



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

January 29, 2021

Company Name:	KOITO MANUFACTURING CO., LTD.
Stock Listing:	First Section, Tokyo Stock Exchange
Code Number:	7276
URL:	https://www.koito.co.jp/english/
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Filing of Quarterly Securities Report:	February 4, 2021
Scheduled Payment of Dividends:	—
Supplementary explanatory materials prepared:	None
Explanatory meeting:	None

(¥ millions are rounded down)

1. Consolidated Results for the Third Quarter of Fiscal 2021 (April 1, 2020 to December 31, 2020)

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

Third Quarter	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent
Fiscal 2021	499,523 \triangle 17.4%	34,115 \triangle 44.9%	37,003 \triangle 42.1%	21,859 \triangle 49.9%
Fiscal 2020	604,401 \triangle 0.6%	61,887 \triangle 14.7%	63,856 \triangle 15.7%	43,593 \triangle 14.5%

Note: Comprehensive income or loss: December 31, 2020: ¥ 33,198 million (\triangle 30.4%),
December 31, 2019: ¥ 47,686 million (\triangle 3.3%)

Third Quarter	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2021	136.00	135.96
Fiscal 2020	271.22	271.13

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
December 31, 2020	745,897	534,115	67.6	3,137.93
March 31, 2020	729,715	513,524	65.8	2,989.43

Note: Equity: December 31, 2020: ¥ 504,377 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: None

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	697,000 \triangle 13.0%	54,000 \triangle 34.5%	57,000 \triangle 33.1%	35,000 \triangle 39.7%	217.75

Note: Revisions to recent consolidated business forecasts: Yes

For details, please refer to the "Announcement Regarding the Revision of the Business Results Forecast" announced today.

***Notes**

(1) Changes to important subsidiaries during the third 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 second 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, 3Q	160,789,436	Fiscal 2020	160,789,436
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②Number of treasury stock:

Fiscal 2021, 3Q	53,614	Fiscal 2020	55,390
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③Average number of stock during the third quarter:

Fiscal 2021, 3Q	160,734,739	Fiscal 2020, 3Q	160,732,966
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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 》

Forecasts of Non-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	Net income	Net income per share (¥)
Full year	313,000 \triangle 12.2%	21,000 \triangle 17.9%	38,000 \triangle 18.7%	37,000 \triangle 11.2%	230.19

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

For details, please refer to the “Announcement Regarding the Revision of the Business Results Forecast” announced today.

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1. Qualitative Information Concerning Quarterly Financial Statements and Other Matters

(1) Explanation Regarding Consolidated Operating Results

In the third quarter of fiscal 2021 under review here, the outlook for the Japanese economy became increasingly uncertain due to factors such as the worsening employment situation and corporate performance which suffered from the impact of the novel coronavirus. The global economy showed signs of recovery in China, but was generally sluggish in other regions due to concerns over the resurgence of infections and other factors.

In the third quarter, domestic automobile production volume recovered to the same level as the previous fiscal year despite a year-on-year decrease in production up to the second quarter. Overseas, production volume increased in China and other countries, but decreased in Europe, ASEAN, and India. As a result, global automobile production volume remained unchanged from the same period of the previous fiscal year.

Looking at our business performance under these circumstances, our sales for the third quarter increased year-on-year due in part to increasing our market share and expanding sales of high-value-added products such as LED headlamps. Profits also increased year-on-year.

In the first quarter of the fiscal year under review, the KOITO Group has implemented our subsequent production or suspension. Along with the production decrease, the negative impact of foreign currency translation in the overseas segment has decreased our consolidated net sales for the cumulative third quarter: by 14% year-on-year in Japan, 28% year-on-year in North America, and 24% year-on-year in Asia. However, as our sales in China remained almost the same level of the previous year, we have secured consolidated net sales of ¥499.5 billion, a 17.4% decrease year on year.

With regard to profits, we vigorously promoted cost reductions and rationalization, but we also had to invest to be ready for new orders and spend for the R&D investment for future growth. As a result, operating income decreased 44.9% year on year to ¥34.1 billion, recurring profit decreased 42.1% year on year to ¥37.0 billion, and profit attributable to owners of parent decreased 49.9% year on year to ¥21.8 billion.

(2) Explanation Regarding Consolidated Financial Position

-1. Analysis of assets, liabilities and net assets

Total assets at the end of the third quarter were ¥745.8 billion, an increase of ¥16.1 billion from the end of the previous fiscal year, mainly due to an increase in current assets such as cash and deposits.

Total liabilities decreased by ¥4.4 billion from the end of the previous fiscal year to ¥211.7 billion, mainly due to the repayment of loans payable, despite the increase in accounts payable.

Total net assets increased by ¥20.5 billion from the end of the previous fiscal year to ¥534.1 billion. This was mainly due to an increase in retained earnings resulting from quarterly profit attributable to owners of parent, overcoming a decrease in non-controlling interests caused by selling CHANGZHOU KOITO JINCHUANG TRANSPORTATION EQUIPMENT CO., LTD.'s equity.

-2. Analysis of cash flows

Net cash provided by operating activities amounted to ¥63.0 billion, mainly consisting of income before income taxes of ¥36.6 billion and depreciation of ¥27.6 billion. The net cash provided by operating activities amounted to ¥49.3 billion after payment of taxes.

Net cash provided by investing activities amounted to ¥1.1 billion as a result of proceeds from time deposits of ¥100.5 billion, payments into time deposits of ¥75.3 billion, and acquisition of property and equipment amounting to ¥27.4 billion.

Financing activities resulted in net cash loss of ¥16.1 billion as a result of the repayment of long-term debt of ¥9.2 billion and the payment of dividends of ¥8.5 billion.

As a result, the balance of cash and cash equivalents as of December 31, 2020 increased by ¥35.2 billion from March 31, 2020 to ¥139.4 billion.

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

In the automobile industry, production is recovering in China, but sluggish demand in Japan, North America, Europe, and Asia and elsewhere, as well as production stoppages and production cutbacks in the first quarter is having a major impact. Global automobile production over the full year is forecasted to decline significantly from the previous fiscal year.

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. Profits of all types including operating income, recurring profit, and profit attributable to owners of parent are expected to decline due to higher depreciation costs for new products and R&D investments in next-generation products such as LiDAR, despite continued reductions in costs and rationalization to deal with decreasing sales.

With regard to the consolidated and non-consolidated earnings forecasts for the fiscal year ending March 31, 2021 announced on October 28, KOITO has revised upward its forecasts for net sales and each type of profit, both consolidated and non-consolidated, due to factors such as the increase in market share and the expansion of sales of high-value-added products such as LED headlamps, in addition to the fact that domestic and overseas automobile production is trending above the previous forecasts. For details, please refer to the "Announcement Regarding the Revision of the Business Result Forecasts" announced today.

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

(¥ millions)

	Fiscal 2020 As of March 31, 2020	Third Quarter of Fiscal 2021 As of December 31, 2020
Assets		
Current assets:		
Cash and time deposits	271,774	283,131
Trade notes and accounts receivable	107,872	106,060
Electronically recorded monetary claims-operating	12,816	14,166
Inventories	65,544	72,621
Other current assets	34,505	30,013
Allowance for doubtful accounts	△362	△350
Total current assets	492,150	505,641
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	49,552	51,339
Machinery and transportation equipment (net)	66,417	68,044
Fixtures, equipment and tools (net)	17,050	16,111
Land	16,028	15,482
Construction in progress	21,033	19,493
Other property, plant and equipment	—	656
Total property, plant and equipment	170,082	171,127
Intangible assets	3,193	2,826
Investments and other assets:		
Investment securities	45,701	51,846
Claims provable in bankruptcy, claims provable in rehabilitation and other	59	18
Deferred income tax assets	14,711	10,760
Assets for retirement benefits	1,599	1,617
Other investments	2,504	2,197
Allowance for doubtful accounts	△288	△139
Total investments and other assets	64,288	66,301
Total non-current assets	237,564	240,255
Total assets	729,715	745,897

(¥ millions)

	Fiscal 2020 As of March 31, 2020	Third Quarter of Fiscal 2021 As of December 31, 2020
Liabilities		
Current liabilities:		
Trade notes and accounts payable	85,737	95,982
Electronically recorded monetary obligations-operating	8,692	9,098
Short-term loans	29,171	22,136
Accrued expenses	21,073	23,191
Income taxes payable	7,147	3,394
Allowance for employees' bonuses	5,332	1,977
Reserve for product warranties	2,517	2,500
Allowance for expenses for damages	91	—
Allowance for environmental strategies	40	—
Other current liabilities	13,888	11,993
Total current liabilities	173,690	170,275
Non-current liabilities:		
Long-term debt	355	251
Deferred income tax liabilities	6,221	5,632
Allowance for directors' and corporate auditors' retirement benefits	266	291
Reserve for product warranties	5,796	5,524
Allowance for environmental strategies	4	4
Net defined liability for retirement benefits	28,027	27,869
Other non-current liabilities	1,827	1,934
Total non-current liabilities	42,500	41,506
Total liabilities	216,190	211,782
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	13,373	13,380
Retained earnings	449,031	464,396
Treasury common stock, at cost	△53	△52
Total shareholders' equity	476,622	491,996
Accumulated other comprehensive income:		
Valuation adjustment on investment securities	14,822	19,845
Translation adjustments	△9,333	△6,288
Adjustments in defined benefit plans	△1,608	△1,175
Total accumulated other comprehensive income	3,880	12,381
Subscription rights to shares	231	222
Non-controlling interests	32,789	29,516
Total net assets	513,524	534,115
Total liabilities and net assets	729,715	745,897

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Third quarter, for the nine months ended December 31)

(¥ millions)

	Third Quarter of Fiscal 2020 April 1, 2019 to December 31, 2019	Third Quarter of Fiscal 2021 April 1, 2020 to December 31, 2020
Net sales	604,401	499,523
Cost of sales	505,447	435,195
Gross profit	98,954	64,327
Selling, general and administrative expenses	37,066	30,212
Operating income	61,887	34,115
Non-operating income:		
Interest income	1,314	852
Dividends	1,140	912
Other non-operating income	1,758	3,156
Total non-operating income	4,213	4,922
Non-operating expenses		
Interest expenses	752	449
Shares of loss of entities accounted for using equity method	212	431
Foreign exchange losses	845	733
Other non-operating expenses	433	419
Total non-operating expenses	2,243	2,034
Recurring profit	63,856	37,003
Extraordinary gains:		
Gain on sales of property and equipment	17	14
Gain on sales of investment securities	27	100
Gain on sales of shares in subsidiaries	—	2
Total extraordinary gains	44	118
Extraordinary losses:		
Loss on sales and disposal of property and equipment	542	432
Loss on valuation of investment securities	14	2
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	5	41
Total extraordinary losses	563	477
Income before income taxes	63,338	36,644
Total income taxes	16,648	13,039
Profit	46,690	23,605
(Break down)		
Profit attributable to owners of the parent	43,593	21,859
Profit attributable to non-controlling interests	3,096	1,745

(¥ millions)

	Third Quarter of Fiscal 2020 April 1, 2019 to December 31, 2019	Third Quarter of Fiscal 2021 April 1, 2020 to December 31, 2020
Other comprehensive income		
Valuation difference on available-for-sale securities	2,236	5,039
Translation adjustments	△985	4,164
Adjustments in defined benefit plans	△238	432
Share of other comprehensive income of entities accounted for using equity method	△17	△43
Total other comprehensive income	995	9,592
Comprehensive income	47,686	33,198
(Break down)		
Comprehensive income attributable to owners of parent	44,379	30,348
Comprehensive income attributable to non-controlling interests	3,306	2,850

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	Third Quarter of Fiscal 2020 April 1, 2019 to December 31, 2019	Third Quarter of Fiscal 2021 April 1, 2020 to December 31, 2020
Cash flows from operating activities		
Income before income taxes	63,338	36,644
Depreciation	25,589	27,605
Equity in earnings of affiliated companies	212	431
Provision for allowance for doubtful accounts	△157	△91
Net defined liability for retirement benefits	△500	421
Provision for reserve for bonuses	△3,386	△3,362
Reserve for product warranties	△405	△289
Interest and dividends received	△2,455	△1,765
Interest payments	752	449
Gain on sale of marketable and investment securities	△27	△97
Gain or loss on valuation of marketable and investment securities	14	—
Loss on sale of property and equipment	525	418
Gain on sales of shares in subsidiaries	—	△2
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	5	41
Increase or decrease in trade notes and accounts receivable	10,753	△1,890
Increase in inventories	△2,171	△9,684
Increase or decrease in other current assets	△7,609	3,915
Increase or decrease in trade notes and accounts payable	△2,876	10,932
Increase in accrued expenses and other current liabilities	110	2,080
Others	444	△2,490
Sub total	82,157	63,266
Interest and dividend received	2,452	1,762
Interest paid	△752	△449
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade paid	△5	△40
Expenses for damages	—	△91
Income taxes paid	△18,040	△15,081
Net cash provided by operating activities	65,811	49,366
Cash flows from investing activities		
Payments into time deposits	△113,496	△75,376
Proceeds from time deposits	129,501	100,589
Payments for purchase of marketable and investment securities	△535	△233
Proceeds from sale of marketable and investment securities	30	840
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	△42,293	△27,461
Proceeds from sale and disposal of property and equipment	512	334
Payments for new loans	△4	△3
Proceeds from loan repayments	6	4
Others	△796	184
Net cash used in investing activities	△29,742	1,100

(¥ millions)

	Third Quarter of Fiscal 2020 April 1, 2019 to December 31, 2019	Third Quarter of Fiscal 2021 April 1, 2020 to December 31, 2020
Cash flows from financing activities		
Increase in short-term loans	27	1,541
Increase in long-term debt	1,092	214
Repayment of long-term debt	△3,038	△9,280
Payments for repurchase of treasury stock	△0	△1
Proceeds from exercise of share options	0	0
Purchase of shares in subsidiaries resulting in change in scope of consolidation	△11,762	—
Dividends paid by parent company	△16,073	△6,196
Dividends paid to non-controlling interests	△2,379	△2,386
Net cash used in financing activities	△32,135	△16,109
Effect of exchange rate changes on cash and cash equivalents	△753	905
Increase in cash and cash equivalents	3,179	35,262
Cash and cash equivalents at beginning of quarter	97,993	104,202
Cash and cash equivalents at end of quarter	101,172	139,465

(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.

(Segment Information)

【Segment Information】

I. Third Quarter of fiscal 2020 (April 1, 2019 to December 31, 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	282,276	138,746	75,036	77,569	26,847	3,925	604,401	—	604,401
Inter-segment sales and transfers	19,251	38	7,327	2,841	47	4	29,511	(29,511)	—
Total	301,528	138,785	82,363	80,410	26,895	3,929	633,913	(29,511)	604,401
Segment operating Income or loss	33,972	9,351	11,479	7,035	1,431	△392	62,876	(989)	61,887

Notes 1. The ¥△989 million adjustment in segment operating income includes ¥3,706 million in intersegment eliminations and ¥△4,696 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. Third Quarter of fiscal 2021 (April 1, 2020 to December 31, 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	242,975	100,054	76,316	58,641	18,692	2,844	499,523	—	499,523
Inter-segment sales and transfers	15,617	195	3,671	3,957	24	—	23,466	(23,466)	—
Total	258,592	100,249	79,987	62,599	18,716	2,844	522,989	(23,466)	499,523
Segment operating income or loss	23,916	△930	10,341	3,148	△1,340	△644	34,490	(374)	34,115

Notes 1. The ¥△374 million adjustment in segment operating income includes ¥3,776 million in intersegment eliminations and ¥△4,151 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.