



Consolidated Earnings Report for the First Quarter of Fiscal 2022 [Japanese GAAP]

July 28, 2021

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 3, 2021
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 2022 (April 1, 2021 to June 30, 2021)

(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 2022	183,911	69.8%	15,534	—	16,345	—	10,654	—
Fiscal 2021	108,296	△45.0%	△7,405	—	△5,993	—	△4,938	—

Note: Comprehensive income or loss : June 30, 2021: ¥14,286 million (—%), June 30, 2020: ¥△314 million (—%)

First Quarter	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2022	66.28	66.26
Fiscal 2021	△30.72	—

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
June 30, 2021	791,161	578,249	69.1	3,401.29
March 31, 2021	782,163	569,438	68.7	3,344.65

Note: Equity: June 30, 2021: ¥546,708 million, March 31, 2021: ¥537,605 million

2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2021	—	20.00	—	30.00	50.00
Fiscal 2022	—				
Fiscal 2022 (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, 2021 and March 31, 2022 record date are currently undecided.

3. Forecast of Consolidated Results for Fiscal 2022 (April 1, 2021 to March 31, 2022)

(¥ 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	362,000	24.5%	27,000	246.9%	28,000	165.1%	18,000	180.4%	111.99
Full year	775,000	9.7%	65,000	14.6%	67,000	9.6%	44,000	17.0%	273.74

Note: Revisions to recent consolidated business forecasts: Yes

***Notes**

(1) Changes to important subsidiaries during the first quarter of fiscal 2022 (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: Yes

② Other changes: None

③ Changes in accounting estimates: None

④ Restatements: None

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

(4) Note Regarding Changes in accounting policies in conjunction with revisions to accounting standards (Note Regarding Changes in accounting policies in conjunction with revisions to accounting standards)”

(4) Number of shares issued (common stock)

① Number of shares issued (including treasury stock):

Fiscal 2022, 1Q	160,789,436	Fiscal 2021	160,789,436
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② Number of treasury stock:

Fiscal 2022, 1Q	53,634	Fiscal 2021	53,614
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③ Average number of stock during the first quarter:

Fiscal 2022, 1Q	160,735,817	Fiscal 2021, 1Q	160,734,000
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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.

The exchange conversion rate based on the business forecast for fiscal 2022, the year ending March 2022 is calculated as 1.00 US\$ = ¥102.4 and 1 CNY = ¥15.5.

《 For Reference Only 》

Forecast of Non-consolidated Result for Fiscal 2022 (April 1, 2021 to March 31, 2022)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	155,000	17.5%	10,000	122.1%	23,000	33.0%	18,500	△25.6%	115.10
Full year	326,000	4.4%	22,000	4.1%	41,000	7.4%	31,500	△17.2%	195.97

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 2022, the period under review, the economic conditions in Japan and overseas indicated a gradual recovery tendency, where improvement in the business confidence could be seen mainly in the U.S.A. and China, due to movement towards normalization of economic activities by the progress with vaccinations and the economic stimulus packages of each country, even though the impact of COVID-19 pandemic, as well as the constraints in supply and demand of semiconductors from the previous fiscal year remains.

The global automobile production volume has greatly increased year on year, because there was a decrease in production caused by production adjustments and suspensions due to the spread of COVID-19 infections in the first quarter of the previous fiscal year.

In this climate, due to our strong performance in automotive lighting equipment business, net sales for the first quarter in all geographical segments increased year on year: by 39.0% in Japan, 163.9% in North America, 24.7% in China and 111.4% in Asia. As a result, the KOITO Group's net sales for the first quarter of fiscal 2022 increased 69.8% year on year to ¥183.9 billion.

With regard to profits, reflecting an increase in net sales, each profit increased significantly year on year, the operating income was ¥15.5 billion, recurring profit was ¥16.3 billion, and the profit attributable to owners of parent was ¥10.6 billion.

(2) Explanation Regarding Consolidated Financial Position

-1. Analysis of assets, liabilities and net assets

Total assets at the end of the first quarter increased by ¥8.9 billion from the end of the previous fiscal year to ¥791.1 billion due to an increase in cash and deposits, and an increase in investment securities along an increase in the market value of security holdings.

Total liabilities remained flat from the end of the previous period at ¥212.9 billion.

Total net assets increased by ¥8.8 billion from the end of the previous period to ¥578.2 billion due to an increase in the retained earnings led by an increased net income.

-2. Analysis of cash flows

Cash flows from the operating activities provided ¥28.6 billion, mainly reflecting the net income before income taxes of ¥16.2 billion and depreciation of ¥8.0 billion, which secured net cash of ¥33.4 billion after payment of taxes.

Cash flows from investing activities resulted in expenditures of ¥14.8 billion as a result of payments into time deposits of ¥28.4 billion, and acquisitions of property and equipment of ¥7.0 billion, compared to the revenue from the proceeds from time deposits of ¥20.7 billion.

Cash flows from financing activities resulted in expenditures of ¥4.7 billion, the result of mainly reflecting the dividend paid of ¥5.1 billion.

As a result, the balance of cash and cash equivalents at the end of the period increased ¥9.2 billion year on year to ¥171.1 billion.

(3) Explanation Regarding Forecasts for Fiscal 2022 and Other Future Projections

In the business forecast for fiscal 2022, the year ending March 2022, net sales are expected to increase year on year, because the global automobile production volume is expected to increase year on year. Even though the global economy remains unclear caused by the continuous constraints in supply and demand of semiconductors, and concerns of resurgence of COVID-19 infections with variants. As for profits, even though we are planning to make further investment to meet new orders and promote R&D activities for the future growth, each of the operating income, recurring profit, and profit attributable to owners of parent is expected to increase year on year.

The first half and full-year business forecasts (consolidated and non-consolidated) for fiscal 2022 announced in the "Consolidated Earnings Report for Fiscal 2021" on April 27, 2021, were revised as follows.

Forecast of Consolidated Results

Forecast of the Second Quarter of Fiscal 2022 (April 1, 2021 to September 30, 2021)

(¥ millions)

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Net income per share (¥)
Previously Announced forecast (A)	353,000	24,000	25,000	16,000	99.54
Revised forecast (B)	362,000	27,000	28,000	18,000	111.99
Difference (B-A)	9,000	3,000	3,000	2,000	—
Change (%)	2.5	12.5	12.0	12.5	—
(Reference) Actual results for the second quarter of fiscal 2021	290,695	7,784	10,564	6,420	39.95

Forecast of Fiscal 2022 (April 1, 2021 to March 31, 2022)

(¥ millions)

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Net income per share (¥)
Previously Announced forecast (A)	766,000	62,000	64,000	42,000	261.30
Revised forecast (B)	775,000	65,000	67,000	44,000	273.74
Difference (B-A)	9,000	3,000	3,000	2,000	—
Change (%)	1.2	4.8	4.7	4.8	—
(Reference) Actual results for fiscal 2021	706,376	56,707	61,107	37,612	234.00

(Reference) Forecast of Non-Consolidated Results

Forecast of the Second Quarter of Fiscal 2022 (April 1, 2021 to September 30, 2021)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously Announced forecast(A)	152,000	8,000	20,000	16,000	99.54
Revised forecast (B)	155,000	10,000	23,000	18,500	115.10
Difference (B-A)	3,000	2,000	3,000	2,500	—
Change (%)	2.0	25.0	15.0	15.6	—
(Reference) Actual results for the second quarter of fiscal 2021	131,953	4,503	17,292	24,863	154.69

Forecast of Fiscal 2022 (April 1, 2021 to March 31, 2022)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously Announced forecast (A)	323,000	20,000	38,000	29,000	180.42
Revised forecast (B)	326,000	22,000	41,000	31,500	195.97
Difference (B-A)	3,000	2,000	3,000	2,500	—
Change (%)	0.9	10.0	7.9	8.6	—
(Reference) Actual results for fiscal 2021	312,201	21,138	38,185	38,048	236.72

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

(¥ millions)

	Fiscal 2021	First Quarter of Fiscal 2022
	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets:		
Cash and time deposits	303,887	320,168
Trade notes and accounts receivable	115,950	—
Trade notes, accounts receivable and contract assets	—	99,106
Electronically recorded monetary claims-operating	12,957	13,324
Inventories	73,751	75,012
Other current assets	32,239	36,186
Allowance for doubtful accounts	△370	△373
Total current assets	538,416	543,424
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	53,493	53,184
Machinery and transportation equipment (net)	69,993	70,772
Fixtures, equipment and tools (net)	14,391	14,174
Land	15,561	15,654
Construction in progress	17,457	17,783
Other property, plant and equipment	718	711
Total property, plant and equipment	171,615	172,280
Intangible fixed assets	3,125	3,029
Investments and other assets:		
Investment securities	56,570	59,269
Claims provable in bankruptcy, claims provable in rehabilitation and other	18	18
Deferred income tax assets	7,755	8,522
Net defined assets for retirement benefits	2,556	2,567
Other investments	2,244	2,187
Allowance for doubtful accounts	△139	△139
Total investments and other assets	69,005	72,426
Total non-current assets	243,747	247,736
Total assets	782,163	791,161

(¥ millions)

	Fiscal 2021 As of March 31, 2021	First Quarter of Fiscal 2022 As of June 30, 2021
Liabilities		
Current liabilities:		
Trade notes and accounts payable	95,989	89,451
Electronically recorded monetary obligations-operating	7,867	6,470
Short-term loans	20,715	21,755
Accrued expenses	23,366	26,353
Income taxes payable	5,267	3,464
Allowance for employees' bonuses	5,420	8,998
Reserve for product warranties	2,622	2,671
Other current liabilities	10,679	10,880
Total current liabilities	171,928	170,046
Non-current liabilities:		
Long-term debt	230	353
Deferred income tax liabilities	7,938	10,091
Allowance for directors' and corporate auditors' retirement benefits	275	271
Reserve for product warranties	5,641	5,744
Allowance for environmental strategies	17	17
Net defined liability for retirement benefits	24,701	24,481
Other non-current liabilities	1,991	1,905
Total non-current liabilities	40,796	42,865
Total liabilities	212,724	212,911
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	13,380	13,380
Retained earnings	480,214	486,130
Treasury common stock, at cost	△52	△52
Total shareholders' equity	507,813	513,729
Accumulated other comprehensive income:		
Valuation adjustment on marketable securities	23,690	25,539
Translation adjustments	4,291	5,743
Adjustments in defined benefit plans	1,810	1,697
Total accumulated other comprehensive income	29,792	32,979
Subscription rights to shares	222	222
Non-controlling interests	31,610	31,318
Total net assets	569,438	578,249
Total liabilities and net assets	782,163	791,161

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

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

(¥ millions)

	First Quarter of Fiscal 2021 April 1, 2020 to June 30, 2020	First Quarter of Fiscal 2022 April 1, 2021 to June 30, 2021
Net sales	108,296	183,911
Cost of sales	106,565	158,011
Gross profit	1,731	25,899
Selling, general and administrative expenses	9,136	10,364
Operating income or loss	△7,405	15,534
Non-operating income:		
Interest income	306	301
Dividends	498	532
Other non-operating income	1,104	413
Total non-operating income	1,909	1,248
Non-operating expenses		
Interest expenses	168	154
Shares of loss of entities accounted for using equity method	146	160
Foreign exchange losses	121	66
Other non-operating expenses	61	55
Total non-operating expenses	497	437
Recurring profit or loss	△5,993	16,345
Extraordinary gains:		
Gain on sales of property and equipment	2	23
Gain on sales of investment securities	0	—
Total extraordinary gains	2	23
Extraordinary losses:		
Loss on sales and disposal of property and equipment	191	93
Loss on valuation of investment securities	—	2
Total extraordinary losses	191	96
Income or loss before income taxes	△6,182	16,272
Total income taxes	△1,285	4,764
Net income or loss	△4,896	11,507
(Break down)		
Profit or loss attributable to owners of parent	△4,938	10,654
Profit attributable to non-controlling interests	41	853

	(¥ millions)	
	First Quarter Fiscal 2021 April 1, 2020 to June 30, 2020	First Quarter Fiscal 2022 April 1, 2021 to June 30, 2021
Other comprehensive income		
Valuation adjustment on marketable securities	1,874	1,856
Translation adjustments	2,583	1,037
Adjustments in defined benefit plans	144	△113
Share of other comprehensive income of entities accounted for using equity method	△20	△1
Total other comprehensive income	<u>4,582</u>	<u>2,778</u>
Comprehensive income	<u>△314</u>	<u>14,286</u>
(Break down)		
Comprehensive income attributable to owners of parent	△1,330	13,841
Comprehensive income attributable to non-controlling interests	1,015	444

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	First Quarter of Fiscal 2021 April 1, 2020 to June 30, 2020	First Quarter of Fiscal 2022 April 1, 2021 to June 30, 2021
Cash flows from operating activities		
Income or loss before income taxes	△6,182	16,272
Depreciation	8,548	8,060
Equity in earnings of affiliated companies	146	160
Provision for allowance for doubtful accounts	7	0
Increase or decrease in retirement benefit asset and liability	97	△341
Provision for reserve for bonuses	3,391	3,584
Reserve for product warranties	△31	151
Interest and dividends received	△805	△834
Interest payments	168	154
Gain on sale of marketable and investment securities	△0	—
Loss on valuation of marketable and investment securities	—	2
Loss on sale of property and equipment	188	70
Decrease in trade notes and accounts receivable	35,944	16,869
Increase in inventories	△8,461	△444
Increase or decrease in other current assets	2,728	△3,241
Decrease in trade notes and accounts payable	△20,947	△8,395
Increase in accrued expenses and other current liabilities	368	2,824
Others	△597	△1,480
Sub total	14,563	33,413
Interest and dividends received	805	834
Interest paid	△168	△154
Expenses for damages	△91	—
Income taxes paid	△4,584	△5,484
Net cash provided by operating activities	10,525	28,609
Cash flows from investing activities		
Payments into time deposits	△22,580	△28,462
Proceeds from time deposits	44,961	20,734
Payments for purchase of marketable and investment securities	△171	△168
Proceeds from sale of marketable and investment securities	418	—
Acquisition of property and equipment	△8,216	△7,025
Proceeds from sale and disposal of property and equipment	163	108
Payments for new loans	△3	△3
Proceeds from loan repayments	1	2
Others	139	△42
Net cash used in investing activities	14,713	△14,854

(¥ millions)

	First Quarter of Fiscal 2021 April 1, 2020 to June 30, 2020	First Quarter of Fiscal 2022 April 1, 2021 to June 30, 2021
Cash flows from financing activities		
Increase in short-term loans	2,164	435
Increase in long-term debt	—	129
Repayment of long-term debt	△8,838	△134
Payments for repurchase of treasury stock	△0	△0
Dividends paid by parent company	△2,970	△4,494
Dividends paid to non-controlling interests	△1,020	△665
Net cash used in financing activities	△10,665	△4,729
Effect of exchange rate changes on cash and cash equivalents	78	232
Increase in cash and cash equivalents	14,651	9,257
Cash and cash equivalents at beginning of quarter	104,202	161,855
Cash and cash equivalents at end of quarter	118,854	171,112

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

None

(Note Regarding Changes in accounting policies in conjunction with revisions to accounting standards)

(Application of Accounting Standards, etc. for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2020, Accounting Standards Board of Japan”), etc. from the beginning of the first quarter of fiscal 2022.

The Company has applied the Accounting Standard for Revenue Recognition transitionally, in accordance with the proviso in Article 84 of the standard. The cumulative effect amount, applying with the new accounting policy retrospectively prior to the beginning of the first quarter was adjusted to retained earnings at the beginning of the first quarter and the Company has applied the new policy to the balance at the beginning of the fiscal 2022.

In addition, there is not any significant impact on the consolidated financial statement by application of the Revenue Recognition Accounting Standard, etc.

(Application of Accounting Standard, etc. for Fair Value Measurement)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan,”), from the beginning of the first quarter of fiscal 2022. The company has prospectively applied new accounting policies based on the Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of “Accounting Standard for Financial Instruments,” (ASBJ Statement No.10, July 4, 2019). There is no impact on consolidated financial statements for the first quarter of fiscal 2022 by this application.

(Segment Information)

【Segment Information】

I. 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.

II. First Quarter of Fiscal 2022 (April 1, 2021 to June 30, 2021)

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	79,786	43,386	25,785	23,474	9,413	2,064	183,911	—	183,911
Inter-segment sales and transfers	7,153	3	1,131	1,230	94	—	9,612	(9,612)	—
Total	86,939	43,389	26,917	24,704	9,508	2,064	193,523	(9,612)	183,911
Segment operating income or loss (△)	10,066	750	3,293	2,119	△825	△43	15,359	174	15,534

Notes 1. The ¥174 million adjustment in segment operating income or loss includes ¥1,572 million in intersegment eliminations and ¥△1,397 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.