



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

October 31, 2023

Company Name:	KOITO MANUFACTURING CO., LTD.
Stock Listing:	Prime Market, Tokyo Stock Exchange
Code Number:	7276
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Filing of Quarterly Securities Report:	November 10, 2023
Scheduled Payment of Dividends:	December 5, 2023
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes

(¥ millions are rounded down)

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

(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 2024	468,153	12.6%	32,513	64.3%	36,909	64.7%	25,524	263.3%
Fiscal 2023	415,611	17.8%	19,790	△18.1%	22,407	△14.0%	7,026	△56.0%

Note: Comprehensive income: September 30, 2023: ¥63,175 million (79.7%), September 30, 2022: ¥35,165 million (81.8%)

Second Quarter	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2024	80.76	80.75
Fiscal 2023	21.86	21.85

Note: A 2-for-1 stock split of common stock was conducted, effective 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 2022.

(2) Consolidated Financial Position (¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
September 30, 2023	936,007	692,069	69.1	2,101.91
March 31, 2023	905,909	670,506	69.4	1,955.44

Reference: Equity: September 30, 2023: ¥646,914 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	—	25.00			
Fiscal 2024 (forecast)			—	25.00	50.00

Notes (1) Revisions to recent dividend forecasts: Yes

(2) A 2-for-1 stock split of common stock was conducted, effective October 1, 2022. The dividends per share before the second quarter of fiscal 2023 are 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 (¥)	
Full year	945,000	9.3%	66,000	40.9%	72,000	48.4%	48,500	63.5%	155.33

Note: Revisions to recent consolidated business forecasts: Yes

***Notes**

(1) Changes to important subsidiaries during the second 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: 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, 2Q	321,578,872	Fiscal 2023, 2Q	321,578,872
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② Number of treasury stock:

Fiscal 2024, 2Q	13,804,333	Fiscal 2023, 2Q	86,519
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③ Average number of stock during the second quarter:

Fiscal 2024, 2Q	316,051,411	Fiscal 2023, 2Q	321,486,205
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Note: A 2-for-1 stock split of common stock was conducted, effective October 1, 2022. “Number of shares issued (including treasury stock)”, “Number of treasury stock” and “Average number of stock during the second quarter” are calculated assuming that the stock split was conducted at the beginning of the fiscal 2023, the year ending March 31, 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 business forecast for fiscal 2024, the year ending March 2024 is calculated as 1.00 US\$ = ¥138.8 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 November 6, 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 (¥)
Full year	348,000	16.8%	24,500	98.2%	44,000	32.6%	31,000	20.8%	99.29

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 half of the consolidated fiscal year under review, the economic condition in Japan showed a gradual recovery. In overseas, while the U.S. economy remained robust, the outlook remains uncertain, due to risks of economic slowdown, such as prolonged monetary tightening due to high inflation in various countries, and due to concerns about the slowdown of the Chinese economy, the situation in Ukraine, and geopolitical risks between the U.S. and China.

In the automobile industry, the impact of production cutbacks due to the shortage of semiconductors gradually diminished, and automobile production increased in all regions compared year on year, but in China, sales of Japanese vehicles were sluggish and their market share declined due to the progress of EVs.

Under these circumstances, consolidated net sales for the first half decreased in China (decreased 21.9% year-on-year), but remained firm in Japan (increased 21.1% year-on-year), North America (increased 15.3% year-on-year), Europe (increased 21.3% year-on-year), and Asia (increased 11.1% year-on-year), due to increased automobile production in each region, etc. Consolidated net sales increased 12.6% year on year to 468.1 billion yen.

In terms of profit, operating income increased 64.3% year on year to 32.5 billion yen, recurring profit increased 64.7% to 36.9 billion yen, and net income attributable to owners of the parent increased 263.3% to 25.5 billion yen, due to increased sales and the promotion of improvement and rationalization activities at each group company.

(2) Explanation Regarding Consolidated Financial Position

-1. Analysis of assets, liabilities and net assets

Total assets at the end of the second quarter, despite there was a decrease in cash and time deposits due to the repurchase of the Company's treasury stocks, increased by ¥30.0 billion from the end of the previous fiscal year to ¥936.0 billion due to an increase in investment securities.

Total liabilities increased by ¥8.5 billion from the end of the previous fiscal year to ¥243.9 billion due to an increase of trade notes and accounts payable.

Total net assets increased by ¥21.5 billion from the end of the previous fiscal year to ¥692.0 billion due to Profit attributable to owners of parent and an increase in translation adjustments for the weaken Yen.

-2. Analysis of cash flows

Cash flows from the operating activities provided ¥57.7 billion, mainly reflecting the net income before income taxes of ¥37.4 billion and depreciation of ¥20.7 billion, which secured net cash of ¥48.6 billion (second quarter of the previous fiscal year: ¥29.1 billion) after payment of taxes.

Cash flows from investing activities resulted in payments of ¥43.1 billion (second quarter of the previous fiscal year: payments of ¥35.6 billion) as a result of proceeds from time deposits of ¥41.9 billion, payments into time deposits of ¥49.1 billion, and acquisitions of property and equipment of ¥18.7 billion.

Cash flows from financing activities resulted in payments of ¥46.0 billion (second quarter of the previous fiscal year: payment of ¥11.9 billion), the result of mainly reflecting repurchase of the Company's treasury stock of ¥35.0 and the dividend paid of ¥6.5 billion.

As a result, the balance of cash and cash equivalents at the end of the period decreased by ¥39.1 billion from the end of the previous fiscal year to ¥106.6 billion.

(3) Explanation Regarding Forecast of Consolidated Results for Fiscal 2024 and Other Future Projections

Although global automobile production volume in the fiscal year ending March 31, 2024 is expected to increase in all regions compared to the previous fiscal year, the outlook remains uncertain due to plant shutdowns in the U.S. due to strikes, deteriorating conditions in the Middle East, and continued sluggish sales and declining market share of Japanese vehicles due to the shift to EVs in China and other countries.

Although there is a decrease in sales in China, we expect consolidated net sales to reach a record high for the second consecutive fiscal year due to production recovery in each region including Japan, and winning new orders in North America and other regions.

On the earnings front, we are expected to increase in each of profits compared to the previous fiscal year due to the effect of increased sales in Japan, North America, Asia, and other regions, as well as further promotion of streamlining activities such as group-wide productivity improvement.

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 the interim dividend, the profit of this second quarter increased significantly year on year, in line with the above policy, KOITO has decided to pay an interim dividend of ¥25 per share. KOITO conducted a 2-for-1 stock split of common stock effective October 1, 2022. The interim dividend which is higher ¥13 than the same period of the previous fiscal year.

In consideration of our business performance and the current business environment, KOITO revised the year-end dividend forecast for the current fiscal year, which had been undecided, has been revised to ¥25 per share, an increase of ¥9 per share compared to the year-end dividend for the previous fiscal year. As a result, the annual dividend per share for the fiscal year ending March 31, 2024 is expected to be ¥50 yen per share, an increase of ¥22 yen from the previous fiscal year.

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 previous business result forecast (both consolidated and non-consolidated) for fiscal 2024 announced in the "Announcement Regarding the Revision of the Business Results Forecast" released on July 26, 2023 as follows.

Forecast of Consolidated Results

Forecast of Fiscal 2024 (April 1, 2023 to March 31, 2024)

(Rounded Down)
(¥ millions)

	Net sales	Operating income	Recurring profit	Profit attributable to owners of parent	Net income per share (¥)
Previously Announced forecast (A)	934,000	67,000	72,500	49,000	154.25
Revised forecast (B)	945,000	66,000	72,000	48,500	155.33
Difference (B-A)	11,000	△1,000	△500	△500	—
Change (%)	1.2	△1.5	△0.7	△1.0	—
(Reference) Actual results for fiscal 2023	864,719	46,847	48,532	29,660	92.26

(Reference) Forecast of Non-Consolidated Results

Forecast of Fiscal 2024 (April 1, 2023 to March 31, 2024)

(¥ millions)

	Net sales	Operating income	Recurring profit	Net income	Net income per share (¥)
Previously Announced forecast (A)	346,000	23,000	42,500	32,000	100.74
Revised forecast (B)	348,000	24,500	44,000	31,000	99.29
Difference (B-A)	2,000	1,500	1,500	△1,000	—
Change (%)	0.6	6.5	3.5	△3.1	—
(Reference) Actual results for fiscal 2023	297,838	12,358	33,180	25,661	79.82

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

(¥ millions)

	Fiscal 2023	Second Quarter of Fiscal 2024
	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets:		
Cash and time deposits	315,039	287,393
Trade notes and accounts receivable	5,060	3,575
Electronically recorded monetary claims-operating	9,391	8,937
Accounts receivable	131,104	137,462
Contract Assets	3,136	779
Inventories	95,669	98,701
Other current assets	34,912	40,741
Allowance for doubtful accounts	△271	△228
Total current assets	<u>594,042</u>	<u>577,361</u>
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	56,363	58,987
Machinery and transportation equipment (net)	78,745	83,295
Fixtures, equipment and tools (net)	18,462	18,716
Land	18,572	18,980
Construction in progress	16,804	21,030
Other property, plant and equipment	5,372	6,045
Total property, plant and equipment	<u>194,320</u>	<u>207,056</u>
Intangible fixed assets	2,692	2,564
Investments and other assets:		
Investment securities	95,510	129,764
Claims provable in bankruptcy, claims provable in rehabilitation and other	270	195
Deferred income tax assets	13,288	12,759
Net defined assets for retirement benefits	2,849	2,873
Other investments	3,325	3,748
Allowance for doubtful accounts	△390	△316
Total investments and other assets	<u>114,853</u>	<u>149,024</u>
Total non-current assets	<u>311,866</u>	<u>358,645</u>
Total assets	<u>905,909</u>	<u>936,007</u>

(¥ millions)

	Fiscal 2023 As of March 31, 2023	Second Quarter of Fiscal 2024 As of September 30, 2023
Liabilities		
Current liabilities:		
Trade notes and accounts payable	107,216	110,617
Electronically recorded monetary obligations-operating	3,712	2,793
Short-term loans	22,647	19,767
Accrued expenses	24,693	28,255
Income taxes payable	7,225	5,811
Contract liabilities	2,017	3,178
Allowance for employees' bonuses	6,386	7,303
Reserve for product warranties	3,560	3,419
Other current liabilities	9,457	11,557
Total current liabilities	186,918	192,704
Non-current liabilities:		
Deferred income tax liabilities	17,567	21,083
Allowance for directors' and corporate auditors' retirement benefits	321	291
Reserve for product warranties	4,105	3,505
Allowance for environmental strategies	—	1
Net defined liability for retirement benefits	20,987	20,420
Other non-current liabilities	5,500	5,930
Total non-current liabilities	48,483	51,233
Total liabilities	235,402	243,937
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	13,420	13,412
Retained earnings	530,939	551,320
Treasury common stock, at cost	△45	△34,971
Total shareholders' equity	558,585	544,031
Accumulated other comprehensive income:		
Valuation adjustment on marketable securities	24,942	35,353
Translation adjustments	43,019	65,583
Adjustments in defined benefit plans	2,111	1,945
Total accumulated other comprehensive income	70,073	102,883
Subscription rights to shares	171	106
Non-controlling interests	41,675	45,048
Total net assets	670,506	692,069
Total liabilities and net assets	905,909	936,007

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

(¥ millions)

	Second Quarter of Fiscal 2023 April 1, 2022 to September 30, 2022	Second Quarter of Fiscal 2024 April 1, 2023 to September 30, 2023
Net sales	415,611	468,153
Cost of sales	372,480	411,145
Gross profit	43,130	57,007
Selling, general and administrative expenses	23,340	24,494
Operating income	19,790	32,513
Non-operating income:		
Interest income	764	1,632
Dividends	649	851
Foreign exchange losses	1,190	2,663
Other non-operating income	1,485	982
Total non-operating income	4,088	6,130
Non-operating expenses		
Interest expenses	667	303
Shares of loss of entities accounted for using equity method	345	363
Loss on investment partnership management	167	247
Other non-operating expenses	291	819
Total non-operating expenses	1,471	1,734
Recurring profit	22,407	36,909
Extraordinary gains:		
Gain on sales of property and equipment	32	43
Gain on sales of investment securities	—	1,116
Others	—	15
Total extraordinary gains	32	1,175
Extraordinary losses:		
Loss on sales and disposal of property and equipment	453	453
Loss on valuation of investment securities	7,130	—
Impairment loss	609	135
Loss on disasters	374	—
Total extraordinary losses	8,567	589
Income before income taxes	13,872	37,496
Total income taxes	4,741	9,416
Profit	9,130	28,079
(Break down)		
Profit attributable to owners of parent	7,026	25,524
Profit attributable to non-controlling interests	2,103	2,554

(¥ millions)

	Second Quarter of Fiscal 2023 April 1, 2022 to September 30, 2022	Second Quarter of Fiscal 2024 April 1, 2023 to September 30, 2023
Other comprehensive income		
Valuation adjustment on marketable securities	1,197	10,420
Translation adjustments	24,946	24,831
Adjustments in defined benefit plans	△171	△165
Share of other comprehensive income of entities accounted for using equity method	62	9
Total other comprehensive income	<u>26,035</u>	<u>35,095</u>
Comprehensive income	<u>35,165</u>	<u>63,175</u>
(Break down)		
Comprehensive income attributable to owners of parent	31,293	58,334
Comprehensive income attributable to non-controlling interests	3,872	4,841

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	Second Quarter of Fiscal 2023 April 1, 2022 to September 30, 2022	Second Quarter of Fiscal 2024 April 1, 2023 to September 30, 2023
Cash flows from operating activities		
Income before income taxes	13,872	37,496
Depreciation	19,101	20,755
Impairment loss	609	135
Equity in earnings of affiliated companies	345	363
Provision for allowance for doubtful accounts	△4	△130
Net defined liability for retirement benefits	△663	△847
Provision for reserve for bonuses	2,154	783
Reserve for product warranties	1,212	△893
Interest and dividends received	△1,413	△2,484
Insurance income, etc.	—	△37
Interest payments	667	303
Gain on sales of marketable and investment securities	—	△1,116
Loss on valuation of marketable and investment securities	7,297	247
Loss on sale of property and equipment	420	410
Loss on disasters	374	—
Increase in trade notes and accounts receivable	2,373	4,439
Increase in inventories	△2,403	1,709
Increase or decrease in other current assets	5,501	△2,343
Decrease in trade notes and accounts payable	△7,422	△1,248
Increase or decrease in accrued expenses and other current liabilities	△388	1,825
Others	△3,642	△1,569
Sub total	37,992	57,798
Interest and dividends received	1,411	2,429
Interest paid	△667	△303
Loss on related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	△68	—
Proceeds from insurance claims, etc.	—	37
Income taxes paid	△9,543	△11,358
Net cash provided by operating activities	29,124	48,603
Cash flows from investing activities		
Payments into time deposits	△60,529	△49,122
Proceeds from time deposits	52,157	41,941
Payments for purchase of marketable and investment securities	△8,161	△20,504
Proceeds from sale of marketable and investment securities	—	2,075
Acquisition of property and equipment	△18,869	△18,752
Proceeds from sale and disposal of property and equipment	△84	△186
Payments for new loans	△0	△3
Proceeds from loan repayments	3	1
Others	△199	1,396
Net cash used in investing activities	△35,685	△43,155

(¥ millions)

	Second Quarter of Fiscal 2023 April 1, 2022 to September 30, 2022	Second Quarter of Fiscal 2024 April 1, 2023 to September 30, 2023
Cash flows from financing activities		
Increase or decrease in short-term loans	△5,305	△4,337
Repayment of long-term debt	△635	—
Payments for repurchase of treasury stock	—	△35,000
Proceeds from exercise of share options	0	0
Dividends paid by parent company	△4,823	△5,143
Dividends paid to non-controlling interests	△1,195	△1,418
Others	—	△103
Net cash used in financing activities	△11,960	△46,002
Effect of exchange rate changes on cash and cash equivalents	1,711	1,430
Increase or decrease in cash and cash equivalents	△16,810	△39,124
Cash and cash equivalents at beginning of quarter	169,581	145,798
Cash and cash equivalents at end of quarter	152,771	106,673

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

On April 26, 2023, the Company's Board of Directors had resolved 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. And the acquisition of own shares based on the resolution of the Board of Directors meeting had been completed on September, 2023. As a result, the number of treasury common stock is increased approximately 13 million shares (¥34.9 billion).

(Segment Information)

【Segment Information】

I. Second Quarter of fiscal 2023 (April 1, 2022 to September 30, 2022)

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	145,654	124,749	50,512	68,865	19,520	6,309	415,611	—	415,611
Inter-segment sales and transfers	12,790	50	1,023	1,759	37	—	15,661	(15,661)	—
Total	158,445	124,799	51,536	70,624	19,558	6,309	431,272	(15,661)	415,611
Segment operating income or loss (△)	9,819	△1,275	3,407	6,266	△312	418	18,323	1,466	19,790

Notes 1. The ¥1,466 million adjustment in segment (operating income or loss) includes ¥4,180 million in intersegment eliminations and ¥△2,713 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 2024 (April 1, 2023 to September 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	176,453	143,801	39,436	76,528	23,679	8,255	468,153	—	468,153
Inter-segment sales and transfers	11,327	2	1,320	1,405	5	—	14,060	(14,060)	—
Total	187,780	143,803	40,757	77,933	23,684	8,255	482,213	(14,060)	468,153
Segment operating income	19,600	1,881	346	7,739	410	1,123	31,101	1,411	32,513

- Notes 1. The ¥1,411 million adjustment in segment (operating income) includes ¥4,481 million in intersegment eliminations and ¥△3,069 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.

(Significant Subsequent Events)

【Cancellation of Own Shares】

The Company resolved to cancel the Company's treasury shares in accordance with Article 178 of the Companies Act at the meeting of its Board of Directors held on October 31, 2023.

- | | |
|------------------------------------------|--------------------------------------------------------------------------------------------|
| 1. Reason of the cancellation | In order to increase shareholder's returns |
| 2. Class of shares to be canceled | Common shares |
| 3. Total number of shares to be canceled | 13,745,700 shares
(4.27% of total number of outstanding shares before the cancellation) |
| 4. Scheduled cancellation date | November 15, 2023 |

(Reference)

Total number of outstanding shares after cancellation: 307,833,172 shares
Number of treasury stocks after cancellation: 58,633 shares
(Number of treasury stocks after cancellation is calculated based number of treasury stocks as of September 30, 2023.)