



Consolidated Earnings Report for the First Quarter of Fiscal 2024 [Japanese GAAP]

July 26, 2023

Company Name:	KOITO MANUFACTURING CO., LTD.
Stock Listing:	Prime Market, Tokyo Stock Exchange
Code Number:	7276
URL:	https://www.koito.co.jp
Representative Director:	Michiaki Kato, President
Inquiries:	Takahito Otake, Senior Managing Corporate Officer
Tel:	+81-3-3443-7111
Filing of Quarterly Securities Report:	August 8, 2023
Scheduled Payment of Dividends:	—
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes

(¥ millions are rounded down)

1. Consolidated Results for the First Quarter of Fiscal 2024 (April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results

(¥ millions; percentage figures represent changes)

First Quarter	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent
Fiscal 2024	225,995	16.8%	14,741	131.1%	17,941	112.2%	14,585
Fiscal 2023	193,443	5.2%	6,379	△58.9%	8,455	△48.3%	△1,057

Note: Comprehensive income: June 30, 2023: ¥42,478 million (105.2%), June 30, 2022: ¥20,701 million (44.9%)

First Quarter	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2024	45.57	45.56
Fiscal 2023	△3.29	—

Note: A 2-for-1 stock split of common stock was conducted, effective as of October 1, 2022. “Net income per share” and “Net income per share (diluted)” are calculated assuming that the stock split was conducted at the beginning of the fiscal 2023.

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
June 30, 2023	933,051	696,134	69.9	2,054.07
March 31, 2023	905,909	670,506	69.4	1,955.44

Note: Equity: June 30, 2023: ¥652,500 million, March 31, 2023: ¥628,659 million

2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2023	—	24.00	—	16.00	—
Fiscal 2024	—				
Fiscal 2024 (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, 2023 and March 31, 2024 record date are currently undecided.

3. A 2-for-1 stock split of common stock was conducted, effective as of October 1, 2022. The dividend per share in the second quarter of fiscal 2023 is the actual amount before the stock split.

3. Forecast of Consolidated Results for Fiscal 2024 (April 1, 2023 to March 31, 2024)

(¥ 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	451,000	8.5%	29,000	46.5%	33,000	47.3%	23,500	234.4%	73.98
Full year	934,000	8.0%	67,000	43.0%	72,500	49.4%	49,000	65.2%	154.25

Note: Revisions to recent consolidated business forecasts: Yes

*Notes

(1) Changes to important subsidiaries during the first quarter of fiscal 2024 (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: None

② Other changes: None

③ Changes in accounting estimates: None

④ Restatements: None

(4) Number of shares issued (common stock)

① Number of shares issued (including treasury stock):

Fiscal 2024, 1Q	321,578,872	Fiscal 2023	321,578,872
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② Number of treasury stock:

Fiscal 2024, 1Q	3,916,233	Fiscal 2023	86,519
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③ Average number of stock during the first quarter:

Fiscal 2024, 1Q	320,065,715	Fiscal 2023, 1Q	321,481,062
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Note: A 2-for-1 stock split of common stock was conducted, effective as of October 1, 2022. Above number of shares are calculated assuming that the stock split was conducted at the beginning of the fiscal 2023.

*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 full-year business forecast for fiscal 2024, the year ending March 2024, is calculated as 1.00 US\$ = ¥132.4 and 1 CNY = ¥19.2.

(Supplementary materials for financial results)

KOITO is scheduled to have an earnings release conference for securities analysts and institutional investors on July 27, 2023. Supplementary materials will be available on our website.

《 For Reference Only 》

Forecast of Non-consolidated Result for Fiscal 2024 (April 1, 2023 to March 31, 2024)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	171,000	22.8%	11,000	77.1%	25,000	15.8%	20,000	84.3%	62.96
Full year	346,000	16.2%	23,000	86.1%	42,500	28.1%	32,000	24.7%	100.74

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

Regarding the economic condition in Japan and overseas during the first quarter, although signs of recovery were shown due to economic activities to normalize from COVID-19, the outlook still remains uncertain due to rapid inflation in various countries, uncertainty over the U.S. economy, concerns over the slowdown of the Chinese economy, and geopolitical risks such as the situation in Ukraine.

Regarding the automobile industry, the impact of production reductions due to the semiconductor shortage has gradually diminished, and automobile production volume in all regions increased year on year.

Under these circumstances, despite 14.1% year on year sales decrease in China caused by sluggish sales and declining market share of Japanese vehicles, the KOITO's consolidated net sales for the first quarter increased 16.8% year on year to ¥225.9 billion. This was attributable to sales increase in Japan (26.4% year on year), North America (21.6% year on year), Europe (15.8% year on year), and Asia (10.9% year on year) due to increased automobile production volume in each region.

Regarding profits, due to increased sales and the promotion of improvement and rationalization activities at each group company, operating income increased 131.1% year on year to ¥14.7 billion, recurring profit increased 112.2% year on year to ¥17.9 billion, and net income attributable to owners of the parent amounted to ¥14.5 billion (¥1.0 billion loss in the same period of the previous year).

(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 ¥27.1 billion from the end of the previous fiscal year to ¥933.0 billion, due to an increase in property, plant and equipment for equipment investment, and an increase in investment securities.

Total liabilities were ¥236.9 billion, almost the same as the end of the previous fiscal year, mainly due to a decrease in loans payable while there was an increase in allowance for employees' bonuses.

Total net assets increased by ¥25.6 billion from the end of the previous fiscal year to ¥696.1 billion, due to an increase in retained earnings and translation adjustments for the weak Yen, despite a decrease due to acquisition of own shares.

-2. Analysis of cash flows

Cash flows from the operating activities provided ¥35.1 billion, mainly reflecting the net income before income taxes of ¥18.8 billion and depreciation of ¥10.0 billion, which secured net cash of ¥27.9 billion (first quarter of the previous fiscal year: ¥15.6 billion) after payment of taxes.

Cash flows from investing activities resulted in expenditures of ¥16.9 billion (first quarter of the previous fiscal year: ¥18.0 billion) as a result of proceeds from time deposits of ¥28.9 billion, payments into time deposits of ¥28.4 billion, and acquisitions of property and equipment of ¥10.2 billion.

Cash flows from financing activities resulted in expenditures of ¥21.5 billion (first quarter of the previous fiscal year: ¥5.2 billion), the result of mainly reflecting the acquisition of own shares of ¥10.2 billion and the dividend paid of ¥5.9 billion.

As a result, the balance of cash and cash equivalents at the end of the period decreased by ¥9.3 billion from the end of the previous fiscal year to ¥136.4 billion.

(3) Explanation Regarding Forecasts for Fiscal 2024 and Other Future Projections

The global automobile production volume in the fiscal year 2024, the year ending March 31, 2024, is expected to increase in all regions compared to the previous fiscal year, due to further reductions in the impact of semiconductor shortages and firm demand.

Regarding the KOITO's business forecast for the fiscal year 2024, net sales are expected to increase year on year and reach a record high for the second consecutive fiscal year due to an increase in production resulting from a recovery in automobile production volume in Japan and other regions and new orders in North America, Asia, and other regions, despite the impact of sluggish sales and declining market share of Japanese vehicles in China.

On the earnings front, each profit is expected to increase year on year due to the effects of increased sales in Japan, North America, Asia, and other regions, as well as improved profitability by further promoting improvements and rationalization activities in the Group's concerted effort.

KOITO has revised its consolidated and non-consolidated business results forecast for the first half and the full-year of fiscal 2024, the year ending March 31, 2024, which were announced in the "Consolidated Earnings Report for Fiscal 2023" released on April 26, 2023. For details, please refer to "Announcement Regarding the Revision of the Business Results Forecast" announced today.

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

(¥ millions)

	Fiscal 2023	First Quarter of Fiscal 2024
	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets:		
Cash and time deposits	315,039	308,266
Trade notes	5,060	6,127
Electronically recorded monetary claims-operating	9,391	10,551
Accounts receivable	131,104	119,170
Contract assets	3,136	1,777
Inventories	95,669	97,505
Other current assets	34,912	44,215
Allowance for doubtful accounts	△271	△217
Total current assets	594,042	587,397
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	56,363	59,097
Machinery and transportation equipment (net)	78,745	82,778
Fixtures, equipment and tools (net)	18,462	19,111
Land	18,572	18,958
Construction in progress	16,804	20,195
Other property, plant and equipment	5,372	6,032
Total property, plant and equipment	194,320	206,174
Intangible fixed assets	2,692	2,627
Investments and other assets:		
Investment securities	95,510	114,653
Claims provable in bankruptcy, claims provable in rehabilitation and other	270	276
Deferred income tax assets	13,288	15,943
Net defined assets for retirement benefits	2,849	2,825
Other investments	3,325	3,549
Allowance for doubtful accounts	△390	△396
Total investments and other assets	114,853	136,851
Total non-current assets	311,866	345,653
Total assets	905,909	933,051

(¥ millions)

	Fiscal 2023 As of March 31, 2023	First Quarter of Fiscal 2024 As of June 30, 2023
Liabilities		
Current liabilities:		
Trade notes and accounts payable	107,216	105,096
Electronically recorded monetary obligations-operating	3,712	3,693
Short-term loans	22,647	18,273
Accrued expenses	24,693	26,209
Income taxes payable	7,225	4,122
Contract liabilities	2,017	2,926
Allowance for employees' bonuses	6,386	9,651
Reserve for product warranties	3,560	4,058
Other current liabilities	9,457	11,740
Total current liabilities	186,918	185,772
Non-current liabilities:		
Deferred income tax liabilities	17,567	20,070
Allowance for directors' and corporate auditors' retirement benefits	321	293
Reserve for product warranties	4,105	4,100
Allowance for environmental strategies	—	1
Net defined liability for retirement benefits	20,987	20,680
Other non-current liabilities	5,500	5,998
Total non-current liabilities	48,483	51,143
Total liabilities	235,402	236,916
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	13,420	13,420
Retained earnings	530,939	540,379
Treasury common stock, at cost	△45	△10,296
Total shareholders' equity	558,585	557,774
Accumulated other comprehensive income:		
Valuation adjustment on marketable securities	24,942	31,554
Translation adjustments	43,019	61,132
Adjustments in defined benefit plans	2,111	2,039
Total accumulated other comprehensive income	70,073	94,725
Subscription rights to shares	171	171
Non-controlling interests	41,675	43,462
Total net assets	670,506	696,134
Total liabilities and net assets	905,909	933,051

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

(¥ millions)

	First Quarter of Fiscal 2023 April 1, 2022 to June 30, 2022	First Quarter of Fiscal 2024 April 1, 2023 to June 30, 2023
Net sales	193,443	225,995
Cost of sales	175,588	199,222
Gross profit	17,855	26,773
Selling, general and administrative expenses	11,476	12,031
Operating income	6,379	14,741
Non-operating income:		
Interest income	377	800
Dividends	594	759
Foreign exchange gains	1,191	1,960
Other non-operating income	592	331
Total non-operating income	2,755	3,851
Non-operating expenses		
Interest expenses	311	165
Shares of loss of entities accounted for using equity method	183	128
Foreign exchange losses	—	189
Other non-operating expenses	184	168
Total non-operating expenses	679	651
Recurring profit	8,455	17,941
Extraordinary gains:		
Gain on sales of property and equipment	2	9
Gain on sales of investment securities	—	1,096
Total extraordinary gains	2	1,105
Extraordinary losses:		
Loss on sales and disposal of property and equipment	249	231
Loss on valuation of investment securities	7,130	—
Other extraordinary losses	609	—
Total extraordinary losses	7,989	231
Income before income taxes	468	18,815
Total income taxes	489	3,111
Net income or loss	△21	15,703
(Break down)		
Profit or loss attributable to owners of parent	△1,057	14,585
Profit attributable to non-controlling interests	1,036	1,118

(¥ millions)

	First Quarter of Fiscal 2023 April 1, 2022 to June 30, 2022	First Quarter of Fiscal 2024 April 1, 2023 to June 30, 2023
Other comprehensive income		
Valuation adjustment on marketable securities	1,233	6,616
Translation adjustments	19,510	20,221
Adjustments in defined benefit plans	△65	△72
Share of other comprehensive income of entities accounted for using equity method	44	9
Total other comprehensive income	20,723	26,774
Comprehensive income	20,701	42,478
(Break down)		
Comprehensive income attributable to owners of parent	17,793	39,237
Comprehensive income attributable to non-controlling interests	2,908	3,241

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	First Quarter of Fiscal 2023 April 1, 2022 to June 30, 2022	First Quarter of Fiscal 2024 April 1, 2023 to June 30, 2023
Cash flows from operating activities		
Income before income taxes	468	18,815
Depreciation	9,140	10,036
Impairment loss	609	—
Equity in earnings of affiliated companies	183	128
Provision for allowance for doubtful accounts	△6	△58
Increase or decrease in retirement benefit asset and liability	△480	△468
Provision for reserve for bonuses	3,430	3,142
Reserve for product warranties	38	359
Interest and dividends received	△971	△1,559
Interest payments	311	165
Gain on sales of marketable and investment securities	—	△1,096
Loss on valuation of marketable and investment securities	7,130	189
Loss on sale of property and equipment	247	222
Decrease in trade notes and accounts receivable	18,058	16,292
Increase or decrease in inventories	△1,595	1,844
Increase or decrease in other current assets	3,644	△6,434
Decrease in trade notes and accounts payable	△14,571	△5,128
Increase in accrued expenses and other current liabilities	561	74
Others	△4,042	△1,412
Sub total	22,159	35,111
Interest and dividends received	971	1,531
Interest paid	△311	△165
Loss on related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	△68	—
Income taxes paid	△7,134	△8,540
Net cash provided by operating activities	15,616	27,936
Cash flows from investing activities		
Payments into time deposits	△35,921	△28,404
Proceeds from time deposits	30,288	28,975
Payments for purchase of marketable and investment securities	△4,242	△10,261
Proceeds from sales of marketable and investment securities	—	1,575
Acquisition of property and equipment	△8,206	△10,265
Proceeds from sale and disposal of property and equipment	216	△145
Payments for new loans	△0	△1
Proceeds from loan repayments	1	0
Others	△227	1,557
Net cash used in investing activities	△18,091	△16,970

(¥ millions)

	First Quarter of Fiscal 2023 April 1, 2022 to June 30, 2022	First Quarter of Fiscal 2024 April 1, 2023 to June 30, 2023
Cash flows from financing activities		
Increase in short-term loans	683	△5,230
Repayment of long-term debt	△479	—
Payments for repurchase of treasury stock	—	△10,251
Proceeds from exercise of stock options	0	—
Dividends paid by parent company	△4,495	△4,797
Dividends paid to non-controlling interests	△980	△1,176
Others	—	△53
Net cash used in financing activities	△5,271	△21,509
Effect of exchange rate changes on cash and cash equivalents	1,406	1,219
Increase or decrease in cash and cash equivalents	△6,341	△9,322
Cash and cash equivalents at beginning of year	169,581	145,798
Cash and cash equivalents at end of quarter	163,240	136,475

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

The Company resolved, at a meeting of the Board of Directors held on April 26, 2023, the matters concerning the acquisition of own shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act. The Company is proceeding with the acquisition of own shares from April 27, 2023 to January 31, 2024, with a maximum number of 16 million shares to be repurchased and a total amount of ¥35.0 billion. As a result, the Company repurchased approximately 3 million shares of treasury stock during the first quarter of the current fiscal year, an increase of ¥10.2 billion in treasury stock. As a result, treasury stock amounted to ¥10.2 billion at the end of the first quarter of this fiscal year.

(Segment Information)

【Segment Information】

I. First Quarter of Fiscal 2023 (April 1, 2022 to June 30, 2022)

Information Concerning Net Sales and Operating Income for Each Segment

(¥ millions)

	Japan	North America	China	Asia	Europe	Other regions	Total	Adjust -ment (Note 1)	Amount recorded on quarterly consolidated financial statements (Note 3)
Net sales									
Sales to outside customers	66,294	58,407	23,453	31,636	10,437	3,213	193,443	—	193,443
Inter-segment sales and transfers	6,440	47	424	717	24	—	7,654	(7,654)	—
Total	72,734	58,455	23,877	32,353	10,461	3,213	201,097	(7,654)	193,443
Segment operating income or loss (△)	2,884	△1,346	1,004	3,031	△1	238	5,811	567	6,379

Notes 1. The ¥567 million adjustment in segment operating income or loss includes ¥1,860 million in intersegment eliminations and ¥△1,292 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 2024 (April 1, 2023 to June 30, 2023)
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	83,807	71,035	20,135	35,078	12,088	3,849	225,995	—	225,995
Inter-segment sales and transfers	5,934	0	724	749	3	—	7,413	(7,413)	—
Total	89,741	71,036	20,860	35,827	12,092	3,849	233,408	(7,413)	225,995
Segment operating income	8,383	1,696	131	3,119	374	364	14,069	672	14,741

Notes 1. The ¥672 million adjustment in segment operating income or loss includes ¥2,173 million in intersegment eliminations and ¥△1,501 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.