



Consolidated Earnings Report for the First Quarter of Fiscal 2023 [Japanese GAAP]

July 27, 2022

Company Name:	KOITO MANUFACTURING CO., LTD.
Stock Listing:	Prime Market, Tokyo Stock Exchange
Code Number:	7276
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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 2023 (April 1, 2022 to June 30, 2022)

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

First Quarter	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
Fiscal 2023	193,443	5.2%	6,379	△58.9%	8,455	△48.3%	△1,057	—
Fiscal 2022	183,911	69.8%	15,534	—	16,345	—	10,654	—

Note: Comprehensive income or loss : June 30, 2022: ¥20,701 million (44.9%), June 30, 2021: ¥14,286 million (—%)

First Quarter	Net income per share (¥)	Net income per share (diluted) (¥)
Fiscal 2023	△6.58	△6.58
Fiscal 2022	66.28	66.26

(2) Consolidated Financial Position

(¥ millions)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
June 30, 2022	862,269	641,960	70.0	3,757.17
March 31, 2022	855,237	627,315	69.1	3,676.47

Note: Equity: June 30, 2022: ¥603,930 million, March 31, 2022: ¥590,958 million

2. Dividends

	Dividend per share (¥)				
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year
Fiscal 2022	—	24.00	—	30.00	54.00
Fiscal 2023	—				
Fiscal 2023 (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, 2022 and March 31, 2023 record date are currently undecided.

3. Forecast of Consolidated Results for Fiscal 2023 (April 1, 2022 to March 31, 2023)

(¥ 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	403,000	14.3%	18,000	△25.5%	20,000	△23.2%	6,500	△59.3%	40.44
Full year	874,000	14.9%	59,000	10.4%	62,000	2.3%	35,000	△8.7%	217.74

Note: Revisions to recent consolidated business forecasts: Yes

***Notes**

(1) Changes to important subsidiaries during the first quarter of fiscal 2023 (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) Notes on Quarterly Consolidated Financial Statements (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 2023, 1Q	160,789,436	Fiscal 2022	160,789,436
② Number of treasury stock:	Fiscal 2023, 1Q	48,905	Fiscal 2022	48,905
③ Average number of stock during the first quarter:	Fiscal 2023, 1Q	160,740,531	Fiscal 2022, 1Q	160,735,817

*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 2023, the year ending March 2023, is calculated as 1.00 US\$ = ¥126.6 and 1 CNY = ¥18.8.

(Supplementary materials for financial results)

KOITO is scheduled to have an earnings release conference for securities analysts and institutional investors on July 28, 2022. Supplementary materials will be available on our website.

《 For Reference Only 》

Forecast of Non-consolidated Result for Fiscal 2023 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share (¥)
First half	140,000	△4.2%	5,000	△51.8%	19,500	△18.4%	10,000	△48.1%	62.21
Full year	315,000	7.0%	17,000	△4.3%	37,000	△3.7%	22,000	△5.4%	136.87

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, recovery was slow and the outlook remained uncertain due to COVID-19, continued shortage of semiconductors, and the lockdown in Shanghai, China, as well as a rise in resources, raw material, and distribution costs, and geopolitical risks such as the situation in Ukraine.

Regarding the automobile industry as well, although automobile production volume was expected to recover in each region, the impact of the drastic fluctuations in production due to shortage of semiconductors and the lockdown in Shanghai was considerable. Year-on-year production volume increased only slightly in North America and Asia etc., and in Japan and China, there were significant reductions in production volume. Therefore, global automobile production volume decreased year on year.

Under these circumstances, net sales for the first quarter decreased in Japan (decrease of 16.9% year on year) and China (decrease of 9.0% year on year) due to decreased automobile production. However, in regions such as North America (increase of 34.6% year on year) and Asia (increase of 34.8% year on year), net sales increased year on year due to new orders, a shift in automobile lamps to LED, and the effect of exchange rate conversions. As a result, consolidated net sales increased 5.2% year on year to ¥193.4 billion.

Regarding profits, although each group company implemented initiatives to improve and rationalize operations, operating income decreased by 58.9% to ¥6.3 billion, and recurring profit decreased by 48.3% to ¥8.4 billion year on year, due to an increase in fixed costs accompanying the sudden fluctuation in production especially in Japan, China and North America, as well as a rise in various costs such as raw material costs, distribution costs, and utility costs in each region. Net income attributable to owners of parents was a loss of 1.0 billion, mainly due to a loss on valuation of investment securities.

(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 ¥7.0 billion from the end of the previous fiscal year to ¥862.2 billion due to an increase in property, plant and equipment for equipment investment.

Total liabilities decreased by ¥7.6 billion from the end of the previous period to ¥220.3 billion due to a decrease in trade notes and accounts payable.

Total net assets increased by ¥14.6 billion from the end of the previous period to ¥641.9 billion due to an increase in translation adjustments for the weak Yen.

-2. Analysis of cash flows

Cash flows from the operating activities provided ¥22.1 billion, mainly reflecting the net income before income taxes of ¥0.4 billion and depreciation of ¥9.1 billion, which secured net cash of ¥15.6 billion (first quarter of the previous fiscal year: ¥28.6 billion) after payment of taxes.

Cash flows from investing activities resulted in expenditures of ¥18.0 billion (first quarter of the previous fiscal year: ¥14.8 billion) as a result of proceeds from time deposits of ¥30.2 billion, payments into time deposits of 35.9 billion, and acquisitions of property and equipment of ¥8.2 billion.

Cash flows from financing activities resulted in expenditures of ¥5.2 billion (first quarter of the previous fiscal year: ¥4.7 billion), the result of mainly reflecting the dividend paid of ¥5.4 billion.

As a result, the balance of cash and cash equivalents at the end of the period decreased by ¥6.3 billion from the end of the previous fiscal year to ¥163.2 billion.

(3) Explanation Regarding Forecasts for Fiscal 2023 and Other Future Projections

Although the global automobile production volume is delayed to recover and remains uncertain as well as this second quarter due to continued impact of shortage of semiconductors and the lockdown in Shanghai, the impact of shortage of semiconductors is expected to gradually dissipate in the second half of the year and we forecast an increase in full year automobile production volume compared to the previous fiscal year.

Regarding the KOITO's business forecast for the fiscal year 2023, the year ending March 31, 2023, net sales are expected to increase year on year due to the gradual recovery of automobile production, an increase in new orders and a shift in automobile lamps to LED, as well as the effect of exchange rate conversions.

On the earnings front, operating income and recurring profit are expected to increase year on year despite the impact of a rise in various costs such as raw material costs and distribution costs, due to the continuous improvements and rationalization activities that the Group has been pursuing as one. Net income attributable to the owners of the parent is expected to decrease year on year due to the recording of a loss on valuation of investment securities in the first quarter.

KOITO has revised its consolidated and non-consolidated business results forecast of fiscal 2023, the year ending March 31, 2023, which were announced in the “Consolidated Earnings Report for Fiscal 2022” released on April 27, 2022. 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 2022	First Quarter of Fiscal 2023
	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets:		
Cash and time deposits	323,943	326,743
Trade notes	3,797	4,194
Electronically recorded monetary claims-operating	9,888	9,420
Accounts receivable	113,437	99,879
Contract assets	918	1,312
Inventories	90,760	96,525
Other current assets	36,723	36,348
Allowance for doubtful accounts	△382	△389
Total current assets	579,086	574,034
Non-current assets:		
Property, plant and equipment:		
Buildings and structures (net)	55,831	57,631
Machinery and transportation equipment (net)	75,334	81,355
Fixtures, equipment and tools (net)	17,453	18,042
Land	16,181	16,528
Construction in progress	17,054	16,952
Other property, plant and equipment	752	4,697
Total property, plant and equipment	182,608	195,207
Intangible fixed assets	3,103	3,003
Investments and other assets:		
Investment securities	73,856	71,741
Claims provable in bankruptcy, claims provable in rehabilitation and other	16	15
Deferred income tax assets	10,863	12,251
Net defined assets for retirement benefits	2,804	2,770
Other investments	3,034	3,381
Allowance for doubtful accounts	△136	△136
Total investments and other assets	90,438	90,023
Total non-current assets	276,150	288,234
Total assets	855,237	862,269

(¥ millions)

	Fiscal 2022 As of March 31, 2022	First Quarter of Fiscal 2023 As of June 30, 2022
Liabilities		
Current liabilities:		
Trade notes and accounts payable	102,641	93,588
Electronically recorded monetary obligations-operating	5,050	3,147
Short-term loans	24,531	24,782
Accrued expenses	23,781	25,899
Income taxes payable	7,319	2,405
Contract liabilities	1,872	1,275
Allowance for employees' bonuses	5,527	8,994
Reserve for product warranties	3,108	3,138
Other current liabilities	7,573	8,970
Total current liabilities	181,404	172,202
Non-current liabilities:		
Long-term debt	490	114
Deferred income tax liabilities	15,473	14,941
Allowance for directors' and corporate auditors' retirement benefits	298	283
Reserve for product warranties	5,151	5,159
Allowance for environmental strategies	10	10
Net defined liability for retirement benefits	23,097	22,774
Other non-current liabilities	1,995	4,822
Total non-current liabilities	46,517	48,105
Total liabilities	227,922	220,308
Net assets		
Shareholders' equity:		
Common stock	14,270	14,270
Additional paid-in capital	13,399	13,399
Retained earnings	509,958	504,078
Treasury common stock, at cost	△49	△49
Total shareholders' equity	537,578	531,698
Accumulated other comprehensive income:		
Valuation adjustment on marketable securities	23,560	24,782
Translation adjustments	27,924	45,618
Adjustments in defined benefit plans	1,895	1,829
Total accumulated other comprehensive income	53,379	72,231
Subscription rights to shares	199	199
Non-controlling interests	36,157	37,831
Total net assets	627,315	641,960
Total liabilities and net assets	855,237	862,269

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

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

(¥ millions)

	First Quarter of Fiscal 2022 April 1, 2021 to June 30, 2021	First Quarter of Fiscal 2023 April 1, 2022 to June 30, 2022
Net sales	183,911	193,443
Cost of sales	158,011	175,588
Gross profit	25,899	17,855
Selling, general and administrative expenses	10,364	11,476
Operating income	15,534	6,379
Non-operating income:		
Interest income	301	377
Dividends	532	594
Foreign exchange gains	—	1,191
Other non-operating income	413	592
Total non-operating income	1,248	2,755
Non-operating expenses		
Interest expenses	154	311
Shares of loss of entities accounted for using equity method	160	183
Foreign exchange losses	66	—
Other non-operating expenses	55	184
Total non-operating expenses	437	679
Recurring profit	16,345	8,455
Extraordinary gains:		
Gain on sales of property and equipment	23	2
Total extraordinary gains	23	2
Extraordinary losses:		
Loss on sales and disposal of property and equipment	93	249
Loss on valuation of investment securities	2	7,130
Other extraordinary losses	—	609
Total extraordinary losses	96	7,989
Income before income taxes	16,272	468
Total income taxes	4,764	489
Net income or loss	11,507	△21
(Break down)		
Profit or loss attributable to owners of parent	10,654	△1,057
Profit attributable to non-controlling interests	853	1,036

(¥ millions)

	First Quarter of Fiscal 2022 April 1, 2021 to June 30, 2021	First Quarter of Fiscal 2023 April 1, 2022 to June 30, 2022
Other comprehensive income		
Valuation adjustment on marketable securities	1,856	1,233
Translation adjustments	1,037	19,510
Adjustments in defined benefit plans	△113	△65
Share of other comprehensive income of entities accounted for using equity method	△1	44
Total other comprehensive income	<u>2,778</u>	<u>20,723</u>
Comprehensive income	<u>14,286</u>	<u>20,701</u>
(Break down)		
Comprehensive income attributable to owners of parent	13,841	17,793
Comprehensive income attributable to non-controlling interests	444	2,908

(3) Quarterly Consolidated Statements of Cash Flows

(¥ millions)

	First Quarter of Fiscal 2022 April 1, 2021 to June 30, 2021	First Quarter of Fiscal 2023 April 1, 2022 to June 30, 2022
Cash flows from operating activities		
Income before income taxes	16,272	468
Depreciation	8,060	9,140
Impairment loss	—	609
Equity in earnings of affiliated companies	160	183
Provision for allowance for doubtful accounts	0	△6
Increase or decrease in retirement benefit asset and liability	△341	△480
Provision for reserve for bonuses	3,584	3,430
Reserve for product warranties	151	38
Interest and dividends received	△834	△971
Interest payments	154	311
Loss on valuation of marketable and investment securities	2	7,130
Loss on sale of property and equipment	70	247
Decrease in trade notes and accounts receivable	16,869	18,058
Increase in inventories	△444	△1,595
Increase or decrease in other current assets	△3,241	3,644
Decrease in trade notes and accounts payable	△8,395	△14,571
Increase in accrued expenses and other current liabilities	2,824	561
Others	△1,480	△4,042
Sub total	<u>33,413</u>	<u>22,159</u>
Interest and dividends received	834	971
Interest paid	△154	△311
Loss on related to the Act on Prohibition to Private Monopolization and Maintenance of Fair Trade	—	△68
Income taxes paid	△5,484	△7,134
Net cash provided by operating activities	<u>28,609</u>	<u>15,616</u>
Cash flows from investing activities		
Payments into time deposits	△28,462	△35,921
Proceeds from time deposits	20,734	30,288
Payments for purchase of marketable and investment securities	△168	△4,242
Acquisition of property and equipment	△7,025	△8,206
Proceeds from sale and disposal of property and equipment	108	216
Payments for new loans	△3	△0
Proceeds from loan repayments	2	1
Others	△42	△227
Net cash used in investing activities	<u>△14,854</u>	<u>△18,091</u>

(¥ millions)

	First Quarter of Fiscal 2022 April 1, 2021 to June 30, 2021	First Quarter of Fiscal 2023 April 1, 2022 to June 30, 2022
Cash flows from financing activities		
Increase in short-term loans	435	683
Increase in long-term debt	129	—
Repayment of long-term debt	△134	△479
Payments for repurchase of treasury stock	△0	—
Proceeds from exercise of stock options	0	0
Dividends paid by parent company	△4,494	△4,495
Dividends paid to non-controlling interests	△665	△980
Net cash used in financing activities	△4,729	△5,271
Effect of exchange rate changes on cash and cash equivalents	232	1,406
Increase in cash and cash equivalents	9,257	△6,341
Cash and cash equivalents at beginning of year	161,855	169,581
Cash and cash equivalents at end of quarter	171,112	163,240

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None

(Note Regarding Significant Changes in Shareholders' Equity)

None

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

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

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021, Accounting Standards Board of Japan,") from the beginning of the fiscal 2023. The company has prospectively applied new accounting policies based on the Implementation Guidance on Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Article 27-2 of Accounting Standard for Fair Value Measurement. There is no impact on consolidated financial statements for fiscal 2023 by this application.

(Application of FASB Accounting Standards Codification (ASC) Topic 842, "Leases")

The Company's overseas subsidiaries that apply U.S. GAAP have adopted ASC Topic 842, "Leases," effective as of the beginning of the first quarter of the fiscal 2023. Consequently, the Company recognizes all leases as assets and liabilities on its balance sheets.

As a result, at the end of the first quarter of the fiscal 2023, "other" in property, plant and equipment increased by ¥3,721 million, "other" in current liabilities increased by ¥527 million, and "other" in noncurrent liabilities increased by ¥3,193 million. The impact on the Consolidated Statements of Income for the first quarter of the fiscal 2023 is immaterial.

(Segment Information)

【Segment Information】

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

II. 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	Adjustment (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.