



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

October 28, 2020

Company Name:	KOITO MANUFACTURING CO., LTD.
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	7276
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Filing of Quarterly Securities Report:	November 4, 2020
Scheduled Payment of Dividends:	December 4, 2020
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes

(¥ millions are rounded down)

1. Consolidated Results for the Second Quarter of Fiscal 2021 (April 1, 2020 to September 30, 2020)

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

Second Quarter	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent
Fiscal 2021	290,695 Δ 27.2%	7,784 Δ 81.3%	10,564 Δ 75.3%	6,420 Δ 77.9%
Fiscal 2020	399,061 1.6%	41,725 Δ 10.3%	42,763 Δ 12.5%	29,114 Δ 12.2%

Note: Comprehensive income or loss:

September 30, 2020: ¥9,383 million (Δ 61.0%), September 30, 2019: ¥24,057 million (Δ 39.9%)

Second Quarter	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2021	39.95	39.94
Fiscal 2020	181.14	181.08

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
September 30, 2020	715,019	513,484	67.9	3,021.45
March 31, 2020	729,715	513,524	65.8	2,989.43

Note: Equity: September 30, 2020: ¥ 485,655 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	—	20.00			
Fiscal 2021 (forecast)			—	—	—

Notes: 1. Revisions to recent dividend forecasts: Yes

2. The dividend record date is March 31, as prescribed by KOITO's Articles of Incorporation; the dividend forecast for the March 31, 2021 is 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 (¥)
Full year	655,000 Δ 18.2%	37,000 Δ 55.1%	40,000 Δ 53.1%	25,000 Δ 56.9%	155.53

Note: Revisions to recent consolidated business forecasts: Yes

For details, please refer to the "Announcement Regarding the Differences between the Forecast and the Actual Business Results for the First Half for Fiscal 2021, and the Revision of the Business Results Forecast for the Full-Year of fiscal 2021" announced today.

***Notes**

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

Excluded: 2 companies

(Company name) KI HOLDINGS CO., LTD.

CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.

Note: For details, please refer to the attached material P.10 “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):

②Number of treasury stock:

③Average number of stock during the second quarter:

Fiscal 2021, 2Q	160,789,436	Fiscal 2020	160,789,436
Fiscal 2021, 2Q	53,544	Fiscal 2020	55,390
Fiscal 2021, 2Q	160,734,255	Fiscal 2020, 2Q	160,732,486

*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.

(Supplementary materials for financial results)

KOITO is scheduled to have an earnings release conference for securities analysts and institutional investors on November 5, 2020. Supplementary materials will be available on our website.

《 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 (¥)
Full year	291,000 \triangle 18.4%	12,000 \triangle 53.1%	28,000 \triangle 40.1%	32,000 \triangle 23.2%	199.08

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

For details, please refer to the “Announcement Regarding the Differences between the Forecast and the Actual Business Results for the First Half for Fiscal 2021, and the Revision of the Business Results Forecast for the Full-Year of fiscal 2021” announced today.

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1. Qualitative Information Concerning Quarterly Financial Statements and Other Matters

(1) Explanation Regarding Consolidated Operating Results

With the worldwide spread of the novel coronavirus, global economic activity stagnated and was confused significantly during the first quarter of fiscal 2021. In the second quarter, although domestic and overseas economic activity showed a gradual recovery, the global economy was sluggish as a whole due to deteriorating employment situation and corporate earnings.

In the Japanese auto industry, the automobile production volume decreased year on year due to the sluggish automobile production in the first quarter. Overseas, although Chinese automobile production volume showed a trend of recovery, production volume decreased in North America, Europe, ASEAN countries and India. As a result, the global automobile production volume decreased drastically year on year.

In this climate, the KOITO Group has implemented our subsequent production reduction or suspension along with a decrease in domestic and overseas automobile production volume in mainstay automotive lighting equipment in the first quarter. Although there was a gradual recovery in the production volume in the second quarter, in all segments except for China, sales decreased year on year. By this, the consolidated net sales for the first half of fiscal 2021 decreased 27.2% year on year to ¥290.6 billion reflecting sales in Japan decreased 24% year on year, decreased 37% in North America, and decreased 39% in Asia, while sales in China has kept same sales volume year on year.

On the earnings front, although the KOITO Group companies made aggressive efforts on rationalization, including cutting costs along with a significant and rapid decrease in sales, operating income decreased 81.3% year on year to ¥7.7 billion, recurring profit decreased 75.3% year on year to ¥10.5 billion, and profit attributable to owners of parent decreased 77.9% year on year to ¥6.4 billion. This was attributable to capital expenditures for the new orders and the R&D investment for future growth.

(2) Explanation Regarding Consolidated Financial Position

-1. Analysis of assets, liabilities and net assets

Total assets as of September 30, 2020 decreased ¥14.6 billion to ¥715.0 billion due to a decrease in cash and time deposits and trade notes and accounts receivable.

Total liabilities as of September 30, 2020 decreased ¥14.6 billion to ¥201.5 billion due to a decrease in account payable, and repayment of debt.

Although retained earnings increased by an increase in profit attributable to owners of parent, net assets as of September 30, 2020 were ¥513.4 billion, almost the same as the previous year. This is attributable to a decrease in non-controlling interests caused by selling CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.'s equity.

-2. Analysis of cash flows

Operating activities provided net cash of ¥23.6 billion mainly reflecting income before income taxes of ¥10.2 billion and depreciation of ¥17.7 billion, and the net cash provided by operating activities amounted to ¥18.1 billion after payment of taxes.

Investing activities acquired net cash of ¥7.7 billion, mainly reflecting proceeds from time deposits of ¥60.0 billion, payments into time deposits of ¥34.9 billion, and acquisition of property and equipment of ¥20.4 billion.

Financing activities used net cash of ¥11.9 billion, the result mainly of reflecting repayment of long-term debt of ¥8.9 billion and dividends paid of ¥5.5 billion.

As a result, cash and cash equivalents as of September 30, 2020 were ¥118.4 billion, ¥14.2 billion higher than on March 31, 2020.

(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2021 and Other Future Projections

In the automobile industry, although Chinese automobile production volume is showing a trend of recovery, global automobile production volume is expected to decrease significantly year on year. This is due mainly to sluggish demand and the impact of production suspension and reduction in Japan, North America, Europe and Asia in the first half of fiscal 2021.

Regarding KOITO's business forecast for fiscal 2021, the year ending March 2021, net sales are expected to decrease year on year due largely to the significant impact of decrease in global automobile production volume.

Along with a decrease in sales, although KOITO continues to promote cutting costs and rationalization, operating income, recurring profit, and profit attributable to owners of parent are all expected to decrease due mainly to an increased depreciation costs for manufacturing new orders and R&D investment in developing next-generation products such as LiDARs.

KOITO's policy is to continuously pay stable dividends to shareholders based on the comprehensive evaluation of our present business results, business climate, etc. Regarding an interim dividend, in consideration of the significant deterioration of our business result for the first half of fiscal 2021 and continuous severe impact on our business climate from the novel coronavirus pandemic, KOITO has decided to pay ¥20 per share, which is same amount of the year-end dividend for the previous fiscal year. The full year dividend for fiscal 2021 is currently undecided because the future business climate remains unclear, and will be disclosed officially after evaluating the over-all business performance.

Looking ahead, KOITO will continue efforts to improve its business performance in order to meet the expectations of all shareholders.

Based on the latest operational trend, KOITO has revised the previously announced business result forecast (both consolidated and non-consolidated) for fiscal 2021 announced in the "Announcement Regarding the Revision of the Business Results Forecast for the First Half and the Full-Year for Fiscal 2021" released on September 29. For details of the forecasts, please refer to the "Announcement Regarding the Differences between the Forecast and the Actual Business Results for the First Half for Fiscal 2021, and the Revision of the Business Results Forecast for the Full-Year of fiscal 2021" announced today.

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

(¥ millions)

	Fiscal 2020 As of March 31, 2020	Second Quarter of Fiscal 2021 As of September 30, 2020
Assets		
Current assets:		
Cash and time deposits	271,774	261,030
Trade notes and accounts receivable	107,872	101,059
Electronically recorded monetary claims-operating	12,816	11,499
Inventories	65,544	71,118
Other current assets	34,505	31,520
Allowance for doubtful accounts	△ 362	△ 298
Total current assets	492,150	475,929
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	49,552	51,459
Machinery and transportation equipment (net)	66,417	66,693
Fixtures, equipment and tools (net)	17,050	16,736
Land	16,028	15,406
Construction in progress	21,033	20,807
Other property, plant and equipment	—	687
Total property, plant and equipment	170,082	171,791
Intangible fixed assets	3,193	2,881
Investments and other assets:		
Investment securities	45,701	47,173
Claims provable in bankruptcy, claims provable in rehabilitation and other	59	59
Deferred income tax assets	14,711	13,575
Assets for retirement benefits	1,599	1,611
Other investments	2,504	2,283
Allowance for doubtful accounts	△ 288	△ 285
Total investments and other assets	64,288	64,417
Total non-current assets	237,564	239,090
Total assets	729,715	715,019

(¥ millions)

	Fiscal 2020 As of March 31, 2020	Second Quarter of Fiscal 2021 As of September 30, 2020
Liabilities		
Current liabilities:		
Trade notes and accounts payable	85,737	82,007
Electronically recorded monetary obligations-operating	8,692	7,037
Short-term loans	29,171	23,056
Accrued expenses	21,073	24,572
Income taxes payable	7,147	4,105
Allowance for employees' bonuses	5,332	5,947
Reserve for product warranties	2,517	2,338
Allowance for expenses for damages	91	—
Allowance for environmental strategies	40	—
Provision for loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	—	41
Other current liabilities	13,888	11,057
Total current liabilities	173,690	160,164
Non-current liabilities:		
Long-term debt	355	134
Deferred income tax liabilities	6,221	5,386
Allowance for directors' and corporate auditors' retirement benefits	266	292
Reserve for product warranties	5,796	5,692
Allowance for environmental strategies	4	4
Net defined liability for retirement benefits	28,027	27,889
Other non-current liabilities	1,827	1,971
Total non-current liabilities	42,500	41,370
Total liabilities	216,190	201,535
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	13,373	13,380
Retained earnings	449,031	452,169
Treasury common stock, at cost	△53	△52
Total shareholders' equity	476,622	479,769
Accumulated other comprehensive income:		
Valuation adjustment on investment securities	14,822	16,316
Translation adjustments	△ 9,333	△ 9,102
Adjustments in defined benefit plans	△ 1,608	△ 1,327
Total accumulated other comprehensive income	3,880	5,886
Subscription rights to shares	231	222
Non-controlling interests	32,789	27,606
Total net assets	513,524	513,484
Total liabilities and net assets	729,715	715,019

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

(¥ millions)

	Second Quarter of Fiscal 2020 April 1, 2019 to September 30, 2019	Second Quarter of Fiscal 2021 April 1, 2020 to September 30, 2020
Net sales	399,061	290,695
Cost of sales	333,841	263,215
Gross profit	65,220	27,479
Selling, general and administrative expenses	23,495	19,694
Operating income	41,725	7,784
Non-operating income:		
Interest income	730	577
Dividends	635	501
Other non-operating income	1,220	2,645
Total non-operating income	2,586	3,724
Non-operating expenses		
Interest expenses	508	303
Shares of loss of entities accounted for using equity method	105	276
Foreign exchange losses	669	164
Other non-operating expenses	265	200
Total non-operating expenses	1,549	945
Recurring profit	42,763	10,564
Extraordinary gains:		
Gain on sales of property and equipment	13	5
Gain on sales of investment securities	27	66
Gain on sales of shares in subsidiaries	—	2
Total extraordinary gains	40	74
Extraordinary losses:		
Loss on sales and disposal of property and equipment	308	379
Loss on sales of investment securities	—	2
Loss on valuation of investment securities	14	—
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	—	41
Total extraordinary losses	323	423
Income before income taxes	42,480	10,215
Total income taxes	11,145	3,181
Profit	31,334	7,033
(Break down)		
Profit attributable to owners of parent	29,114	6,420
Profit attributable to non-controlling interests	2,219	612

(¥ millions)

	Second Quarter of Fiscal 2020 April 1, 2019 to September 30, 2019	Second Quarter of Fiscal 2021 April 1, 2020 to September 30, 2020
Other comprehensive income		
Valuation difference on available-for-sale securities	350	1,515
Translation adjustments	△7,482	589
Adjustments in defined benefit plans	△143	280
Share of other comprehensive income of entities accounted for using equity method	△1	△36
Total other comprehensive income	△7,276	2,349
Comprehensive income	24,057	9,383
(Break down)		
Comprehensive income attributable to owners of parent	22,610	8,426
Comprehensive income attributable to non-controlling interests	1,447	956

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	Second Quarter of Fiscal 2020 April 1, 2019 to September 30, 2019	Second Quarter of Fiscal 2021 April 1, 2020 to September 30, 2020
Cash flows from operating activities		
Income before income taxes	42,480	10,215
Depreciation	16,118	17,764
Equity in earnings of affiliated companies	105	276
Provision for allowance for doubtful accounts	△1	△2
Net defined liability for retirement benefits	△640	275
Provision for reserve for bonuses	702	615
Reserve for product warranties	△405	△282
Interest and dividends received	△1,366	△1,078
Interest payments	508	303
Gain on sale of marketable and investment securities	△27	△63
Loss on valuation of marketable and investment securities	14	—
Gain or loss on sale of property and equipment	295	373
Gain on sale of shares in subsidiaries	—	△2
Loss on related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	—	41
Increase in trade notes and accounts receivable	5,186	5,090
Increase in inventories	△2,992	△9,029
Increase or decrease in other current assets	△7,919	2,387
Decrease in trade notes and accounts payable	958	△4,516
Increase in accrued expenses and other current liabilities	3,397	3,655
Others	△690	△2,332
Sub total	<u>55,723</u>	<u>23,689</u>
Interest and dividends received	1,363	1,076
Interest paid	△508	△303
Expenses for damages	—	△91
Income taxes paid	△10,292	△6,246
Net cash provided by operating activities	<u>46,287</u>	<u>18,124</u>
Cash flows from investing activities		
Payments into time deposits	△71,546	△34,934
Proceeds from time deposits	79,675	60,020
Payments for purchase of marketable and investment securities	△505	△203
Proceeds from sale of marketable and investment securities	29	728
Proceeds from sale of shares in subsidiaries resulting in revised scope of consolidation	—	2,221
Purchase of shares of subsidiaries and associates	△2,668	—
Acquisition of property and equipment	△28,525	△20,437
Proceeds from sale and disposal of property and equipment	102	296
Payments for new loans	△2	△3
Proceeds from loan repayments	3	3
Others	△924	88
Net cash used in investing activities	<u>△24,361</u>	<u>7,781</u>

(¥ millions)

	Second Quarter of Fiscal 2020 April 1, 2019 to September 30, 2019	Second Quarter of Fiscal 2021 April 1, 2020 to September 30, 2020
Cash flows from financing activities		
Increase or decrease in short-term loans	△40	2,594
Increase in long-term debt	910	—
Repayment of long-term debt	△2,648	△8,958
Payments for repurchase of treasury stock	△0	△0
Proceeds from exercise of share options	0	0
Purchase of shares in subsidiaries resulting in change in scope of consolidation	△9,388	—
Dividends paid by parent company	△8,357	△3,215
Dividends paid to non-controlling interests	△2,270	△2,384
Net cash used in financing activities	△21,795	△11,966
Effect of exchange rate changes on cash and cash equivalents	△1,206	306
Increase or decrease in cash and cash equivalents	△1,076	14,246
Cash and cash equivalents at beginning of quarter	97,993	104,202
Cash and cash equivalents at end of quarter	96,916	118,449

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

None

(Note Regarding Changes to Important Subsidiaries during the Second Quarter)

On April 1, 2020, KI HOLDINGS CO., LTD. (KIHD) was absorbed by absorption-type merger entered into between the two companies where by KIHD would be ceases to exist, and KOITO MANUFACTURING CO.,LTD. (the company) would be the surviving company. Therefore, KIHD has been excluded from the scope of consolidation since the first quarter of fiscal 2021.

The company transferred all of the shares in CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD. (CHANGZHOU KOITO) to KTK Group Co., Ltd. in August 2020, CHANGZHOU KOITO has been excluded from the scope of consolidation.

KOITO MANUFACTURING CO., LTD (the Company)

(Segment Information)

【Segment Information】

I. Second Quarter of fiscal 2020 (April 1, 2019 to September 30, 2019)

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	187,596	92,495	46,753	51,678	17,820	2,717	399,061	—	399,061
Inter-segment sales and transfers	12,521	32	5,367	2,099	39	4	20,066	(20,066)	—
Total	200,118	92,528	52,121	53,777	17,859	2,722	419,128	(20,066)	399,061
Segment operating income or loss (△)	23,355	5,665	6,971	5,127	690	△296	41,512	212	41,725

Notes 1. The ¥212 million adjustment in segment (operating income) includes ¥3,367 million in intersegment eliminations and ¥△3,154 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. Second Quarter of fiscal 2021 (April 1, 2020 to September 30, 2020)
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	141,844	58,523	47,677	31,329	9,763	1,556	290,695	—	290,695
Inter-segment sales and transfers	10,068	193	2,234	2,235	24	—	14,755	(14,755)	—
Total	151,913	58,716	49,912	33,564	9,787	1,556	305,451	(14,755)	290,695
Segment operating income or loss (△)	8,782	△3,938	5,679	105	△1,782	△487	8,359	(574)	7,784

Notes 1. The ¥△574 million adjustment in segment (operating income) includes ¥2,169 million in intersegment eliminations and ¥△2,744 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.