



Consolidated Earnings Report for the First Quarter of Fiscal 2020 [Japanese GAAP]

July 25, 2019

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:	August 1, 2019
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 2020 (April 1, 2019 to June 30, 2019)

(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 2020	197,048	2.7%	19,546	△9.9%	20,142	△14.2%	13,959	△11.3%
Fiscal 2019	191,860	△12.5%	21,704	△6.8%	23,462	△4.2%	15,730	7.7%

Note: Comprehensive income or loss : June 30, 2019: ¥9,325 million (△40.1%), June 30, 2018: ¥15,564 million (△21.0%)

First Quarter	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2020	86.85	86.82
Fiscal 2019	97.87	97.83

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
June 30, 2019	726,542	495,111	63.4	2,867.34
March 31, 2019	738,175	503,564	62.5	2,870.24

Note: Equity: June 30, 2019: ¥ 460,871 million, March 31, 2019: ¥ 461,336 million

2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2019	—	40.00	—	52.00	92.00
Fiscal 2020	—				
Fiscal 2020 (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, 2019 and March 31, 2020 record date are currently undecided.

3. Forecast of Consolidated Results for Fiscal 2020 (April 1, 2019 to March 31, 2020)

(¥ 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	397,000	1.1%	42,000	△9.7%	43,000	△12.0%	29,000	△12.5%	180.43
Full year	825,000	△0.2%	92,000	△9.4%	94,000	△10.9%	63,000	△13.6%	391.96

Note: Revisions to recent consolidated business forecasts: None

***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 2020, 1Q	160,789,436	Fiscal 2019	160,789,436
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② Number of treasury stock:

Fiscal 2020, 1Q	58,220	Fiscal 2019	58,220
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③ Average number of stock during the first quarter:

Fiscal 2020, 1Q	160,731,216	Fiscal 2019, 1Q	160,731,329
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*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 2020 (April 1, 2019 to March 31, 2020)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	178,000	3.9%	15,000	△21.5%	27,000	△12.4%	21,500	△7.7%	133.76
Full year	362,000	△0.6%	31,000	△19.2%	51,000	△10.0%	39,000	△11.6%	242.64

Note: Revisions to recent non-consolidated business forecasts: None

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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 2020, the period under review, the Japanese economy showed a trend of moderate recovery due to the robust personal consumption and other factors. The global economic growth slowed down as a whole due to the economic slowdown in China caused by the intensifying trade tensions between U.S. and China, the political turmoil in Europe, and geopolitical risks.

In the Japanese auto industry, the production volume increased year on year due to the brisk sales of newly registered vehicles and mini vehicles. The global automobile production volume decreased year on year due mainly to the decreased production volume in China, Europe, North America, and India.

In this climate, the KOITO Group's first-quarter net sales increased 2.7% year on year to ¥197.0 billion, led by an increase in new orders in the mainstay automotive lighting equipment segment and a shift in automobile lamps to LED.

Results by geographical segment are outlined as follows.

[Japan]

Sales in Japan increased 7.4% year on year to ¥90.1 billion. Sales growth was mainly driven by an increase in automobile production volume, and an increase in new orders and a shift in automobile lamps to LED.

[North America]

Despite the decrease in automobile production volume, sales in North America was ¥47.7 billion, almost the same as the previous year. This was due to an increase in new orders and a shift in automobile lamps to LED.

[China]

Despite the decrease in automobile production volume, sales in China increased 2.1% year on year to ¥22.7 billion due to an increase in new orders and a shift in automobile lamps to LED.

[Asia]

Sales in Asia decreased 7.7% year on year to ¥24.8 billion. This was mainly attributable to the decrease in automobile production volume and the completion of current round of new vehicle stage effects in Thailand and India.

[Europe]

Sales in Europe decreased 3.9% year on year to ¥10.1 billion. This was mainly attributable to the decrease in automobile production volume and the completion of current round of new vehicle stage effects or the end of production of some of our ordered products portfolio in this region.

[Other regions]

KOITO's subsidiary, NAL Brasil commenced operations in May 2018. Sales in the region was ¥1.4 billion.

On the earnings front, although KOITO implemented rationalization in Japan and overseas, operating income decreased 9.9% year on year to ¥19.5 billion, recurring profit decreased 14.2% year on year to ¥20.1 billion, and profit attributable to owners of parent decreased 11.3% year on year to ¥13.9 billion. This was attributable to increased R&D expenses and depreciation cost for strengthening the production capability.

(2) Explanation Regarding Consolidated Financial Position

-1. Analysis of assets, liabilities and net assets

Total assets as of June 30, 2019 decreased ¥11.6 billion to ¥726.5 billion. This was mainly due to a decrease in trade notes and accounts receivable, and a decrease in cash and time deposits caused by the settlement of a tender offer of shares in KI HOLDINGS CO., LTD.

Total liabilities as of June 30, 2019 decreased ¥3.1 billion to ¥231.4 billion mainly due to a decrease in trade notes, accounts payable, and debt.

Net assets as of June 30, 2019 decreased ¥8.4 billion to ¥495.1 billion mainly due to a decrease in non-controlling interests caused by a tender offer of shares in KI HOLDINGS CO., LTD.

-2. Analysis of cash flows

Operating activities provided net cash of ¥34.4 billion after payment of taxes, mainly reflecting income before income taxes of ¥19.9 billion and depreciation of ¥7.5 billion.

Investing activities used net cash of ¥12.2 billion, mainly reflecting acquisition of property and equipment of ¥14.1 billion.

Financing activities used net cash of ¥19.2 billion, the result mainly reflecting the acquisition of subsidiary share caused by a tender offer of shares in KI HOLDINGS CO., LTD. of ¥7.9 billion, and dividends paid of ¥9.1 billion.

As a result, cash and cash equivalents as of June 30, 2019 were ¥100.2 billion, ¥2.2 billion higher than on March 31, 2019.

(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2020 and Other Future Projections

As regards KOITO's business forecasts for fiscal 2020, the fiscal year ending March 31, 2020, the global automobile production volume is expected to remain flat. Although new orders and the market transition to LED automobile lamps are expected to expand, net sales are expected to decrease slightly due to the effect of the currency exchange.

On the earnings front, operating income, recurring profit, and profit attributable to owners of parent are all expected to decrease due mainly to the effect of currency exchange, an increase in R&D expenses and the increase in depreciation cost for strengthening of production capability.

The previously announced first half and full-year business forecasts (both consolidated and non-consolidated) for fiscal 2020 announced in the Consolidated Earnings Report for Fiscal 2019 on April 23, 2019, have not been revised.

2. Quarterly Consolidated Financial Statements and Notes
(1) Quarterly Consolidated Balance Sheets

(¥ millions)

	Fiscal 2019 As of March 31, 2019	First Quarter of Fiscal 2020 As of June 30, 2019
Assets		
Current assets:		
Cash and time deposits	287,803	284,345
Trade notes and accounts receivable	118,116	100,295
Electronically recorded monetary claims-operating	13,355	13,217
Inventories	66,632	65,138
Other current assets	28,179	32,239
Allowance for doubtful accounts	△517	△529
Total current assets	513,569	494,706
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	45,599	45,153
Machinery and transportation equipment (net)	60,475	59,947
Fixtures, equipment and tools (net)	15,545	15,554
Land	16,430	16,285
Construction in progress	20,718	27,165
Total property, plant and equipment	158,769	164,105
Intangible fixed assets	3,183	3,191
Investments and other assets:		
Investment securities	43,963	46,100
Claims provable in bankruptcy, claims provable in rehabilitation and other	60	60
Deferred income tax assets	13,621	13,616
Assets for retirement benefits	2,401	2,410
Other investments	2,897	2,639
Allowance for doubtful accounts	△291	△288
Total investments and other assets	62,652	64,538
Total non-current assets	224,605	231,835
Total assets	738,175	726,542

(¥ millions)

	Fiscal 2019 As of March 31, 2019	First Quarter of Fiscal 2020 As of June 30, 2019
Liabilities		
Current liabilities:		
Trade notes and accounts payable	93,816	88,441
Electronically recorded monetary obligations-operating	12,079	12,559
Short-term loans	23,507	23,888
Accrued expenses	24,222	26,022
Income taxes payable	5,691	3,486
Allowance for employees' bonuses	5,455	8,968
Reserve for product warranties	2,584	2,584
Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	83	—
Other current liabilities	15,826	17,601
Total current liabilities	183,265	183,552
Non-current liabilities:		
Long-term debt	8,975	5,765
Deferred income tax liabilities	6,529	6,697
Allowance for directors' and corporate auditors' retirement benefits	478	495
Reserve for product warranties	5,437	5,437
Allowance for environmental strategies	206	206
Net defined liability for retirement benefits	27,977	27,619
Other non-current liabilities	1,741	1,658
Total non-current liabilities	51,345	47,878
Total liabilities	234,611	231,430
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	16,759	15,624
Retained earnings	407,725	413,326
Treasury common stock, at cost	△55	△55
Total shareholders' equity	438,700	443,166
Accumulated other comprehensive income:		
Valuation adjustment on investment securities	19,857	19,346
Translation adjustments	3,473	△781
Adjustments in defined benefit plans	△694	△861
Total accumulated other comprehensive income	22,636	17,704
Subscription rights to shares	245	245
Non-controlling interests	41,981	33,994
Total net assets	503,564	495,111
Total liabilities and net assets	738,175	726,542

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(First quarter, for the three months ended June 30)

(¥ millions)

	First Quarter of Fiscal 2019 April 1, 2018 to June 30, 2018	First Quarter of Fiscal 2020 April 1, 2019 to June 30, 2019
Net sales	191,860	197,048
Cost of sales	157,605	164,421
Gross profit	34,254	32,626
Selling, general and administrative expenses	12,549	13,080
Operating income	21,704	19,546
Non-operating income:		
Interest income	360	386
Dividends	613	591
Equity in earnings of affiliates	△1	—
Foreign exchange income	523	—
Other non-operating income	492	496
Total non-operating income	1,988	1,474
Non-operating expenses		
Interest expenses	191	235
Shares of loss of entities accounted for using equity method	—	2
Foreign exchange losses	—	453
Other non-operating expenses	39	187
Total non-operating expenses	231	879
Recurring profit	23,462	20,142
Extraordinary gains:		
Gain on sales of property and equipment	4	5
Total extraordinary gains	4	5
Extraordinary losses:		
Loss on sales and disposal of property and equipment	125	139
Loss on valuation of investment securities	—	14
Loss on provision for environmental measures	332	—
Total extraordinary losses	457	154
Income before income taxes	23,009	19,993
Income taxes	5,444	4,608
Income tax adjustment	351	419
Total income taxes	5,795	5,027
Profit	17,213	14,965
(Break down)		
Profit attributable to owners of parent	15,730	13,959
Profit attributable to non-controlling interests	1,483	1,006

	(¥ millions)	
	First Quarter Fiscal 2019 April 1, 2018 to June 30, 2018	First Quarter Fiscal 2020 April 1, 2019 to June 30, 2019
Other comprehensive income		
Valuation difference on available-for-sale securities	111	△696
Translation adjustments	△1,633	△4,783
Adjustments in defined benefit plans	△127	△160
Total other comprehensive income	<u>△1,649</u>	<u>△5,639</u>
Comprehensive income	<u>15,564</u>	<u>9,325</u>
(Break down)		
Comprehensive income attributable to owners of parent	14,516	9,027
Comprehensive income attributable to non-controlling interests	1,047	298

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	First Quarter of Fiscal 2019 April 1, 2018 to June 30, 2018	First Quarter of Fiscal 2020 April 1, 2019 to June 30, 2019
Cash flows from operating activities		
Income before income taxes	23,009	19,993
Depreciation	6,966	7,580
Share-based compensation expenses	48	—
Equity in earnings of affiliated companies	1	2
Provision for allowance for doubtful accounts	49	19
Decrease in retirement benefit asset and liability	△206	△495
Provision for reserve for bonuses	3,353	3,511
Interest and dividends received	△974	△978
Interest payments	191	235
Gain on sale of marketable and investment securities	—	14
Loss on sale of property and equipment	120	133
Loss on provision for environmental measures	332	—
Decrease in trade notes and accounts receivable	16,780	16,441
Increase or decrease in inventories	△1,106	130
Increase in other current assets	△930	△4,716
Decrease in trade notes and accounts payable	△3,420	△3,497
Increase in accrued expenses and other current liabilities	2,474	2,197
Others	486	△39
Sub total	47,175	40,533
Interest and dividends received	974	978
Interest paid	△191	△235
Income taxes paid	△17,027	△6,798
Net cash provided by operating activities	30,931	34,477
Cash flows from investing activities		
Payments into time deposits	△41,543	△40,937
Proceeds from time deposits	49,409	45,703
Payments for purchase of marketable and investment securities	△5	△118
Proceeds from sale of marketable and investment securities	—	0
Purchase of shares of subsidiaries and associates	—	△2,668
Acquisition of property and equipment	△14,100	△14,121
Proceeds from sale and disposal of property and equipment	△77	35
Payments for new loans	△0	△0
Proceeds from loan repayments	1	2
Others	△279	△132
Net cash used in investing activities	△6,596	△12,237

(¥ millions)

	First Quarter of Fiscal 2019 April 1, 2018 to June 30, 2018	First Quarter of Fiscal 2020 April 1, 2019 to June 30, 2019
Cash flows from financing activities		
Decrease in short-term loans	△276	△303
Increase in long-term debt	339	159
Repayment of long-term debt	△1,364	△2,008
Payments for repurchase of treasury stock	△0	—
Purchase of shares in subsidiaries resulting in change in scope of consolidation	—	△7,950
Dividends paid by parent company	△8,895	△7,724
Dividends paid to non-controlling interests	△795	△1,440
Net cash used in financing activities	△10,993	△19,269
Effect of exchange rate changes on cash and cash equivalents	180	△745
Increase in cash and cash equivalents	13,522	2,226
Cash and cash equivalents at beginning of quarter	41,050	97,993
Cash and cash equivalents at end of quarter	54,572	100,219

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

Based on the resolution of the Board of Directors held on April 23, 2019, KOITO had acquired common shares in KI HOLDINGS CO., LTD. through a tender offer on June 19, 2019. As a result, additional paid-in capital decreased by ¥1,134 million in the first quarter of Fiscal 2020, and stood at ¥15,624 million as of June 30, 2019.

(Segment Information)

【Segment Information】

I. 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.

II. First Quarter of fiscal 2020 (April 1, 2019 to June 30, 2019)

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	90,127	47,711	22,794	24,831	10,124	1,459	197,048	—	197,048
Inter-segment sales and transfers	5,994	16	2,765	1,286	21	4	10,089	(10,089)	—
Total	96,121	47,727	25,559	26,117	10,146	1,464	207,137	(10,089)	197,048
Segment operating income or loss (△)	10,731	3,771	3,051	2,723	632	△45	20,865	(1,318)	19,546

Notes 1. The ¥△1,318 million adjustment in segment operating income or loss includes ¥231 million in intersegment eliminations and ¥△1,550 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.