



## Consolidated Earnings Report for the First Quarter of Fiscal 2021 [Japanese GAAP]

July 28, 2020

Company Name:	<b>KOITO MANUFACTURING CO., LTD.</b>
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	7276
URL:	<a href="https://www.koito.co.jp">https://www.koito.co.jp</a>
Representative Director:	Hiroshi Mihara, President
Inquiries:	Hideharu Konagaya, Senior Managing Director
Tel:	+81-3-3443-7111
Filing of Quarterly Securities Report:	August 3, 2020
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 2021 (April 1, 2020 to June 30, 2020)

#### (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 2021	108,296 $\triangle 45.0\%$	$\triangle 7,405$ —	$\triangle 5,993$ —	$\triangle 4,938$ —
Fiscal 2020	197,048 2.7%	19,546 $\triangle 9.9\%$	20,142 $\triangle 14.2\%$	13,959 $\triangle 11.3\%$

Note: Comprehensive income or loss : June 30, 2020: ¥ $\triangle 314$  million (—%), June 30, 2019: ¥9,325 million ( $\triangle 40.1\%$ )

First Quarter	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2021	$\triangle 30.72$	—
Fiscal 2020	86.85	86.82

#### (2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
June 30, 2020	696,670	508,064	68.3	2,960.73
March 31, 2020	729,715	513,524	65.8	2,989.43

Note: Equity: June 30, 2020: ¥ 475,890 million, March 31, 2020: ¥ 480,503 million

### 2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2020	—	52.00	—	20.00	72.00
Fiscal 2021	—				
Fiscal 2021 (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, 2020 and March 31, 2021 record date are currently undecided.

### 3. Forecast of Consolidated Results for Fiscal 2021 (April 1, 2020 to March 31, 2021)

(¥ 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	267,000 $\triangle 33.1\%$	$\triangle 2,000$ —	0 —	$\triangle 2,500$ —	$\triangle 15.55$
Full year	620,000 $\triangle 22.6\%$	18,000 $\triangle 78.2\%$	21,000 $\triangle 75.4\%$	10,000 $\triangle 82.8\%$	62.21

Note: Revisions to recent consolidated business forecasts: Yes

For details, please refer to the "Announcement Regarding the Business Results Forecast for Fiscal 2021" announced today.

**\*Notes**

(1) Changes to important subsidiaries during the first quarter of fiscal 2021 (changes in specified subsidiaries resulting in revised scope of consolidation): Yes

Excluded Company: 1; KI HOLDINGS CO., LTD.

Note: For details, please refer to the attached material P.9 “2. Quarterly Consolidated Financial Statement and Notes

(4)Note on Quarterly Consolidated Financial Statements (Changes to important subsidiaries during the first quarter of fiscal 2021)”.

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, accounting estimates and restatements

①Changes in accounting policies in conjunction with revisions to accounting standards: None

②Other changes: None

③Changes in accounting estimates: None

④Restatements: None

(4) Number of shares issued (common stock)

①Number of shares issued (including treasury stock):

Fiscal 2021, 1Q	160,789,436	Fiscal 2020	160,789,436
-----------------	-------------	-------------	-------------

②Number of treasury stock:

Fiscal 2021, 1Q	55,461	Fiscal 2020	55,390
-----------------	--------	-------------	--------

③Average number of stock during the first quarter:

Fiscal 2021, 1Q	160,734,000	Fiscal 2020, 1Q	160,731,216
-----------------	-------------	-----------------	-------------

\*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 2021 (April 1, 2020 to March 31, 2021)**

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	121,000	△33.1%	△1,000	—	11,500	△60.7%	17,500	△25.4%	108.88
Full year	267,000	△25.1%	2,000	△92.2%	18,500	△60.4%	22,000	△47.2%	136.87

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

For details, please refer to the “Announcement Regarding the Business Results Forecast for Fiscal 2021” announced today.

## Table of Contents of Supplementary Materials

1. Qualitative Information Concerning Quarterly Financial Statements and Other Matters.....	2
(1) Explanation Regarding Consolidated Operating Results.....	2
(2) Explanation Regarding Consolidated Financial Position.....	2
(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2021 and Other Future Projections.....	3
2. Quarterly Consolidated Financial Statements and Notes.....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	6
First quarter, for the three months ended June 30.....	6
(3) Quarterly Consolidated Statements of Cash Flows.....	8
(4) Notes on Quarterly Consolidated Financial Statements.....	9
(Going Concern Assumption) .....	9
(Note Regarding Significant Changes in Shareholders' Equity)	9
(Changes to important subsidiaries during the first quarter of fiscal 2021).....	9
(Segment Information).....	10

## 1. Qualitative Information Concerning Quarterly Financial Statements and Other Matters

### (1) Explanation Regarding Consolidated Operating Results

During the first quarter of fiscal 2021, the period under review, with the worldwide spread of the novel coronavirus, global economic activity stagnated and confused significantly due to lockdowns in overseas cities and a state of emergency declared by the Japanese government. As a result, consumer spending was sluggish, corporate earnings and employment situation deteriorated, and the global economy experienced rapid recession which led to economic downturn in Japan, the U.S., Europe, and Asian countries, and sluggish growth in China.

In the auto industry, the slowdown of automobile sales volume for both domestic and overseas, and the impact of the spread of the novel coronavirus resulted in worldwide temporary suspension of automobile production. In Japan, the automobile production volume for both domestic and overseas decreased significantly year on year. Overseas, although the automobile production volume in China showed a trend of recovery, production volume decreased in Americas, Europe, ASEAN countries and India. As a result, the global automobile production volume decreased drastically year on year.

In this climate, the KOITO Group's net sales for the first quarter of fiscal 2021 decreased 45.0% year on year to ¥108.2 billion due to the significant decrease in sales in mainstay automotive lighting equipment segment caused by a decrease in the automobile production volume.

Results by geographical segment are outlined as follows.

#### **[Japan]**

Sales in Japan decreased 36.3% year on year to ¥57.4 billion. This was attributable to a production reduction resulted from a significant decrease in the automobile production volume.

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

Sales in North America decreased 65.5% year on year to ¥16.4 billion due to a steep decrease in the automobile production volume and the suspension of production at subsidiaries in the U.S. and Mexico.

#### **[China]**

Despite the automobile production volume showed a trend of recovery, sales in China decreased 9.3% year on year to ¥20.6 billion due to the effect of currency exchange.

#### **[Asia]**

Sales in Asia decreased 55.3% year on year to ¥11.1 billion. This was attributable to a production suspension and production reduction at Asian subsidiaries resulted from a decrease in automobile production volume.

#### **[Europe]**

Sales in Europe decreased 74.1% year on year to ¥2.6 billion due to a decrease in automobile production volume and the suspension of production at subsidiaries in the U.K. and Czech Republic.

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

Sales in the other region decreased 96.7% year on year to ¥48 million due to the suspension of production at Brazilian subsidiary.

On the earnings front, although the KOITO Group companies' aggressive efforts on rationalization, including cutting costs, operating loss was ¥7.4 billion, recurring loss was ¥5.9 billion, and loss attributable to owners of parent was ¥4.9 billion. This was attributable to a rapid and significant decrease in global automobile production volume.

### (2) Explanation Regarding Consolidated Financial Position

-1. Analysis of assets, liabilities and net assets

Total assets as of June 30, 2020 decreased ¥33.0 billion to ¥696.6 billion. This was mainly due to a decrease in trade notes and accounts receivable.

Total liabilities as of June 30, 2020 decreased ¥27.5 billion to ¥188.6 billion due to a decrease in account payable, and debt.

Net assets as of June 30, 2020 decreased ¥5.4 billion to ¥508.0 billion due to a decrease in retained earnings caused by net loss attributable to owners of parent and dividends paid.

## -2. Analysis of cash flows

Operating activities provided net cash of ¥10.5 billion after payment of taxes, mainly reflecting depreciation of ¥8.5 billion.

Investing activities acquired net cash of ¥14.7 billion, mainly reflecting acquisition of property and equipment of ¥8.2 billion while acquiring a time deposits reimburse of ¥44.9 billion.

Financing activities used net cash of ¥10.6 billion, the result mainly of reflecting dividends paid of ¥3.9 billion.

As a result, cash and cash equivalents as of June 30, 2020 were ¥118.8 billion, ¥14.6 billion higher than on March 31, 2020.

### **(3) Explanation Regarding Forecasts for Fiscal 2021 and Other Future Projections**

The business climate surrounding KOITO is extremely challenging, as the Japanese and global economies are expected to show a significant recession due to sluggish consumer spending, deteriorating corporate earnings and employment situation caused by the expansion of the novel coronavirus pandemic, and intensifying trade dispute between the U.S. and China.

In the automobile industry, global automobile production volume is expected to decrease significantly year on year due to sluggish demand for automobiles, and the impact of production suspension and production reduction in the first half of the fiscal year.

Regarding KOITO's business forecast for fiscal 2021, the year ending March 31, 2021, net sales are expected to decrease year on year, despite an increase in new orders and a shift in automobile lamps to LED in the mainstay automotive lighting equipment segment, due largely to the significant impact of decrease in global automobile production volume.

On the earnings front, operating income, recurring profit, and profit attributable to owners of parent are all expected to decrease due mainly to a decrease in sales, the effect of currency exchange and an increase in depreciation cost.

In addition to strengthening its order winning marketing activities, the KOITO group will aggressively promote cost-cutting and other rationalization measures, and continue efforts to improve its business performance.

For details of the forecasts, please refer to the "Announcement Regarding the Business Results Forecast for Fiscal 2021" announced today.

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

(¥ millions)

	Fiscal 2020 As of March 31, 2020	First Quarter of Fiscal 2021 As of June 30, 2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	271,774	265,301
Trade notes and accounts receivable	107,872	74,939
Electronically recorded monetary claims-operating	12,816	10,173
Inventories	65,544	74,225
Other current assets	34,505	31,807
Allowance for doubtful accounts	△ 362	△ 371
<b>Total current assets</b>	<b>492,150</b>	<b>456,075</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures (net)	49,552	49,406
Machinery and transportation equipment (net)	66,417	66,414
Fixtures, equipment and tools (net)	17,050	17,978
Land	16,028	16,505
Construction in progress	21,033	20,368
<b>Total property, plant and equipment</b>	<b>170,082</b>	<b>170,673</b>
<b>Intangible fixed assets</b>	<b>3,193</b>	<b>2,985</b>
<b>Investments and other assets:</b>		
Investment securities	45,701	47,813
Claims provable in bankruptcy, claims provable in rehabilitation and other	59	59
Deferred income tax assets	14,711	15,359
Assets for retirement benefits	1,599	1,605
Other investments	2,504	2,383
Allowance for doubtful accounts	△ 288	△ 287
<b>Total investments and other assets</b>	<b>64,288</b>	<b>66,934</b>
<b>Total non-current assets</b>	<b>237,564</b>	<b>240,594</b>
<b>Total assets</b>	<b>729,715</b>	<b>696,670</b>

(¥ millions)

	Fiscal 2020 As of March 31, 2020	First Quarter of Fiscal 2021 As of June 30, 2020
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade notes and accounts payable	85,737	67,596
Electronically recorded monetary obligations-operating	8,692	6,062
Short-term loans	29,171	22,499
Accrued expenses	21,073	21,557
Income taxes payable	7,147	2,869
Allowance for employees' bonuses	5,332	8,747
Reserve for product warranties	2,517	2,450
Allowance for expenses for damages	91	—
Allowance for environmental strategies	40	—
Other current liabilities	13,888	15,011
<b>Total current liabilities</b>	<b>173,690</b>	<b>146,794</b>
<b>Non-current liabilities:</b>		
Long-term debt	355	229
Deferred income tax liabilities	6,221	5,578
Allowance for directors' and corporate auditors' retirement benefits	266	278
Reserve for product warranties	5,796	5,832
Allowance for environmental strategies	4	4
Net defined liability for retirement benefits	28,027	27,983
Other non-current liabilities	1,827	1,905
<b>Total non-current liabilities</b>	<b>42,500</b>	<b>41,811</b>
<b>Total liabilities</b>	<b>216,190</b>	<b>188,606</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Common stock	14,270	14,270
Additional paid-in capital	13,373	13,373
Retained earnings	449,031	440,810
Treasury common stock, at cost	△53	△53
<b>Total shareholders' equity</b>	<b>476,622</b>	<b>468,401</b>
<b>Accumulated other comprehensive income:</b>		
Valuation adjustment on investment securities	14,822	16,695
Translation adjustments	△ 9,333	△7,742
Adjustments in defined benefit plans	△ 1,608	△1,464
<b>Total accumulated other comprehensive income</b>	<b>3,880</b>	<b>7,488</b>
<b>Subscription rights to shares</b>	<b>231</b>	<b>231</b>
<b>Non-controlling interests</b>	<b>32,789</b>	<b>31,942</b>
<b>Total net assets</b>	<b>513,524</b>	<b>508,064</b>
<b>Total liabilities and net assets</b>	<b>729,715</b>	<b>696,670</b>

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

(¥ millions)

	First Quarter of Fiscal 2020 April 1, 2019 to June 30, 2019	First Quarter of Fiscal 2021 April 1, 2020 to June 30, 2020
<b>Net sales</b>	197,048	108,296
Cost of sales	164,421	106,565
<b>Gross profit</b>	32,626	1,731
Selling, general and administrative expenses	13,080	9,136
<b>Operating income or loss</b>	19,546	△7,405
Non-operating income:		
Interest income	386	306
Dividends	591	498
Other non-operating income	496	1,104
Total non-operating income	1,474	1,909
Non-operating expenses		
Interest expenses	235	168
Shares of loss of entities accounted for using equity method	2	146
Foreign exchange losses	453	121
Other non-operating expenses	187	61
Total non-operating expenses	879	497
<b>Recurring profit or loss</b>	20,142	△5,993
Extraordinary gains:		
Gain on sales of property and equipment	5	2
Gain on sales of investment securities	—	0
Total extraordinary gains	5	2
Extraordinary losses:		
Loss on sales and disposal of property and equipment	139	191
Loss on valuation of investment securities	14	—
Total extraordinary losses	154	191
<b>Income or loss before income taxes</b>	19,993	△6,182
Total income taxes	5,027	△1,285
Net income or loss	14,965	△4,896
(Break down)		
Profit or loss attributable to owners of parent	13,959	△4,938
Profit attributable to non-controlling interests	1,006	41

(¥ millions)

	First Quarter Fiscal 2020 April 1, 2019 to June 30, 2019	First Quarter Fiscal 2021 April 1, 2020 to June 30, 2020
Other comprehensive income		
Valuation adjustment on marketable securities	△696	1,874
Translation adjustments	△4,783	2,583
Adjustments in defined benefit plans	△160	144
Share of other comprehensive income of entities accounted for using equity method	—	△20
Total other comprehensive income	△5,639	4,582
Comprehensive income	9,325	△314
(Break down)		
Comprehensive income attributable to owners of parent	9,027	△1,330
Comprehensive income attributable to non-controlling interests	298	△1,015

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

(¥ millions)

	First Quarter of Fiscal 2020 April 1, 2019 to June 30, 2019	First Quarter of Fiscal 2021 April 1, 2020 to June 30, 2020
<b>Cash flows from operating activities</b>		
Income or loss before income taxes	19,993	△6,182
Depreciation	7,580	8,548
Equity in earnings of affiliated companies	2	146
Provision for allowance for doubtful accounts	19	7
Increase or decrease in retirement benefit asset and liability	△495	97
Provision for reserve for bonuses	3,511	3,391
Reserve for product warranties	—	△31
Interest and dividends received	△978	△805
Interest payments	235	168
Gain on sale of marketable and investment securities	—	△0
Loss on valuation of marketable and investment securities	14	—
Loss on sale of property and equipment	133	188
Decrease in trade notes and accounts receivable	16,441	35,944
Increase or decrease in inventories	130	△8,461
Increase or decrease in other current assets	△4,716	2,728
Decrease in trade notes and accounts payable	△3,497	△20,947
Increase in accrued expenses and other current liabilities	2,197	368
Others	△39	△597
Sub total	40,533	14,563
Interest and dividends received	978	805
Interest paid	△235	△168
Expenses for damages	—	△91
Income taxes paid	△6,798	△4,584
<b>Net cash provided by operating activities</b>	<b>34,477</b>	<b>10,525</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	△40,937	△22,580
Proceeds from time deposits	45,703	44,961
Payments for purchase of marketable and investment securities	△118	△171
Proceeds from sale of marketable and investment securities	0	418
Purchase of shares of subsidiaries and associates	△2,668	—
Acquisition of property and equipment	△14,121	△8,216
Proceeds from sale and disposal of property and equipment	35	163
Payments for new loans	△0	△3
Proceeds from loan repayments	2	1
Others	△132	139
<b>Net cash used in investing activities</b>	<b>△12,237</b>	<b>14,713</b>

(¥ millions)

	First Quarter of Fiscal 2020 April 1, 2019 to June 30, 2019	First Quarter of Fiscal 2021 April 1, 2020 to June 30, 2020
<b>Cash flows from financing activities</b>		
Increase or decrease in short-term loans	△303	2,164
Increase in long-term debt	159	—
Repayment of long-term debt	△2,008	△8,838
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	△7,724	△2,970
Dividends paid to non-controlling interests	△1,440	△1,020
<b>Net cash used in financing activities</b>	<b>△19,269</b>	<b>△10,665</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>△745</b>	<b>78</b>
<b>Increase in cash and cash equivalents</b>	<b>2,226</b>	<b>14,651</b>
<b>Cash and cash equivalents at beginning of quarter</b>	<b>97,993</b>	<b>104,202</b>
<b>Cash and cash equivalents at end of quarter</b>	<b>100,219</b>	<b>118,854</b>

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

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

None

(Changes to important subsidiaries during the first quarter of fiscal 2021)

In April 1, 2020, KOITO has implemented an absorption-type merger in which KOITO as the surviving company and KI HOLDINGS CO., LTD., which was our wholly-owned subsidiary, as the absorbed company. As a result, from the first quarter of fiscal 2021, KI HOLDINGS CO., LTD. is excluded from KOITO's scope of consolidation.

## (Segment Information)

## 【Segment Information】

## I. 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 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 or loss is adjusted to operating income in the quarterly consolidated financial statements.

## II. First Quarter of Fiscal 2021 (April 1, 2020 to June 30, 2020)

## 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	57,404	16,443	20,680	11,102	2,617	48	108,296	—	108,296
Inter-segment sales and transfers	5,225	170	1,268	1,472	1	—	8,138	(8,138)	—
Total	62,630	16,614	21,949	12,574	2,619	48	116,435	(8,138)	108,296
Segment operating income or loss (△)	△1,158	△4,791	1,335	△800	△1,352	△248	△7,016	(388)	△7,405

Notes 1. The ¥△388 million adjustment in segment operating income or loss includes ¥852 million in intersegment eliminations and ¥△1,241 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 or loss is adjusted to operating income in the quarterly consolidated financial statements.