



## Consolidated Earnings Report for the First Quarter of Fiscal 2019 [Japanese GAAP]

July 26, 2018

|   |   |
|---|---|
| Company Name:                                 | <b>KOITO MANUFACTURING CO., LTD.</b>                        |
| Stock Listing:                                | First Section, Tokyo Stock Exchange                         |
| Code Number:                                  | 7276  |
| URL:  | <a href="http://www.koito.co.jp">http://www.koito.co.jp</a> |
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| Filing of Quarterly Securities Report:        | August 3, 2018  |
| 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 2019 (April 1, 2018 to June 30, 2018)

(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 2019   | 191,860 $\triangle$ 12.5% | 21,704 $\triangle$ 6.8% | 23,462 $\triangle$ 4.2% | 15,730 7.7%                             |
| Fiscal 2018   | 219,340 17.0%             | 23,283 34.6%            | 24,491 45.3%            | 14,600 46.0%                            |

Note: Comprehensive income or loss : June 30, 2018: ¥15,564 million ( $\triangle$ 21.0%), June 30, 2017: ¥19,691 million (—)

| First Quarter | Net income per share (¥) | Net income per share (diluted) (¥) |
|---------------|--------------------------|------------------------------------|
| Fiscal 2019   | 97.87                    | 97.83                              |
| Fiscal 2018   | 90.86                    | 90.82                              |

(2) Consolidated Financial Position

(¥ millions)

|                | Total assets | Net assets | Equity ratio (%) | Net assets per share (¥) |
|----------------|--------------|------------|------------------|--------------------------|
| June 30, 2018  | 669,871      | 450,741    | 62.0             | 2,582.02                 |
| March 31, 2018 | 672,055      | 444,808    | 61.0             | 2,551.48                 |

Note: Equity: June 30, 2018: ¥ 415,010 million, March 31, 2018: ¥ 410,102 million

### 2. Dividends

|                        | Dividend per share (¥) |                |               |          |           |
|------------------------|------------------------|----------------|---------------|----------|-----------|
|                        | First Quarter          | Second Quarter | Third Quarter | Year End | Full Year |
| Fiscal 2018            | —                      | 36.00          | —             | 60.00    | 96.00     |
| Fiscal 2019            | —                      |                |               |          |           |
| Fiscal 2019 (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, 2018 and March 31, 2019 record date are currently undecided.

3. Breakdown of fiscal 2018 year-end dividend: Ordinary dividend: ¥40.00; Extraordinary dividend: ¥20.00

### 3. Forecast of Consolidated Results for Fiscal 2019 (April 1, 2018 to March 31, 2019)

(¥ 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 | 387,000 $\triangle$ 13.2% | 46,000 $\triangle$ 7.4%  | 48,000 $\triangle$ 8.2%  | 32,000 9.8%                             | 199.09                   |
| Full year  | 805,000 $\triangle$ 5.2%  | 100,000 $\triangle$ 3.6% | 103,000 $\triangle$ 4.6% | 70,000 $\triangle$ 16.1%                | 435.51                   |

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 2019, 1Q | 160,789,436 | Fiscal 2018     | 160,789,436 |
| ② Number of treasury stock:                           | Fiscal 2019, 1Q | 58,109      | Fiscal 2018     | 58,106      |
| ③ Average number of stock during the first quarter:   | Fiscal 2019, 1Q | 160,731,329 | Fiscal 2018, 1Q | 160,693,603 |

\*This quarterly financial report is not subject to the quarterly audit procedure to be conducted by certified public accountants or auditing firms.

\*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.

《 For Reference Only 》

**Forecast of Non-consolidated Result for Fiscal 2019 (April 1, 2018 to March 31, 2019)**

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

|            | Net sales |      | Operating income |       | Recurring profit |       | Net income |        | Net income per share (¥) |
|------------|-----------|------|------------------|-------|------------------|-------|------------|--------|--------------------------|
| First half | 173,000   | 7.0% | 18,500           | △4.5% | 29,000           | △9.4% | 21,000     | △6.1%  | 130.65                   |
| Full year  | 362,000   | 6.5% | 38,500           | 2.4%  | 55,000           | △1.4% | 40,000     | △35.7% | 248.86                   |

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

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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 2019, the period under review, the Japanese economy experienced a trend of moderate recovery due to an increase in capital investment supported by strong corporate performances, and an increase in exports accompanied by the continued recovery of overseas economies. Meanwhile, the global economy continued to be robust as a whole. This was primarily due to firm economies in the U.S., Europe, China, and Asia, despite concerns over protectionary trading policies by the U.S., and geopolitical risks.

In the Japanese auto industry, despite the decreased sales volume of newly registered vehicles, the production volume remained flat year on year due to an increase in exports. In overseas, the global automobile production volume increased year on year mainly due to the increased demand in China and Asia.

In this climate, despite an increase in new orders in the mainstay automotive lighting equipment segment and a shift in automobile lamps to LED, the KOITO Group's first-quarter net sales decreased 12.5% year on year to ¥191.8 billion. This is attributable to the status change of Shanghai Koito Automotive Lamp Co., Ltd. ("Shanghai Koito") from a consolidated company to a company accounted for by the equity-method in the end of September 2017, and non-consolidation of Shanghai Koito in the end of March 2018.

Results by geographical segment are outlined as follows.

#### **[Japan]**

While domestic automobile production volume remained flat, sales in Japan increased 3.0% year on year to ¥83.9 billion due to an increase in new orders and a shift in automobile lamps to LED.

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

Despite automobile production number counts slightly decreased, sales in North America was ¥48.0 billion, almost the same as the previous year.

#### **[China]**

Despite the increase in automobile production and expansion in new orders, sales in China decreased 62.0% year on year to ¥22.3 billion. This decrease was caused by the effect of non-consolidation of Shanghai Koito.

#### **[Asia]**

Sales in Asia increased 26.6% year on year to ¥26.8 billion. Sales growth was mainly driven by an increase in automobile production volume, an increase in new orders in Thailand and India, and a shift in motorcycle lamps to LED.

#### **[Europe]**

While automobile production volume remained flat, sales in Europe decreased 2.0% year on year to ¥10.5 billion. This was mainly attributable to the completion of new vehicle stage effects to our ordered products portfolio in this region.

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

KOITO's subsidiary, NAL Brasil commenced operations in May 2018. Sales in the region was ¥0.09 billion.

On the earnings front, although KOITO implemented rationalization in Japan and overseas, due to decreased sales and increased R&D expenses, operating income decreased 6.8% year on year to ¥21.7 billion, and recurring profit decreased 4.2% year on year to ¥23.4 billion. On the other hand, as KOITO recorded a loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade in the previous fiscal year, profit attributable to owners of parent increased 7.7% year on year to ¥15.7 billion.

### (2) Explanation Regarding Consolidated Financial Position

-1. Analysis of assets, liabilities and net assets

Total assets as of June 30, 2018 decreased ¥2.1 billion to ¥669.8 billion. This was mainly due to a decrease in current assets such as trade notes and accounts receivable.

Total liabilities as of June 30, 2018 decreased ¥8.1 billion to ¥219.1 billion mainly due to a decrease in trade notes and accounts payable, and income taxes payable.

Net assets as of June 30, 2018 increased ¥5.9 billion to ¥450.7 billion. This increase was mainly due to an increase in retained earnings.

-2. Analysis of cash flows

Operating activities provided net cash of ¥30.9 billion after payment of taxes, mainly reflecting income before income taxes of ¥23.0 billion and depreciation of ¥6.9 billion.

Investing activities used net cash of ¥6.5 billion, mainly reflecting acquisition of property and equipment of ¥14.1 billion.

Financing activities used net cash of ¥10.9 billion, the result mainly of reflecting repayment of debt of ¥1.3 billion and dividends paid of ¥9.6 billion.

As a result, cash and cash equivalents as of June 30, 2018 were ¥54.5 billion, ¥13.5 billion higher than on March 31, 2018.

**(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2019 and Other Future Projections**

As regards KOITO's business forecasts for fiscal 2019, the fiscal year ending March 31, 2019, despite the expansion of new orders and the market transition to LED automobile lamps in Japan and overseas, net sales are expected to decrease due to the effect of non-consolidation of Shanghai Koito.

On the earnings front, operating income, recurring profit, and profit attributable to owners of parent are all expected to decrease due to the effect of Shanghai Koito's non-consolidation, as well as an increase in R&D expenses.

The previously announced first half and full-year business forecasts (both consolidated and non-consolidated) for fiscal 2019 announced in the Consolidated Earnings Report for Fiscal 2018 on April 27, 2018, have been revised in the following manner.

Forecast of Consolidated Results

Forecast of the Second Quarter of Fiscal 2019 (April 1, 2018 to September 30, 2018)

(¥ millions)

|   | Net sales | Operating income | Recurring profit | Profit attributable to owners of parent | Net income per share (¥) |
|---|-----------|------------------|------------------|---|--------------------------|
| Previously Announced forecast (A)                                   | 377,000   | 44,000           | 45,000           | 28,000                                  | 174.20                   |
| Revised forecast (B)  | 387,000   | 46,000           | 48,000           | 32,000                                  | 199.09                   |
| Difference (B-A)  | 10,000    | 2,000            | 3,000            | 4,000                                   | —                        |
| Change (%)  | 2.7       | 4.5              | 6.7              | 14.3                                    | —                        |
| (Reference)<br>Actual results for the second quarter of fiscal 2018 | 445,671   | 49,688           | 52,312           | 29,156                                  | 181.42                   |

Forecast of Fiscal 2019 (April 1, 2018 to March 31, 2019)

(¥ millions)

|   | Net sales | Operating income | Recurring profit | Profit attributable to owners of parent | Net income per share (¥) |
|---|-----------|------------------|------------------|---|--------------------------|
| Previously Announced forecast (A)             | 795,000   | 98,000           | 100,000          | 66,000                                  | 410.62                   |
| Revised forecast (B)                          | 805,000   | 100,000          | 103,000          | 70,000                                  | 435.51                   |
| Difference (B-A)                              | 10,000    | 2,000            | 3,000            | 4,000                                   | —                        |
| Change (%)                                    | 1.3       | 2.0              | 3.0              | 6.1                                     | —                        |
| (Reference)<br>Actual results for fiscal 2018 | 848,868   | 103,785          | 107,945          | 83,397                                  | 518.90                   |

(Reference) Forecast of Non-Consolidated Results

Forecast of the Second Quarter of Fiscal 2019 (April 1, 2018 to September 30, 2018)

(¥ millions)

|   | Net sales | Operating income | Recurring profit | Net income | Net income per share (¥) |
|---|-----------|------------------|------------------|------------|--------------------------|
| Previously Announced forecast (A)                                   | 167,000   | 16,000           | 26,000           | 18,000     | 111.99                   |
| Revised forecast (B)  | 173,000   | 18,500           | 29,000           | 21,000     | 130.65                   |
| Difference (B-A)  | 6,000     | 2,500            | 3,000            | 3,000      | —                        |
| Change (%)  | 3.6       | 15.6             | 11.5             | 16.7       | —                        |
| (Reference)<br>Actual results for the second quarter of fiscal 2018 | 161,705   | 19,380           | 32,011           | 22,355     | 139.10                   |

Forecast of Fiscal 2019 (April 1, 2018 to March 31, 2019)

(¥ millions)

|   | Net sales | Operating income | Recurring profit | Net income | Net income per share (¥) |
|---|-----------|------------------|------------------|------------|--------------------------|
| Previously Announced forecast (A)             | 356,000   | 36,000           | 52,000           | 37,000     | 230.20                   |
| Revised forecast (B)                          | 362,000   | 38,500           | 55,000           | 40,000     | 248.86                   |
| Difference (B-A)                              | 6,000     | 2,500            | 3,000            | 3,000      | —                        |
| Change (%)                                    | 1.7       | 6.9              | 5.8              | 8.1        | —                        |
| (Reference)<br>Actual results for fiscal 2018 | 339,976   | 37,599           | 55,791           | 62,228     | 387.18                   |

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(¥ millions)

|  | Fiscal 2018          | First Quarter of Fiscal 2019 |
|--|----------------------|------------------------------|
|  | As of March 31, 2018 | As of June 30, 2018          |
| <b>Assets</b>  |                      |                              |
| <b>Current assets:</b>   |                      |                              |
| Cash and time deposits   | 260,644              | 265,835                      |
| Trade notes and accounts receivable  | 116,329              | 100,405                      |
| Electronically recorded monetary claims-operating                          | 13,154               | 12,552                       |
| Inventories  | 62,293               | 63,434                       |
| Other current assets   | 23,905               | 24,883                       |
| Allowance for doubtful accounts  | △503                 | △549                         |
| <b>Total current assets</b>  | <b>475,825</b>       | <b>466,561</b>               |
| <b>Non-current assets:</b>   |                      |                              |
| <b>Property, plant and equipment:</b>                                      |                      |                              |
| Buildings and structures (net)   | 37,735               | 39,721                       |
| Machinery and transportation equipment (net)                               | 51,000               | 54,314                       |
| Fixtures, equipment and tools (net)  | 13,592               | 14,794                       |
| Land   | 15,687               | 15,566                       |
| Construction in progress   | 15,918               | 15,137                       |
| <b>Total property, plant and equipment</b>                                 | <b>133,935</b>       | <b>139,533</b>               |
| <b>Intangible fixed assets</b>   | <b>2,419</b>         | <b>2,447</b>                 |
| <b>Investments and other assets:</b>                                       |                      |                              |
| Investment securities  | 49,707               | 49,849                       |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 60                   | 60                           |
| Deferred income tax assets   | 8,400                | 9,699                        |
| Other investments  | 1,994                | 2,010                        |
| Allowance for doubtful accounts  | △287                 | △291                         |
| <b>Total investments and other assets</b>                                  | <b>59,875</b>        | <b>61,328</b>                |
| <b>Total non-current assets</b>  | <b>196,230</b>       | <b>203,310</b>               |
| <b>Total assets</b>  | <b>672,055</b>       | <b>669,871</b>               |



(¥ millions)

|   | Fiscal 2018<br>As of March 31, 2018 | First Quarter of Fiscal 2019<br>As of June 30, 2018 |
|---|-------------------------------------|---|
| <b>Liabilities</b>  |                                     |   |
| <b>Current liabilities:</b>   |                                     |   |
| Trade notes and accounts payable  | 92,217                              | 88,958  |
| Electronically recorded monetary obligations-operating  | 10,757                              | 10,712  |
| Short-term loans  | 15,845                              | 16,029  |
| Accrued expenses  | 20,959                              | 23,550  |
| Income taxes payable  | 18,286                              | 6,612   |
| Allowance for employees' bonuses  | 5,189                               | 8,542   |
| Reserve for product warranties  | 3,035                               | 3,035   |
| Provision for loss related to the Act on Prohibition to<br>Private Monopolization and Maintenance of Fair Trade | 80                                  | 83  |
| Other current liabilities   | 10,721                              | 11,228  |
| <b>Total current liabilities</b>  | <b>177,092</b>                      | <b>168,754</b>                                      |
| <b>Non-current liabilities:</b>   |                                     |   |
| Long-term debt  | 13,083                              | 11,430  |
| Deferred income tax liabilities   | 4,499                               | 6,055   |
| Allowance for directors' and corporate auditors'<br>retirement benefits   | 424                                 | 437   |
| Reserve for product warranties  | 5,192                               | 5,192   |
| Allowance for environmental strategies  | 184                                 | 516   |
| Net defined liability for retirement benefits   | 24,974                              | 24,951  |
| Other non-current liabilities   | 1,795                               | 1,792   |
| <b>Total non-current liabilities</b>  | <b>50,154</b>                       | <b>50,375</b>                                       |
| <b>Total liabilities</b>  | <b>227,247</b>                      | <b>219,130</b>                                      |
| <b>Net assets</b>   |                                     |   |
| <b>Shareholders' equity:</b>  |                                     |   |
| Common stock  | 14,270                              | 14,270  |
| Additional paid-in capital  | 16,716                              | 16,752  |
| Retained earnings   | 350,903                             | 356,989   |
| Treasury common stock, at cost  | △54                                 | △54   |
| <b>Total shareholders' equity</b>   | <b>381,836</b>                      | <b>387,957</b>                                      |
| <b>Accumulated other comprehensive income:</b>  |                                     |   |
| Valuation adjustment on investment securities   | 23,969                              | 23,991  |
| Translation adjustments   | 3,902                               | 2,797   |
| Adjustments in defined benefit plans  | 394                                 | 264   |
| <b>Total accumulated other comprehensive income</b>   | <b>28,266</b>                       | <b>27,052</b>                                       |
| <b>Subscription rights to shares</b>  | <b>245</b>                          | <b>245</b>  |
| <b>Non-controlling interests</b>  | <b>34,460</b>                       | <b>35,484</b>                                       |
| <b>Total net assets</b>   | <b>444,808</b>                      | <b>450,741</b>                                      |
| <b>Total liabilities and net assets</b>   | <b>672,055</b>                      | <b>669,871</b>                                      |

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

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

(¥ millions)

|  | First Quarter of Fiscal 2018<br>April 1, 2017<br>to June 30, 2017 | First Quarter of Fiscal 2019<br>April 1, 2018<br>to June 30, 2018 |
|--|---|---|
| <b>Net sales</b>   | 219,340   | 191,860   |
| Cost of sales  | 180,698   | 157,605   |
| <b>Gross profit</b>  | 38,642  | 34,254  |
| Selling, general and administrative expenses   | 15,358  | 12,549  |
| <b>Operating income</b>  | 23,283  | 21,704  |
| Non-operating income:  |   |   |
| Interest income  | 192   | 360   |
| Dividends  | 650   | 613   |
| Equity in earnings of affiliates   | 6   | △1  |
| Foreign exchange income  | 2   | 523   |
| Other non-operating income   | 691   | 492   |
| Total non-operating income   | 1,543   | 1,988   |
| Non-operating expenses   |   |   |
| Interest expenses  | 239   | 191   |
| Other non-operating expenses   | 96  | 39  |
| Total non-operating expenses   | 335   | 231   |
| <b>Recurring profit</b>  | 24,491  | 23,462  |
| Extraordinary gains:   |   |   |
| Gain on sales of property and equipment  | 18  | 4   |
| Total extraordinary gains  | 18  | 4   |
| Extraordinary losses:  |   |   |
| Loss on sales and disposal of property and equipment   | 127   | 125   |
| Loss on provision for environmental measures   | —   | 332   |
| Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade | 1,575   | —   |
| Total extraordinary losses   | 1,702   | 457   |
| <b>Income before income taxes</b>  | 22,807  | 23,009  |
| Income taxes   | 5,857   | 5,444   |
| Income tax adjustment  | 597   | 351   |
| Total income taxes   | 6,454   | 5,795   |
| <b>Profit</b>  | 16,353  | 17,213  |
| (Break down)   |   |   |
| Profit attributable to owners of parent  | 14,600  | 15,730  |
| Profit attributable to non-controlling interests   | 1,753   | 1,483   |

|  | (¥ millions)   |  |
|--|--|--|
|  | First Quarter Fiscal 2018<br>April 1, 2017<br>to June 30, 2017 | First Quarter Fiscal 2019<br>April 1, 2018<br>to June 30, 2018 |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | 653  | 111  |
| Translation adjustments  | 2,732  | △1,633   |
| Adjustments in defined benefit plans                           | △47  | △127   |
| Total other comprehensive income                               | 3,338  | △1,649   |
| Comprehensive income   | 19,691   | 15,564   |
| (Break down)   |  |  |
| Comprehensive income attributable to owners of parent          | 17,331   | 14,516   |
| Comprehensive income attributable to non-controlling interests | 2,359  | 1,047  |

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

(¥ millions)

|  | First Quarter of Fiscal 2018<br>April 1, 2017 to<br>June 30, 2017 | First Quarter of Fiscal 2019<br>April 1, 2018 to<br>June 30, 2018 |
|--|---|---|
| <b>Cash flows from operating activities</b>  |   |   |
| Income before income taxes   | 22,807  | 23,009  |
| Depreciation   | 7,449   | 6,966   |
| Share-based compensation expenses  | —   | 48  |
| Equity in earnings of affiliated companies   | △6  | 1   |
| Provision for allowance for doubtful accounts  | △266  | 49  |
| Net defined liability for retirement benefits  | △105  | △206  |
| Provision for reserve for bonuses  | 2,995   | 3,353   |
| Interest and dividends received  | △842  | △974  |
| Interest payments  | 239   | 191   |
| Loss on sale of property and equipment   | 109   | 120   |
| Loss on provision for environmental measures   | —   | 332   |
| Loss related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade | 1,575   | —   |
| Decrease in trade notes and accounts receivable  | 12,719  | 16,780  |
| Increase in inventories  | △184  | △1,106  |
| Increase or decrease in other current assets   | 2,909   | △930  |
| Decrease in trade notes and accounts payable   | △10,680   | △3,420  |
| Increase in accrued expenses and other current liabilities                                     | 2,905   | 2,474   |
| Others   | 184   | 486   |
| Sub total  | 41,808  | 47,175  |
| Interest and dividends received  | 842   | 974   |
| Interest paid  | △239  | △191  |
| Income taxes paid  | △12,142   | △17,027   |
| <b>Net cash provided by operating activities</b>   | <b>30,269</b>   | <b>30,931</b>   |
| <b>Cash flows from investing activities</b>  |   |   |
| Payments into time deposits  | △36,139   | △41,543   |
| Proceeds from time deposits  | 32,665  | 49,409  |
| Payments for purchase of marketable and investment securities                                  | △5  | △5  |
| Proceeds from sale of marketable and investment securities                                     | 0   | —   |
| Acquisition of property and equipment  | △9,477  | △14,100   |
| Proceeds from sale and disposal of property and equipment                                      | 15  | △77   |
| Payments for new loans   | △0  | △0  |
| Proceeds from loan repayments  | 3   | 1   |
| Others   | 296   | △279  |
| <b>Net cash used in investing activities</b>   | <b>△12,642</b>  | <b>△6,596</b>   |
| <b>Cash flows from financing activities</b>  |   |   |
| Decrease in short-term loans   | △1,053  | △276  |
| Increase in long-term debt   | 503   | 339   |
| Repayment of long-term debt  | △1,100  | △1,364  |
| Payments for repurchase of treasury stock  | △0  | △0  |
| Dividends paid by parent company   | △5,020  | △8,895  |
| Dividends paid to non-controlling interests  | △627  | △795  |
| <b>Net cash used in financing activities</b>   | <b>△7,297</b>   | <b>△10,993</b>  |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                            | <b>779</b>  | <b>180</b>  |
| <b>Increase in cash and cash equivalents</b>   | <b>11,109</b>   | <b>13,522</b>   |
| <b>Cash and cash equivalents at beginning of quarter</b>                                       | <b>39,500</b>   | <b>41,050</b>   |
| <b>Cash and cash equivalents at end of quarter</b>   | <b>50,609</b>   | <b>54,572</b>   |

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

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

None

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

KOITO has adopted the "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) No. 28, issued on February 16, 2018) in the first quarter of fiscal year ending March 31, 2019, and have indicated deferred income tax assets under investments and other assets, and deferred income tax liabilities under non-current liabilities.

(Segment Information)

【Segment Information】

I. 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    | 4,832  | 2             | 662    | 1,519  | 28     | —             | 7,045   | (7,045)             | —   |
| Total                                | 86,305 | 47,148        | 59,384 | 22,761 | 10,786 | —             | 226,386 | (7,045)             | 219,340   |
| Segment operating income or loss (△) | 13,036 | 4,634         | 4,135  | 1,839  | 697    | △35           | 24,308  | (1,024)             | 23,283  |

Notes 1. The ¥△1,024 million adjustment in segment operating income or loss includes ¥319 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

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

II. First Quarter of fiscal 2019 (April 1, 2018 to June 30, 2018)

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           | 83,939 | 48,055        | 22,332 | 26,895 | 10,537 | 99            | 191,860 | —                   | 191,860   |
| Inter-segment sales and transfers    | 7,197  | 1             | 1,138  | 1,581  | 45     | 2             | 9,967   | (9,967)             | —   |
| Total                                | 91,136 | 48,057        | 23,471 | 28,476 | 10,583 | 101           | 201,827 | (9,967)             | 191,860   |
| Segment operating income or loss (△) | 12,199 | 3,729         | 3,479  | 2,919  | 1,129  | △430          | 23,026  | (1,321)             | 21,704  |

Notes 1. The ¥△1,321 million adjustment in segment operating income or loss includes ¥224 million in intersegment eliminations and ¥△1,546 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, India and Malaysia
- (3) Europe: United Kingdom and Czech Republic
- (4) Other regions: Brazil

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