



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

January 27, 2022

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:	February 2, 2022
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 2022 (April 1, 2021 to December 31, 2021)

(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 2022	552,397	10.6%	38,325	12.3%	43,263	16.9%	27,463	25.6%
Fiscal 2021	499,523	△17.4%	34,115	△44.9%	37,003	△42.1%	21,859	△49.9%

Note: Comprehensive income or loss: December 31, 2021: ¥39,701 million (19.6%),
December 31, 2020: ¥33,198 million (△30.4%)

Third Quarter	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2022	170.86	170.81
Fiscal 2021	136.00	135.96

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
December 31, 2021	814,479	599,518	69.5	3,523.98
March 31, 2021	782,163	569,438	68.7	3,344.65

Note: Equity: December 31, 2021: ¥ 566,446 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	—	24.00	—		
Fiscal 2022(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, 2022 is 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 (¥)
Full year	743,000	5.2%	52,000	△8.3%	56,000	△8.4%	35,000	△6.9%	217.74

Note: Revisions to recent consolidated business forecasts: Yes

***Notes**

(1) Changes to important subsidiaries during the third quarter (changes in specified subsidiaries resulting in revised scope of consolidation): None

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

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

① Changes in accounting policies in conjunction with revisions to accounting standards: Yes

② Other changes: None

③ Changes in accounting estimates: None

④ Restatements: None

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

② Number of treasury stock:

③ Average number of stock during the third quarter:

Fiscal 2022, 3Q	160,789,436	Fiscal 2021	160,789,436
Fiscal 2022, 3Q	48,835	Fiscal 2021	53,614
Fiscal 2022, 3Q	160,738,748	Fiscal 2021, 3Q	160,734,739

*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 1.0 US\$ = ¥109.8 and 1.0 CNY = ¥17.1.

《 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 (¥)
Full year	298,000 \triangle 4.5%	17,500 \triangle 17.2%	37,000 \triangle 3.1%	28,000 \triangle 26.4%	174.19

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

The economic condition of Japan and overseas in the consolidated cumulative period of third quarter of fiscal 2022 has stagnated with a gradual recovery due to such factors as the continued effects from the shortage of semiconductors, a rise in material prices, stagnation of the supply chains and confusion of the distribution network, in addition to the re-expansion of infections caused by variants of COVID-19, where the outlook continues to remain in an uncertain condition.

The domestic automobile production volume considerably increased in the first quarter due to the recovery from the COVID-19 effects of the previous period. However, the production volume of the cumulative period of this third quarter has decreased year on year due to a shift towards reduced production caused by the shortage of semiconductors and confusion of the supply chains since the second quarter. Overseas, although a drastic recovery was indicated in Europe, ASEAN, India, and other countries where there were significant effects from COVID-19 in the previous period, the global automobile production volume only increased slightly year on year, because there were countries that are still facing the effects of the shortage of semiconductors, the same as Japan.

In this climate, the net sales of this third quarter decreased 4.7% year on year in Japan. Overseas, due to the production increase and new orders in North America, Asia and other regions in addition to the effects of exchange conversion rates, net sales of the same period increased 32.2% in North America, increased 4.7% in China and increased 32.1% in Asia, where consolidated net sales increased 10.6% year on year to ¥ 552.3 billion.

(2) Explanation Regarding Consolidated Financial Position

While the accounts receivable decrease, total assets at the end of this third quarter increased by ¥ 32.3 billion from the end of the previous fiscal year to ¥ 814.4 billion due to an increase in cash, deposits and investment securities, etc.

Total liabilities ended at the same level as the previous fiscal year end at ¥ 214.9 billion.

Total net assets increased ¥30.0 billion from the end of the previous fiscal year to ¥599.5 billion due to an increase in the retained earnings by the quarterly net profit attributable to owners of parent, and increase in the translation adjustments by the weakened yen.

-2. Analysis of cash flow

Cash flows from the operating activities provided ¥45.2 billion (third quarter of the previous fiscal year: ¥49.3 billion) after payment of taxes, mainly reflecting the net income before income taxes of ¥42.9 billion and depreciation of ¥25.8 billion.

Net cash provided by investing activities resulted in payments of ¥32.2 billion (third quarter of the previous fiscal year: proceeds of ¥1.1 billion) as a result of proceeds from time deposits of ¥86.1 billion, payments into time deposits of ¥91.7 billion, and acquisition of property and equipment of ¥21.0 billion.

Financing activities resulted in net cash loss of ¥7.7 billion (third quarter of the previous fiscal year: payment of ¥16.1 billion) the result of mainly reflecting the dividends paid of ¥9.4 billion.

As a result, the balance of cash and cash equivalents at the end of the period increased by ¥6.2 billion from the end of the previous fiscal year to ¥168.1 billion.

(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2022 and Other Future Projections

Regarding the KOITO's business forecast for the fiscal 2022, while a decrease of the global automobile production volume is anticipated year on year due to the continuous shortage of semiconductors and stagnation of the supply chains, the net sales are expected to increase 5.2% year on year due to the effect of new orders and exchange conversion rates.

Regarding profits, although we have been promoting improvements and rationalization in domestic and overseas continuously, the operating income is expected to decrease 8.3% year on year, the recurring profit decrease 8.4%, and the net income attributable to the owners of the parent decrease 6.9% due to a rise in material prices, increase in the fixed costs accompanying the sudden fluctuation in production, and investment in R&D for the future.

Based on the latest operational trend, KOITO has revised the previous business result forecast (both consolidated and non-consolidated) for fiscal 2022 announced in the “Consolidated Earnings Report for the Third Quarter of Fiscal 2022” released on October 28, as follows.

Forecast of Consolidated Results

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)	723,000	47,000	50,000	32,000	199.08
Revised forecast (B)	743,000	52,000	56,000	35,000	217.74
Difference (B-A)	20,000	5,000	6,000	3,000	—
Change (%)	2.8	10.6	12.0	9.4	—
(Reference) Actual results for fiscal 2021	706,376	56,707	61,107	37,612	234.00

(Reference) Forecast of Non-Consolidated Results

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)	295,000	16,000	34,000	26,000	161.75
Revised forecast (B)	298,000	17,500	37,000	28,000	174.19
Difference (B-A)	3,000	1,500	3,000	2,000	—
Change (%)	1.0	9.4	8.8	7.7	—
(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	Third Quarter of Fiscal 2022
	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets:		
Cash and time deposits	303,887	316,119
Trade notes and accounts receivable	115,950	—
Trade notes, accounts receivable and contract assets	—	107,311
Electronically recorded monetary claims-operating	12,957	9,994
Inventories	73,751	86,886
Other current assets	32,239	36,977
Allowance for doubtful accounts	△370	△462
Total current assets	538,416	556,827
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	53,493	53,429
Machinery and transportation equipment (net)	69,993	72,150
Fixtures, equipment and tools (net)	14,391	17,292
Land	15,561	15,835
Construction in progress	17,457	15,388
Other property, plant and equipment	718	724
Total property, plant and equipment	171,615	174,820
Intangible fixed assets	3,125	3,054
Investments and other assets:		
Investment securities	56,570	65,887
Claims provable in bankruptcy, claims provable in rehabilitation and other	18	17
Deferred income tax assets	7,755	9,218
Net defined assets for retirement benefits	2,556	2,589
Other investments	2,244	2,202
Allowance for doubtful accounts	△139	△138
Total investments and other assets	69,005	79,777
Total non-current assets	243,747	257,652
Total assets	782,163	814,479

(¥ millions)

	Fiscal 2021 As of March 31, 2021	Third Quarter of Fiscal 2022 As of December 31, 2021
Liabilities		
Current liabilities:		
Trade notes and accounts payable	95,989	96,514
Electronically recorded monetary obligations-operating	7,867	6,596
Short-term loans	20,715	23,110
Accrued expenses	23,366	23,879
Income taxes payable	5,267	2,823
Allowance for employees' bonuses	5,420	2,307
Reserve for product warranties	2,622	3,060
Other current liabilities	10,679	9,995
Total current liabilities	171,928	168,287
Non-current liabilities:		
Long-term debt	230	512
Deferred income tax liabilities	7,938	14,738
Allowance for directors' and corporate auditors' retirement benefits	275	282
Reserve for product warranties	5,641	5,167
Allowance for environmental strategies	17	6
Net defined liability for retirement benefits	24,701	24,028
Other non-current liabilities	1,991	1,936
Total non-current liabilities	40,796	46,672
Total liabilities	212,724	214,960
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	13,380	13,399
Retained earnings	480,214	499,081
Treasury common stock, at cost	△52	△49
Total shareholders' equity	507,813	526,702
Accumulated other comprehensive income:		
Valuation adjustment on marketable securities	23,690	26,118
Translation adjustments	4,291	12,154
Adjustments in defined benefit plans	1,810	1,469
Total accumulated other comprehensive income	29,792	39,743
Subscription rights to shares	222	199
Non-controlling interests	31,610	32,873
Total net assets	569,438	599,518
Total liabilities and net assets	782,163	814,479

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Third quarter, for the nine months ended December 31)

(¥ millions)

	Third Quarter of Fiscal 2021 April 1, 2020 to December 31, 2020	Third Quarter of Fiscal 2022 April 1, 2021 to December 31, 2021
Net sales	499,523	552,397
Cost of sales	435,195	482,472
Gross profit	64,327	69,924
Selling, general and administrative expenses	30,212	31,598
Operating income	34,115	38,325
Non-operating income:		
Interest income	852	980
Dividends	912	1,088
Foreign exchange losses	—	898
Gain on operation of Investment Business Association	—	899
Other non-operating income	3,156	2,290
Total non-operating income	4,922	6,157
Non-operating expenses		
Interest expenses	449	513
Shares of loss of entities accounted for using equity method	431	473
Foreign exchange losses	733	—
Other non-operating expenses	419	233
Total non-operating expenses	2,034	1,219
Recurring profit	37,003	43,263
Extraordinary gains:		
Gain on sales of property and equipment	14	38
Gain on sales of investment securities	100	—
Gain on sales of shares in subsidiaries	2	—
Total extraordinary gains	118	38
Extraordinary losses:		
Loss on sales and disposal of property and equipment	432	358
Loss on sales of investment securities	2	—
Loss on valuation of investment securities	—	3
Loss related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	41	—
Total extraordinary losses	477	362
Income before income taxes	36,644	42,939
Total income taxes	13,039	13,020
Profit	23,605	29,918
(Break down)		
Profit attributable to owners of parent	21,859	27,463
Profit attributable to non-controlling interests	1,745	2,454

(¥ millions)

	Third Quarter of Fiscal 2021 April 1, 2020 to December 31, 2020	Third Quarter of Fiscal 2022 April 1, 2021 to December 31, 2021
Other comprehensive income		
Valuation difference on available-for-sale securities	5,039	2,410
Translation adjustments	4,164	7,691
Adjustments in defined benefit plans	432	△340
Share of other comprehensive income of entities accounted for using equity method	△43	20
Total other comprehensive income	9,592	9,782
Comprehensive income	33,198	39,701
(Break down)		
Comprehensive income attributable to owners of parent	30,348	37,414
Comprehensive income attributable to non-controlling interests	2,850	2,286

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	Third Quarter of Fiscal 2021 April 1, 2020 to December 31, 2020	Third Quarter of Fiscal 2022 April 1, 2021 to December 31, 2021
Cash flows from operating activities		
Income before income taxes	36,644	42,939
Depreciation	27,605	25,821
Equity in earnings of affiliated companies	431	473
Provision for allowance for doubtful accounts	△91	80
Net defined asset and liability for retirement benefits	421	△1,104
Provision for reserve for bonuses	△3,362	△3,121
Reserve for product warranties	△289	△36
Interest and dividends received	△1,765	△2,069
Interest payments	449	513
Gain on sale of marketable and investment securities	△97	—
Loss on valuation of marketable and investment securities	—	3
Loss on sale of property and equipment	418	320
Decrease 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 or decrease in trade notes and accounts receivable	△1,890	13,872
Decrease in inventories	△9,684	△10,181
Increase or decrease in other current assets	3,915	△4,492
Increase or decrease in trade notes and accounts payable	10,932	△3,181
Increase or decrease in accrued expenses and other current liabilities	2,080	△66
Others	△2,490	△5,063
Sub total	63,266	54,707
Interest and dividends received	1,762	2,066
Interest paid	△449	△513
Lost related to the Act on Prohibition to Private	△40	—
Expenses for damages	△91	—
Income taxes paid	△15,081	△10,994
Net cash provided by operating activities	49,366	45,266
Cash flows from investing activities		
Payments into time deposits	△75,376	△91,796
Proceeds from time deposits	100,589	86,189
Payments for purchase of marketable and investment securities	△233	△5,248
Proceeds from sale of marketable and investment securities	840	0
Proceeds from sale of shares in subsidiaries resulting in revised scope of consolidation	2,221	—
Acquisition of property and equipment	△27,461	△21,065
Proceeds from sale and disposal of property and equipment	334	388
Payments for new loans	△3	△4
Proceeds from loan repayments	4	6
Others	184	△737
Net cash used in investing activities	1,100	△32,267

(¥ millions)

	Third Quarter of Fiscal 2021 April 1, 2020 to December 31, 2020	Third Quarter of Fiscal 2022 April 1, 2021 to December 31, 2021
Cash flows from financing activities		
Increase in short-term loans	1,541	1,668
Increase in long-term debt	214	332
Repayment of long-term debt	△9,280	△342
Payments for repurchase of treasury stock	△1	△1
Proceeds from exercise of share options	0	0
Dividends paid by parent company	△6,196	△8,419
Dividends paid to non-controlling interests	△2,386	△992
Net cash used in financing activities	△16,109	△7,755
Effect of exchange rate changes on cash and cash equivalents	905	1,046
Increase in cash and cash equivalents	35,262	6,290
Cash and cash equivalents at beginning of quarter	104,202	161,855
Cash and cash equivalents at end of quarter	139,465	168,145

(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 31, 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.

"Notes and accounts receivable – trade" is included in and presented as part of "Notes and accounts receivable – trade, and contract assets" from the first quarter. In accordance with the transitional treatment stipulated in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the amounts reported in the previous fiscal year ended March 31, 2021 are not reclassified using the new presentation method.

(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 second quarter of fiscal 2022 by this application.

(Segment Information)

【Segment Information】

I. 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 ¥△374million adjustment in segment (operating income or loss) 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 is adjusted to operating income in the quarterly consolidated financial statements.

II. Third Quarter of fiscal 2022 (April 1, 2021 to December 31, 2021)

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	231,659	132,310	79,879	77,475	24,474	6,597	552,397	—	552,397
Inter-segment sales and transfers	21,371	5	2,542	2,911	138	0	26,968	(26,968)	—
Total	253,030	132,315	82,421	80,387	24,612	6,597	579,366	(26,968)	552,397
Segment operating income or loss (△)	22,758	266	9,805	6,724	△2,241	61	37,373	952	38,325

Notes 1. The ¥952 million adjustment in segment (operating income or loss) includes ¥4,904 million in intersegment eliminations and ¥△3,952 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.