to outside customers	81,472	47,146	58,722	21,241	10,758	—	219,340	—	219,340
Inter-segment sales and transfers	47,654	8	833	1,773	398	—	50,667	(50,667)	—
Total	129,126	47,154	59,555	23,015	11,156	—	270,008	(50,667)	219,340
Segment operating income or loss (△)	12,743	4,635	4,158	1,851	701	△35	24,055	(772)	23,283

Notes 1. The ¥△772 million adjustment in segment operating income or loss includes ¥572 million in intersegment eliminations and ¥△1,344 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: United Kingdom and Czech Republic
- (4) Other regions: Brazil

As KOITO established a consolidated subsidiary in Brazil, 'Other regions' segment was newly included to reporting segment from the third quarter of fiscal 2017.

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

2. Information Concerning Impairment Loss or Goodwill on Non-current Assets for Each Segment  
(Material Change in Amounts of Goodwill)

None

(Material Impairment Loss on Non-current Assets)

None