

Battery Management System for Hybrid vehicles



Consolidated Financial Results for FY2018 1st Half

Keihin Corporation
Nov 6, 2017

**Summary of
Consolidated Financial Results for FY2018 1st Half
and
FY2018 Financial Forecast**

President and CEO
Chitoshi Yokota

Topics for FY2018 1st Half (Products)

- ▶ Our products installed in Honda *CBR1000RR SP2*, went on sale in Japan (May 2017).
- ▶ The use of power control units, which serve as the core for the electrification of cars, is expanding on a global level.

Car models that use our products

Hybrid vehicles *ACURA MDX SH-AWD* went on sale in North America (May 2017)

Hybrid vehicles *Honda CR-V* went on sale in China (July 2017)

Electric vehicles *Honda Clarity Electric* went on sale in North America (August 2017)

Hybrid vehicles *Honda Step WGN* went on sale in Japan (September 2017)

- ▶ Newly developed air-conditioning units and other products installed in the New *Honda N-BOX* (a mini vehicle) went on sale in Japan (September 2017).



Our products installed in
Honda Clarity Electric



Our air-conditioning units
installed in Honda N-BOX

Topics for FY2018 1st Half (Business)

- ▶ Expanded the production capacity of Intelligent Power Modules (IPMs), the core component of Power Control Unit for hybrid vehicles in Japan (May 2017)
- ▶ Decided to establish the world's largest FI system supply structure in India, the largest motorcycle market in the world where we have the top share (June 2017)
- ▶ Established a production line for core parts of gasoline direct injectors (June 2017)
 - Realized BCP arrangement for core parts, which production has been concentrated in Miyagi
- ▶ Started the mass production of newly developed small and light-weight air-conditioning units for mini vehicles went on sale in Japan (July 2017)
- ▶ Business alliance with "Progress Technologies Inc.", which has high control technology, to expand development area of the power train systems for gasoline engines (August 2017)
- ▶ Established "Health Declaration" to promote measures to improve employee health (August 2017)
- ▶ Participated in The 20th FBC (Factory network Business Conference) Shanghai 2017. As an exhibitor for the first time, to expand the sales of electric car-related products in China, which is the world's largest car market (September 2017)



Expand production capacity of IPMs line
(Miyagi No. 2 Plant, Japan)



Production line for air-con units for mini vehicles
(Suzuka Plant, Japan)

FY2018 1st Half Consolidated Financial Results

[IFRS] (Unit: 100 millions yen)

	FY2017 1st Half Results	FY2018 1st Half Results	Change	
			amount	%
Revenue	1,564.5	1,681.4	116.9	7.5%
* Ratio of sales to other than main customer	15.0%	15.5%		
Operating profit	121.9	124.2	2.3	1.9%
* Operating profit margin	7.8%	7.4%		
Profit before tax	104.0	126.9	22.8	21.9%
Profit for the period attributable to owners of the parent	41.6	71.4	29.8	71.6%
Dividends per share	¥20※	¥21	+¥1	—
* Dividends payout ratio	35.6%	21.8%		
Exchange Rate (against 1 U.S. dollar)	¥105.76	¥111.30	¥5.54	
Total number of vehicles (million units)	22.0	24.2	+2.2	9.7%
Motorcycle and power products	16.4	18.0	+1.7	10.3%
Automobile products	5.7	6.1	+0.5	8.1%

* Interim dividend of 19.00 ¥/share, Commemorative dividend of 1.00 ¥/share
(Commemorative dividend for the 60th anniversary)

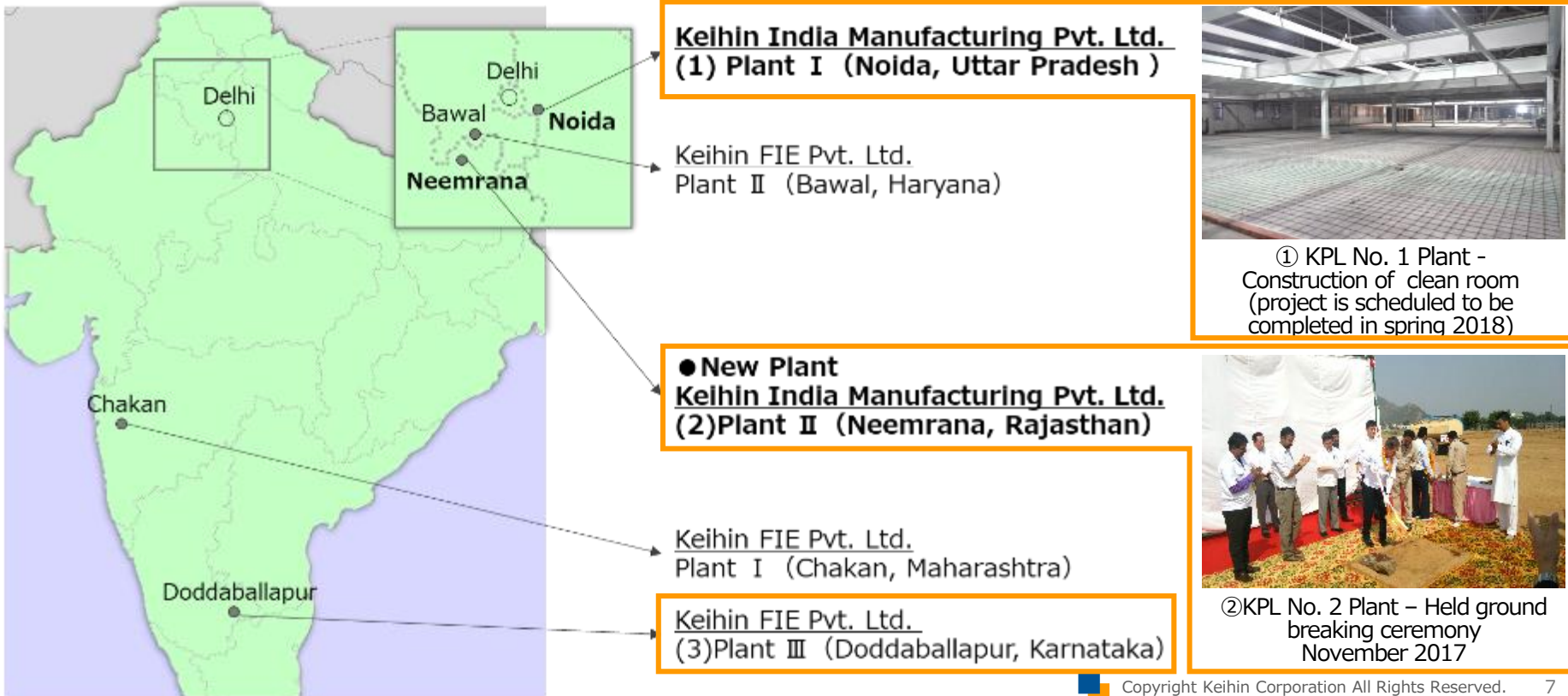
► Year-on-year change: Increases in revenue and profit

Revenue: Although sales of automobile products in North America decreased, revenue increased due to increase in sales of automobile products, including those for hybrid cars in Japan, automobile products in China, and motorcycle products in Asia.

Profit: Although depreciation, R&D expenses increased, profits increased due to rationalization effect and so on.

Topics for FY2018 2nd Half

- ▶ Promote the efforts to establish the world's largest supply structure of FI systems for motorcycles in India
 - (1) Start construction of clean room for production of electronically controlled units by expanding the existing building of Keihin India Manufacturing (KPL) No. 1 Plant (scheduled completion spring 2018)
 - (2) Construction of factory building started after ground breaking ceremony at newly established Keihin India Manufacturing (KPL) No. 2 Plant (Project is scheduled to be completed in winter 2018)
 - (3) Start factory building expansion of existing Keihin FIE No. 3 Plant (scheduled completion by summer 2018)



FY2018 Consolidated Financial Forecasts

[IFRS] (Unit: 100 millions yen)

	FY2017 Results	FY2018 Forecasts	Change	
			amount	%
Revenue	3,255.5	3,360.0	104.5	3.2%
* Ratio of sales to other than main customer	14.8%	15.1%		
Operating profit	229.5	225.0	-4.5	-2.0%
* Operating profit margin	7.1%	6.7%		
Profit before tax	207.3	227.0	19.7	9.5%
Profit for the year attributable to owners of the parent	110.8	142.0	31.2	28.1%
Dividends per share	*¥40	¥42	+¥2	—
* Dividends payout ratio	26.7%	21.9%		
Exchange Rate (against 1 U.S. dollar)	¥108.80	¥110.65	¥1.85	
Total number of vehicles (million units)	44.2	47.5	3.4	7.6%
Motorcycle and power products	32.4	35.3	2.9	8.9%
Automobile products	11.8	12.3	0.5	3.9%

* Ordinary dividend of 38.00 ¥/share, Commemorative dividend of 2.00 ¥/share
(Commemorative dividend for the 60th anniversary)

► Year-on-year change: Increase in revenue while decrease in profit

Revenue: Revenue will increase due to increase in sales of automobile products in Japan and China and motorcycle products in Asia.

Profit: Despite effects of rationalization and other factors, profits will decrease due to increase in R&D expenses for the future.

(Note: ¥=Japanese Yen)

(Note: Amounts are rounded to the nearest millions yen)

Revision of dividend forecasts

One of Keihin's most important management issues is the redistribution of profits to shareholders.

As to dividends for the financial period ending in March 2018, we increased dividend payment at the end of the second quarter for the financial year ending in March 2018 by 1 yen, from 20 yen to 21 yen. Since the actual results of cumulative consolidated financial results for the second quarter exceeded financial forecast announced in August 4.

As to full year, we revised the forecast for the year-end dividend payment from 20 yen to 21 yen since we forecast the consolidated financial result to exceed the August 4, 2017 announcement.

	FY2017 Results	FY2018 Forecast (Announced in May 12, 2017)	FY2018 Forecast (Current revision amendments)	Year-on-year change of amount
Dividends per share	¥40 (Ordinary dividend: ¥38) (Commemorative dividend: ¥2)	¥40	¥42	+¥2
Interim	¥20 (Ordinary dividend: ¥19) (Commemorative dividend: ¥1)	¥20	¥21	+¥1
Year-end	¥20 (Ordinary dividend: ¥19) (Commemorative dividend: ¥1)	¥20	¥21	+¥1
Dividends payout ratio	26.7%	28.2%	21.9%	—

**Detail of
Consolidated Financial Results for FY2018 1st Half
and
FY2018 Financial Forecasts**

Director and Chief Operating Officer
for Business Administration Operations
Masayasu Shigemoto

FY2018 1st Half Consolidated Financial Results

[IFRS] (Unit: 100 million yen)

	FY2017 1st Half Results	FY2018 1st Half Results	Change	
			amount	%
Revenue	1,564.5	1,681.4	116.9	7.5%
Motorcycle and power products	391.4	469.3	77.9	19.9%
Automobile products	1,173.1	1,212.1	39.0	3.3%
Operating profit	121.9	124.2	2.3	1.9%
Profit before tax	104.0	126.9	22.8	21.9%
Income tax expenses	51.4	44.1	-7.4	-14.3%
Profit for the year	52.6	82.8	30.2	57.4%
Profit for the period attributable to owners of the parent	41.6	71.4	29.8	71.6%

Exchange Rate

1 U.S. Dollar	¥105.76	¥111.30	¥5.54
1 Thai Baht	¥3.01	¥3.30	¥0.29
1 Chinese Yuan	¥15.92	¥16.49	¥0.57
1 Indian Rupee	¥1.58	¥1.73	¥0.15
1 Indonesian Rupiah (100-unit rate)	¥0.80	¥0.83	¥0.03
1 Brazilian Real	¥31.40	¥34.86	¥3.46

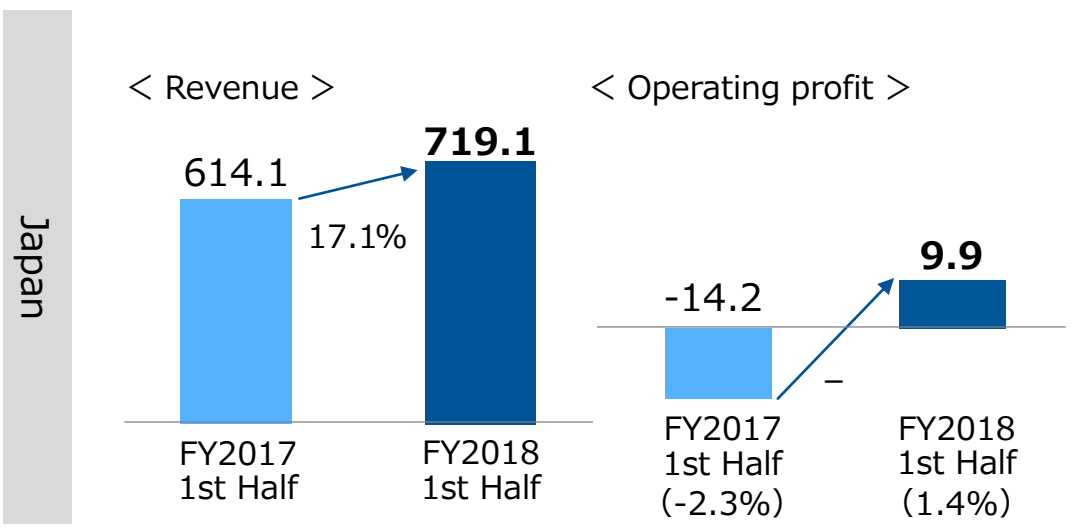
(Note: ¥=Japanese Yen)

(Note: Amounts are rounded to the nearest million yen)

FY2018 1st Half Consolidated Results by Segment

[IFRS] (100 million yen)

percentage in (brackets) operating profit margin

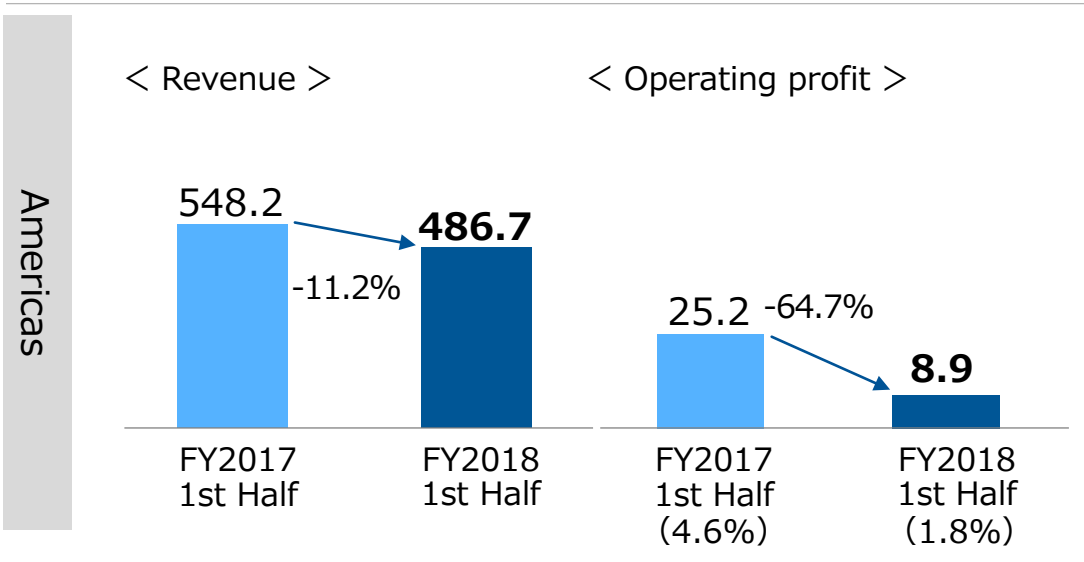


<Revenue>

Revenue increased due to increase in sales of motorcycles and power products in Japan and Indonesia and automobile products in Japan, as well as influence of foreign exchange rates.

<Operating profit>

Although there was an increase in expenses such as R&D for the future, operating profit increased due to sales increase and the improvement of production efficiency.



<Revenue>

Despite effect of increase in sales of motorcycles and power products mainly in South America and the influence of foreign exchange rates, revenue decreased due to drop in sales of automobile products in North America and unit sales price impact.

<Operating profit>

Operating profit decreased due to sales decrease.

* The amounts listed include amounts for internal revenue between segments.

* Amounts are rounded to the nearest million yen

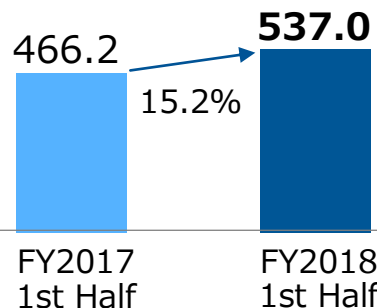
FY2018 1st Half Consolidated Results by Segment

[IFRS] (100 million yen)

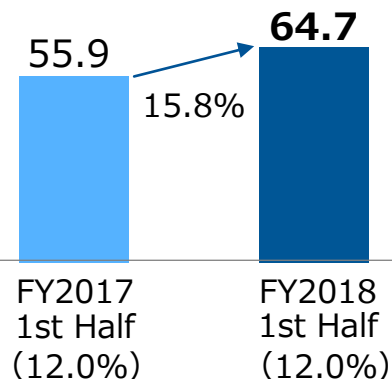
percentage in (brackets) operating profit margin

Asia

< Revenue >



< Operating profit >



<Revenue>

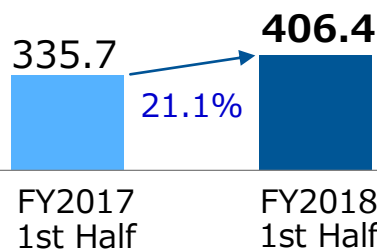
Revenue increased due to increase in sales of motorcycles and power products in India, Indonesia, and Thailand as well as influence of foreign exchange rates, despite decrease in sales of automobile products in Indonesia and Malaysia.

<Operating profit>

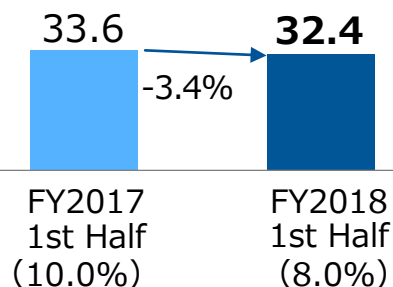
Operating profit increased due to sales increase as well as effects of rationalization.

China

< Revenue >



< Operating profit >



<Revenue>

Revenue increased due to increase in sales of motorcycles and power products, and automobile products as well as influence of foreign exchange rate.

<Operating profit>

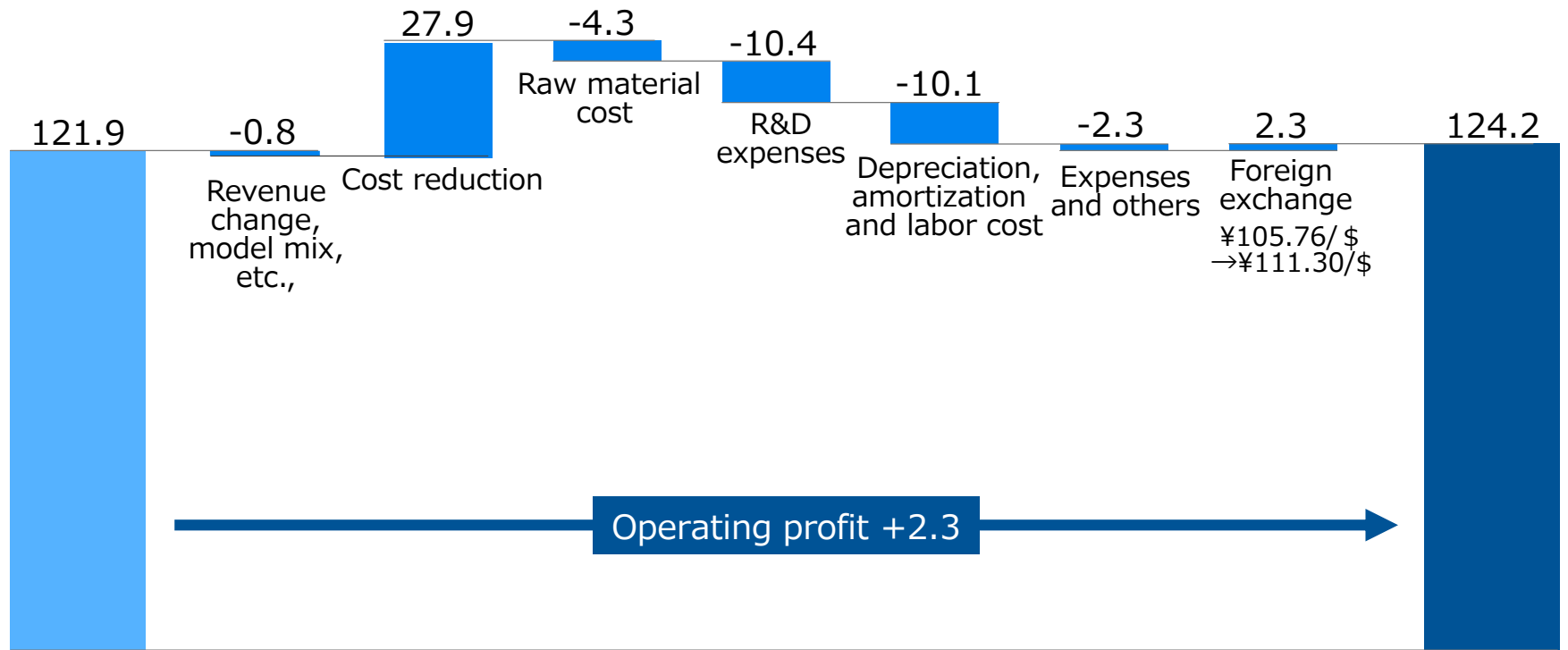
Operating profit decreased due to influence of foreign exchange rates despite sales increase.

* The amounts listed include amounts for internal revenue between segments.

* Amounts are rounded to the nearest million yen

Factors for Change in FY2018 1st Half Consolidated Operating Profit

[IFRS] (Unit: 100 million yen)



FY2017
1st Half Results

FY2018
1st Half Results

(Note: Amounts are rounded to the nearest million yen)

FY2018 1st Half

Capital Expenditure, Depreciation and R&D Expenses

[IFRS] (Unit: 100 million yen)

	FY2017 1st Half Results	FY2018 1st Half Results	Change	
			amount	%
Capital expenditure	66.2	83.8	17.7	26.7%
Depreciation	82.3	87.3	5.0	6.1%
R&D expenses	100.0	109.5	9.5	9.5%
Ratio of R&D expenses to consolidated revenue	6.4%	6.5%	—	—

▶ Capital expenditure

Increased due to expansion of production capacity of IPM's for xEVs (e.g. HEV, PHEV, EV etc.) and gasoline direct injectors in Japan as well as preparation of FI system supply structure expansion in India.

▶ Depreciation

Increased due to capital investment increase as well as influence of foreign exchange rate.

▶ R&D expenses

Increased due to reinforcement of R&D activities to increase new customers as well as upstream development enhancement.

Impact of Foreign Exchange in FY2018 1st Half

Impact of foreign exchange	Impact of amount (unit : 100million yen)
1 U.S. Dollar	5.1
1 Thai Baht	-0.4
1 Chinese Yuan	-2.7
1 Indian Rupee	0.3
1 Indonesian Rupiah	-0.7
1 Brazilian Real	-0.1
Other	-5.1
Difference in exchange rates for sales *1 (at the line of Operating profit)	-3.6
Difference between exchange rates for sales and exchange rates for sales proceeds *2 (Financial balance)	19.5
Subtotal	15.9
Difference from foreign exchange translation *3 (at the line of Profit before tax)	5.9
Total	21.8
At the line of Operating profit	2.3
Financial balance	19.5

FY2017 1st Half Results	FY2018 1st Half Results	Change
¥105.76	¥111.30	¥5.54
¥3.01	¥3.30	¥0.29
¥15.92	¥16.49	¥0.57
¥1.58	¥1.73	¥0.15
¥0.80	¥0.83	¥0.03
¥31.40	¥34.86	¥3.46

(Indonesian rupiah rates are based on 100 currency units)

*1: Difference, from the previous fiscal year, in the exchange rates used for posting revenues denominated in foreign currencies

*2: Difference, from the previous fiscal year, between the exchange rates used for posting revenues denominated in foreign currencies and the exchange rates for posting sales proceeds received

*3: Difference, from the previous fiscal year, in yen exchange rates used for consolidating individual financial statements denominated in foreign currencies

FY2018 1st Half

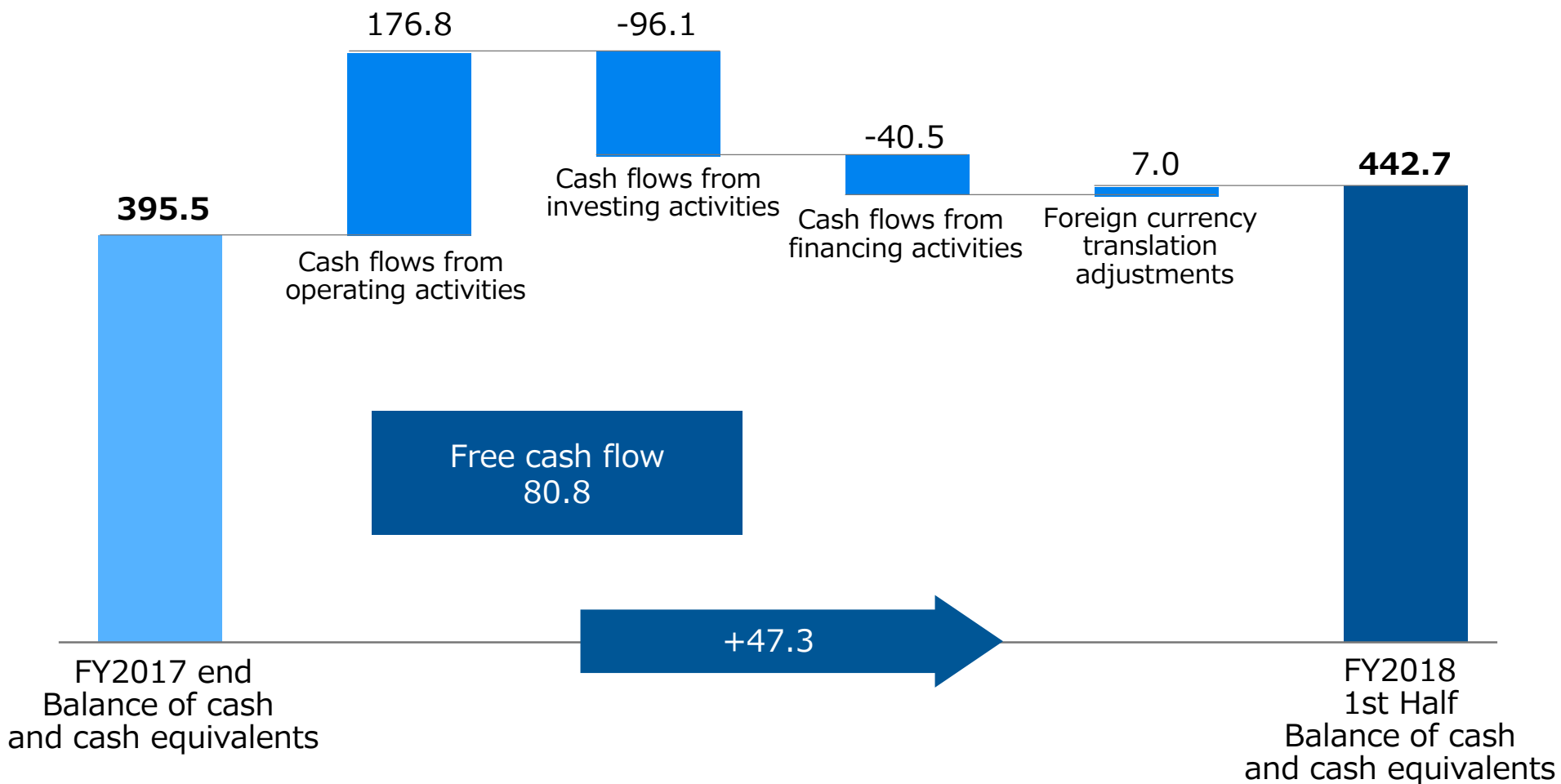
Consolidated Statement of Financial Position

[IFRS]
(100 million yen)

	FY2017 end	FY2018 1st Half end	Change		FY2017 end	FY2018 1st Half end	Change
Total assets	2,668.5	2,765.6	97.1	Total liabilities and equity	2,668.5	2,765.6	97.1
Total current assets	1,471.6	1,532.4	60.8	Total current liabilities	639.2	654.5	15.4
Cash and cash equivalents	395.5	442.7	47.3	Trade and other payables	522.2	528.6	6.4
Trade and other receivables	569.8	543.7	-26.1	Short-term loans	85.9	83.4	-2.5
Inventories	457.7	506.4	48.7	Others	31.1	42.5	11.4
Others	48.5	39.6	-9.0	Total non-current liabilities	90.5	93.7	3.2
Total non-current assets	1,197.0	1,233.1	36.2	Long-term loans	—	—	—
Property, plant and equipment	971.5	990.1	18.6	Others	90.5	93.7	3.2
Intangible assets	61.8	60.4	-1.4	Total equity	1,938.8	2,017.4	78.5
Other non-current financial assets	53.4	53.2	-0.2	Equity attributable to owners of the parent	1,704.2	1,786.9	82.7
Others	110.3	129.5	19.3	Non-controlling interests	234.6	230.5	-4.1

FY2018 1st Half Consolidated Cash Flow

[IFRS]
(Unit: 100 million yen)



(Note: Amounts are rounded to the nearest million yen)

FY2018 Consolidated Financial Forecasts

[IFRS] (Unit: 100 million yen)

	FY2017 Results	FY2018 Forecasts	Change	
			amount	%
Revenue	3,255.5	3,360.0	104.5	3.2%
Motorcycle and power products	828.7	907.0	78.3	9.4%
Automobile products	2,426.8	2,453.0	26.2	1.1%
Operating profit	229.5	225.0	-4.5	-2.0%
Profit before tax	207.3	227.0	19.7	9.5%
Income tax expenses	74.9	65.0	-9.9	-13.3%
Profit for the year	132.4	162.0	29.6	22.4%
Profit for the year attributable to owners of the parent	110.8	142.0	31.2	28.1%

Exchange Rate

1 U.S. Dollar	¥108.80	¥110.65	¥1.85
1 Thai Baht	¥3.10	¥3.30	¥0.20
1 Chinese Yuan	¥16.12	¥16.50	¥0.38
1 Indian Rupee	¥1.62	¥1.69	¥0.07
1 Indonesian Rupiah (100-unit rate)	¥0.82	¥0.82	—
1 Brazilian Real	¥33.21	¥34.93	¥1.72

(Note: ¥=Japanese Yen)

(Note: Amounts are rounded to the nearest million yen)

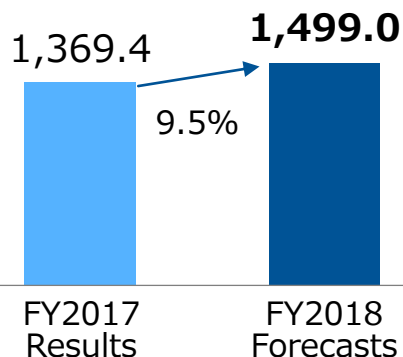
FY2018 Consolidated Financial Forecasts by Segment

[IFRS] (100 million yen)

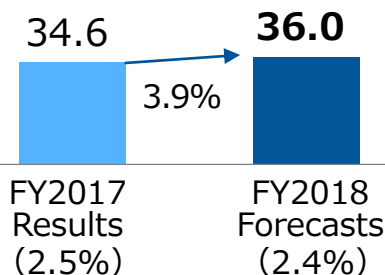
percentage in (brackets) operating profit margin

Japan

< Revenue >



< Operating profit >



<Revenue>

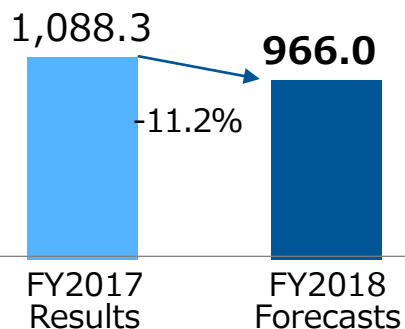
Revenue will increase due to expansion of PCU installed car line up globally as well as launch of new models of automobile products in Japan.

<Operating profit>

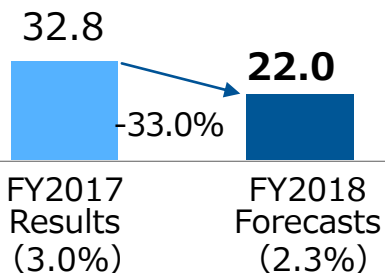
Although there will be increases in expenses such as R&D for the future, operating profit will increase due to sales increase as well as influence of foreign exchange rate.

Americas

< Revenue >



< Operating profit >



<Revenue>

Revenue will decrease due to sales volume decrease as well as drop in unit sales price.

<Operating profit>

Operating profit will decrease due to sales decrease as well as influence of foreign exchange rate.

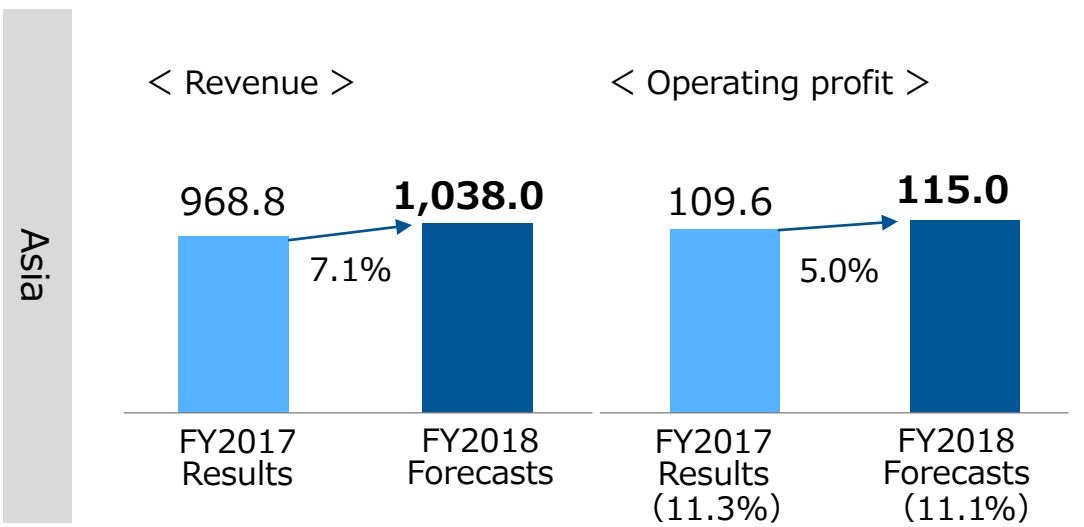
* The Amounts listed include amounts for internal revenue between segments.

(Note: Amounts are rounded to the nearest million yen)

FY2018 Consolidated Financial Forecasts by Segment

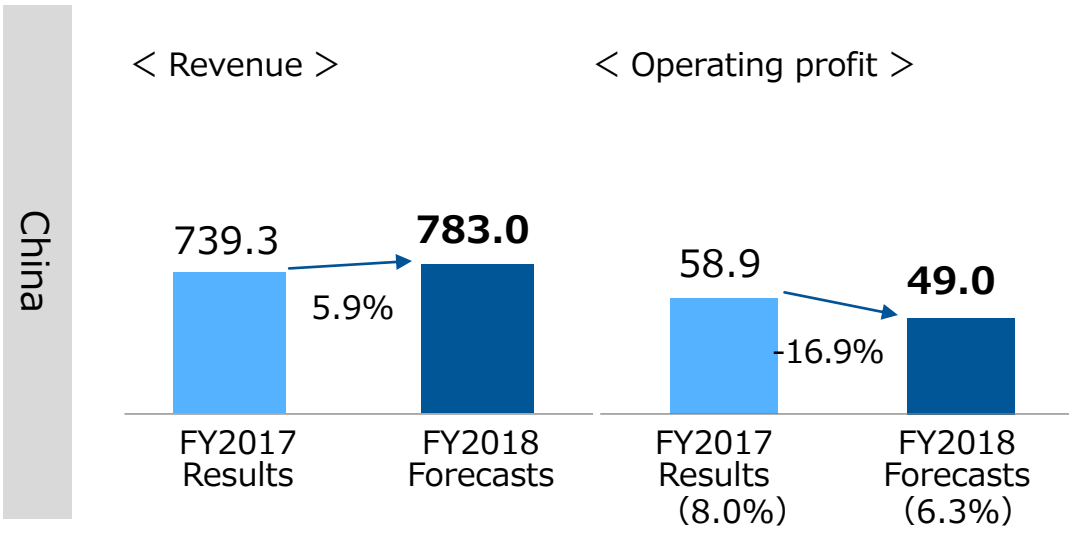
[IFRS] (100 million yen)

percentage in (brackets) operating profit margin



<Revenue>
Revenue will increase due to increase in sales of motorcycles and power products in India, Indonesia, and Thailand as well as the impact of foreign exchange rate.

<Operating profit>
Operating profit will increase due to sales increase.



<Revenue>
Revenue will increase due to increase in sales of automobile products as well as influence of foreign exchange rate.

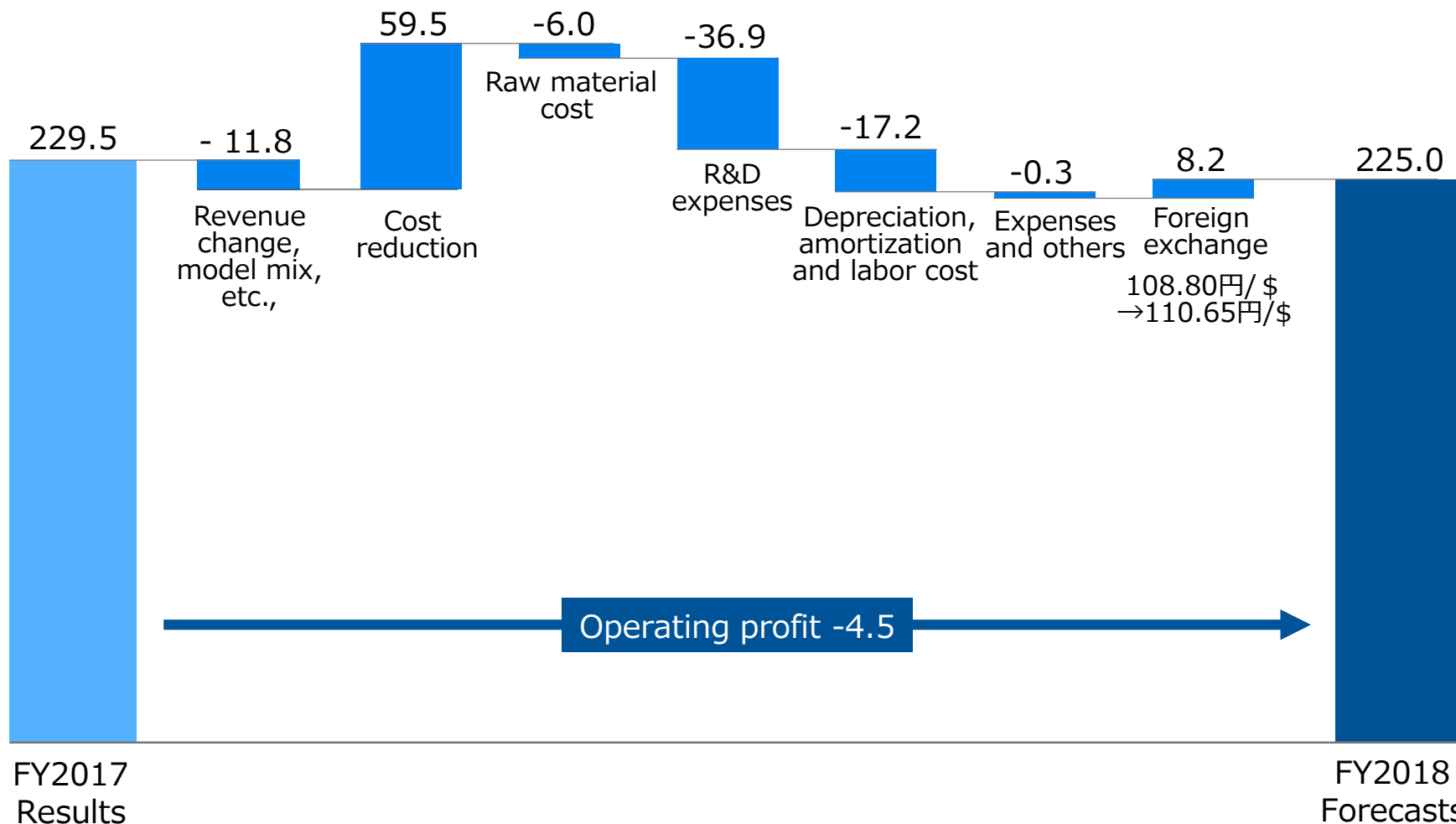
<Operating profit>
Operating profit will decrease due to expense increase despite sales increase.

* The Amounts listed include amounts for internal revenue between segments.

(Note: Amounts are rounded to the nearest million yen)

Expected Factors for Change in FY2018 Consolidated Operating Profit

[IFRS] (Unit: 100 million yen)



(Note: Amounts are rounded to the nearest million yen)

FY2018 Financial Forecasts

Capital Expenditure, Depreciation and R&D Expenses

	FY2017 Results	FY2018 Forecasts	Change	
			amount	%
Capital expenditure	162.9	223.0	60.1	36.9%
Depreciation	168.9	178.0	9.1	5.4%
R&D expenses	194.0	231.0	37.0	19.1%
Ratio of R&D expenses to consolidated revenue	6.0%	6.9%	—	—

▶ Capital expenditure

Will increase due to preparation of FI system supply structure expansion in India as well as enhancement of equipment for xEVs and test equipment for upstream development.

▶ Depreciation

Will increase due to supply structure expansion and launch of advanced environmental products.

▶ R&D expenses

Will increase due to preparation for future electrification, upstream development, and reinforcement of R&D activities to increase new customers.

Forecasts of Foreign Exchange impact in FY2018

Impact of foreign exchange	Impact of amount (unit : 100million yen)
1 U.S. Dollar	8.0
1 Thai Baht	-0.6
1 Chinese Yuan	-0.8
1 Indian Rupee	0.7
1 Indonesian Rupiah	-1.2
1 Brazilian Real	0.1
Other	-3.7
Difference in exchange rates for sales *1 (at the line of Operating profit)	2.5
Difference between exchange rates for sales and exchange rates for sales proceeds *2 (Financial balance)	25.0
Subtotal	27.5
Difference from foreign exchange translation *3 (at the line of Profit before tax)	5.8
Total	33.3
At the line of Operating profit	8.2
Financial balance	25.1

FY2017 Results	FY2018 Forecasts	Change
¥108.80	¥110.65	¥1.85
¥3.10	¥3.30	¥0.20
¥16.12	¥16.50	¥0.38
¥1.62	¥1.69	¥0.07
¥0.82	¥0.82	—
¥33.21	¥34.93	¥1.72

(Indonesian rupiah rates are based on 100 currency units)

*1: Difference, from the previous fiscal year, in the exchange rates used for posting revenues denominated in foreign currencies

*2: Difference, from the previous fiscal year, between the exchange rates used for posting revenues denominated in foreign currencies and the exchange rates for posting sales proceeds received

*3: Difference, from the previous fiscal year, in yen exchange rates used for consolidating individual financial statements denominated in foreign currencies

* Forward-looking statements provided in this document, such as performance forecasts, are based on assumptions made by the Company's management in light of information available at this time, and therefore contain risks and uncertainties. Consequently, you should not solely rely on these performance forecasts to make investment decisions. Please note that actual results may differ materially from these performance forecasts due to various important factors. Such factors that may impact actual performance include economic conditions surrounding the Company's business domains, market trends and yen exchange rates against the U.S. dollar and other currencies.

(Reference material)

Sales unit numbers of Carburetors and FI systems

Motorcycle carburetors: Sales unit numbers by each location

(Unit: Ten thousand)

	Japan	U.S.	Europe	Brazil	Taiwan	Thailand	China	India	Indonesia	Malaysia	Vietnam	Total
FY2017 1st Half Results	5	2	-	3	8	60	91	685	4	2	35	895
FY2018 1st Half Results	4	3	-	3	7	60	85	789	4	2	33	990
change	▲20%	50%	-	0%	▲13%	0%	▲7%	15%	0%	0%	▲6%	11%
FY2017 Results	9	5	-	6	14	135	176	1,263	10	3	69	1,689
FY2018 Forecasts	7	4	-	5	10	129	163	1,532	4	4	65	1,923
change	▲22%	▲20%	-	▲17%	▲29%	▲4%	▲7%	21%	▲60%	33%	▲6%	14%

Motorcycle FI systems: Sales unit numbers by each location

(Unit: Ten thousands)

	Japan	U.S.	Europe	Brazil	Taiwan	Thailand	China	India	Indonesia	Malaysia	Vietnam	Total
FY2017 1st Half Results	17	7	1	40	10	82	16	2	212	2	81	470
FY2018 1st Half Results	19	7	2	32	14	92	23	4	236	3	99	531
change	12%	0%	100%	▲20%	40%	12%	44%	100%	11%	50%	22%	13%
FY2017 Results	41	14	3	71	19	165	41	4	453	5	179	994
FY2018 Forecasts	46	14	3	66	24	181	50	10	452	7	192	1,045
change	12%	0%	0%	▲7%	26%	10%	22%	150%	0%	40%	7%	5%