

Transfer Mold Electronic Control Unit for small motorcycle



Consolidated Financial Results for FY2018

Keihin Corporation
May 11, 2018

Summary of FY2018 Consolidated Financial Results and FY2019 Financial Forecasts

President and CEO
Chitoshi Yokota

Topics for FY2018 2nd Half: Products

- ▶ Our direct-injection engine system products installed in the Honda Accord, which was released in North America (October 2017)
- ▶ Our FI system for small motorcycle installed in Jiangmen Dachangjiang Group Co. Ltd.'s Haojue UH110, which was released in China (December 2017)
- ▶ Our Electronic Control Units for power rear gate supplied through HI-LEX Corporation for the Mazda CX-8, which was released in Japan (December 2017)
- ▶ Our FI system for small motorcycle including a newly developed Transfer Mold Electronic Control Unit installed in the Honda Super Cub, which was released in Thailand (January 2018)



Newly developed
Transfer Mold ECU



Our product installed in
the Honda Accord



FI system for small motorcycle
installed in the Haojue UH110



FI system for small motorcycle
installed in the Honda Super Cub

ECU installed in the
Mazda CX-8

Topics for FY2018 2nd Half: Businesses

- ▶ Celebrated the 20th anniversary of our Indian subsidiary company Keihin India Manufacturing (December 2017)
- ▶ Decided to establish a new R&D office in Daiba, Tokyo, to enhance our R&D capacity in the field of powertrain electronic control systems (February 2018)
- ▶ Recognized as Health and Productivity Management Outstanding Organizations (White 500) by the Japanese Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi (February 2018)
- ▶ Obtained the “Kurumin certification” as a childcare support company from the Japanese Ministry of Health, Labor and Welfare (MHLW) (March 2018)
- ▶ Received the 2017 Quality Advancement Award and the 2017 New Product Development Award from China’s largest motorcycle manufacturer, Jiangmen Dachangjiang Group Co. Ltd. (March 2018)



Health and Productivity Management Outstanding Organization (White 500) and Kurumin certification



New Daiba R&D Office opened in Koto Ward, Tokyo, in April 2018



Quality Advancement Award and New Product Development Award received from Jiangmen Dachangjiang Group Co. Ltd.

FY2018 Consolidated Financial Results

[IFRS] (Unit: 100 millions yen)

	FY2017 results	FY2018 results	Change amount	Change percentage
Revenue	3,255.5	3,514.9	259.4	8.0%
* Ratio of sales to customers other than main customer	14.8%	15.1%		
Operating profit	229.5	283.1	53.6	23.3%
* Operating profit margin	7.1%	8.1%		
Profit before tax	207.3	271.4	64.2	31.0%
Profit for the year attributable to owners of the parent	110.8	178.2	67.4	60.8%
Dividends per share	* ¥40	¥43	+¥3	-
* Dividends payout ratio	26.7%	17.8%		
Exchange Rate (against 1 U.S. dollar)	¥108.80	¥110.62	-¥1.82	-
Total number of vehicles (million units)	44.15	48.72	4.57	10.3%
Motorcycle and power products	32.36	36.13	3.78	11.7%
Automotive products	11.80	12.59	0.79	6.7%

* The dividend for FY2017 includes a 60th anniversary commemorative dividend of ¥2.00

► Year-to-year: Increased in revenue and profit

Revenue: Increased due to increase in sales of automotive products including xEVs products in Japan and China, and motorcycle and power products in Asia, despite decrease in sales of automotive products in North America

Operating profit: Increased due to higher revenue and the effects of cost reduction, despite higher depreciation and R&D expenses

Revenue, operating profit, and profit for the year attributable to owners of the parent company reached new records

(Note: ¥=Japanese Yen)

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

Topics for FY2019

- ▶ Due to higher demand than anticipated in the initial production plan, we will establish supply system for motorcycle FI system production in India including further expansion of production capacity (Planned to start mass production in 2019)
- ▶ Further expansion of production capacity of Power Control Units in Japan to meet potentially increasing demand for xEV products (Planned to start mass production in 2019)

In addition, start preparations for local production of Power Control Units in China



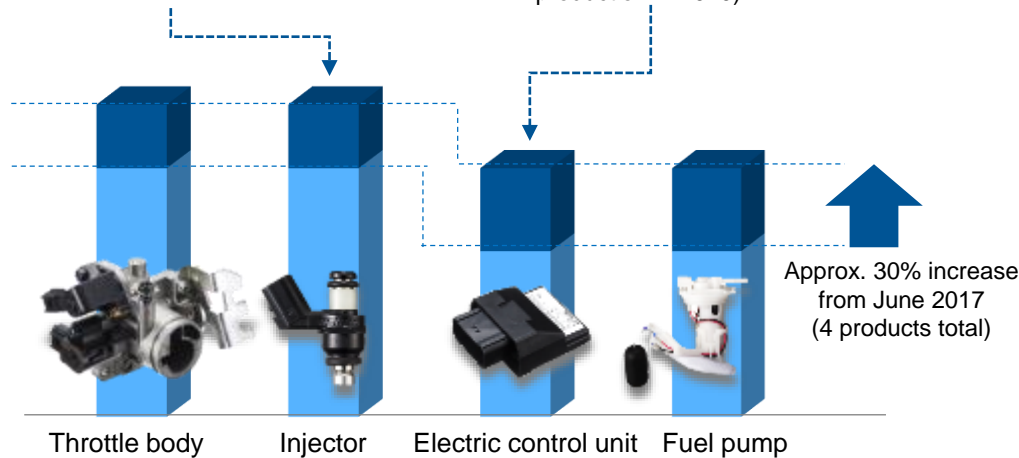
Our new plant under construction in Rajasthan State (Planned to start mass production in 2019)



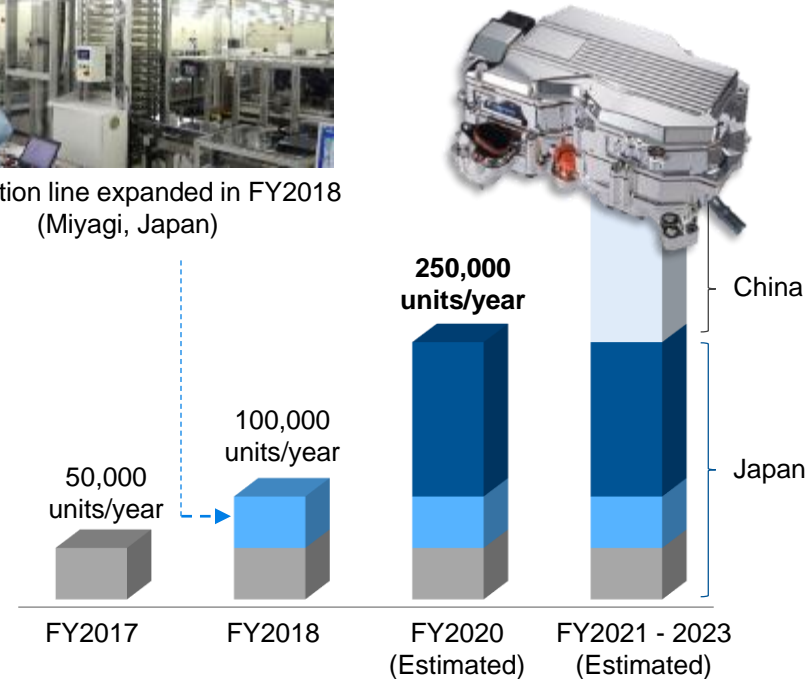
Expanded ECU production line (Planned to start mass production in 2019)



Production line expanded in FY2018 (Miyagi, Japan)



Increase in production capacity for 4 products of FI system in India (end of FY2021-estimate)



Power Control Units production capacity for xEVs

FY2019 Consolidated Financial Forecast

[IFRS] (Unit: 100 millions yen)

	FY2018 results	FY2019 forecast	Change amount	Change percentage
Revenue	3,514.9	3,400.0	-114.9	-3.3 %
* Ratio of sales to customers other than main customer	15.1%	15.8%		
Operating profit	283.1	200.0	-83.1	-29.4 %
* Operating profit margin	8.1%	5.9%		
Profit before tax	271.4	190.0	-81.4	-30.0 %
Profit for the year attributable to owners of the parent	178.2	100.0	-78.2	-43.9 %
Dividends per share	¥43	¥44	+¥1	-
* Dividends payout ratio	17.8%	32.5%		
Exchange Rate (against 1 U.S. dollar)	¥110.62	¥105.00	¥5.62	-
Total number of vehicles (million units)	48.72	50.35	1.63	3.3%
Motorcycle and power products	36.13	37.37	1.24	3.4%
Automotive products	12.59	12.98	0.40	3.2%

► Year-to-year: Decrease in revenue and profit

Revenue: Decrease mainly due to sales unit prices in North America as well as unfavorable foreign exchange rates, despite increase in number of vehicle models equipped with PCUs and sales of motorcycle and power products in Asia

Operating profit: Decrease due to revenue decline, unfavorable foreign exchange rates and higher R&D expenses for the future, despite the effects of cost reduction

(Note: ¥=Japanese Yen)

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

Details of FY2018 Consolidated Financial Results and FY2019 Financial Forecasts

Managing Officer and Director
Masayasu Shigemoto

FY2018 Consolidated Financial Results

[IFRS] (Unit: 100 million yen)

	FY2017 results	FY2018 results	Change amount	Change percentage
Revenue	3,255.5	3,514.9	259.4	8.0%
Motorcycle and power products	828.7	961.0	132.4	16.0%
Automotive products	2,426.8	2,553.9	127.1	5.2%
Operating profit	229.5	283.1	53.6	23.3%
Profit before tax	207.3	271.4	64.2	31.0%
Income tax expenses	74.9	68.0	-7.0	-9.3 %
Profit for the year	132.4	203.5	71.1	53.7%
Profit for the year attributable to owners of the parent	110.8	178.2	67.4	60.8%

Exchange Rate

1 U.S. Dollar	¥108.80	¥110.62	-¥1.82
1 Thai Baht	¥3.10	¥3.37	-¥0.27
1 Chinese Yuan	¥16.12	¥16.78	-¥0.66
1 Indian Rupee	¥1.62	¥1.73	-¥0.11
1 Indonesian Rupiah (100-unit rate)	¥0.82	¥0.82	-
1 Brazilian Real	¥33.21	¥34.26	-¥1.05

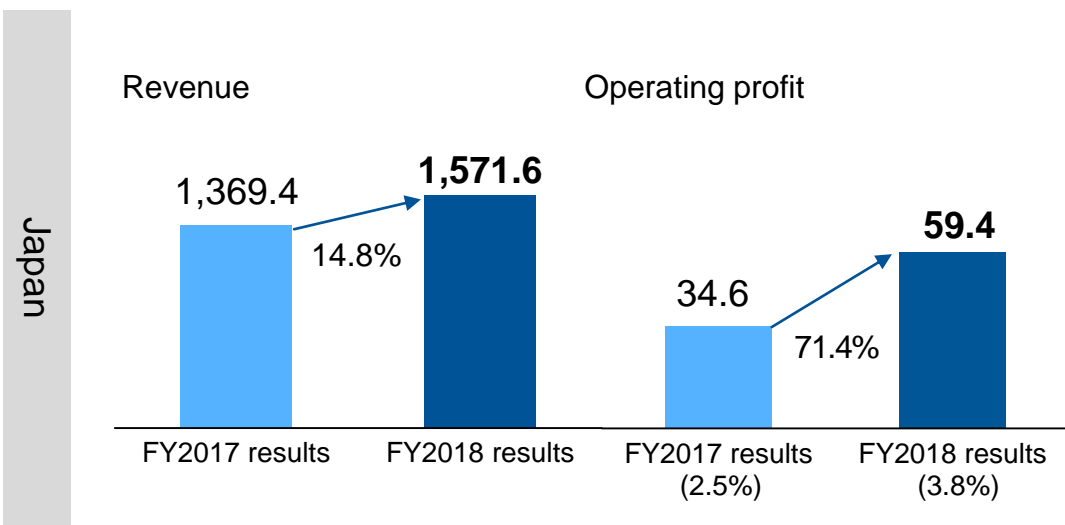
(Note: ¥=Japanese Yen)

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

FY2018 Consolidated Results by Segment

[IFRS] (Unit: 100 million yen)

percentage in (brackets) operating profit margin

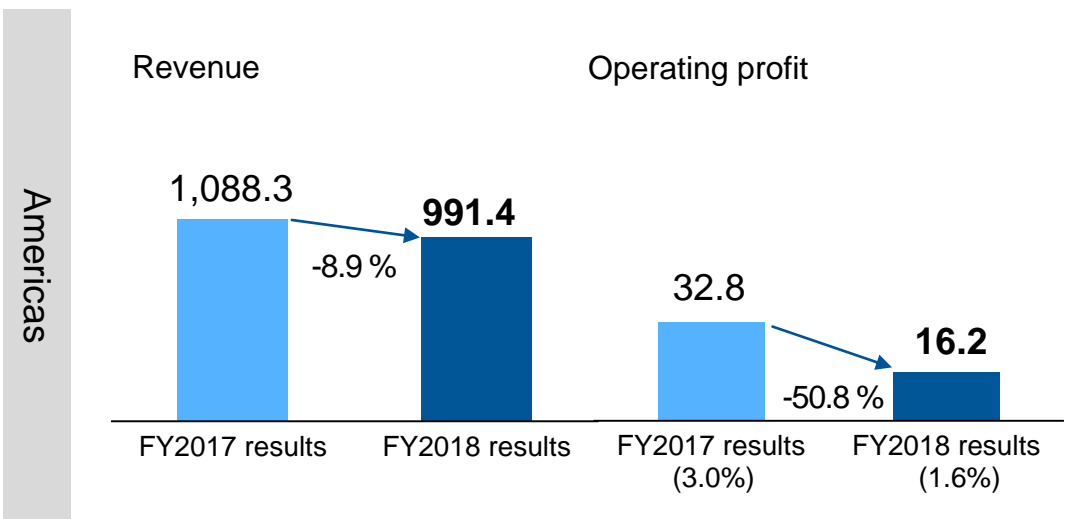


Revenue

Increased mainly due to increase in sales of motorcycle and power products in Indonesia, Thailand and Japan and in sales of automotive products in Japan and China as well as favorable foreign exchange rates

Operating profit

Increased due to higher revenue and production constitution improvements, despite higher R&D expenses for the future



Revenue

Decreased due to decline in sales of automotive products in North America, despite increase in sales of motorcycle and power products in South America

Operating profit

Decreased due to lower revenue and impairment losses recorded in air conditioning products location

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

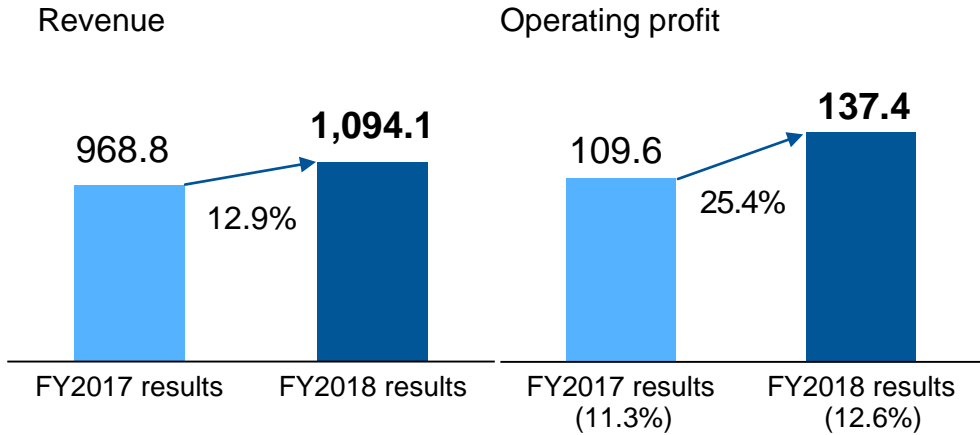
* Amounts are rounded to the nearest millions yen

FY2018 Consolidated Results by Segment

[IFRS] (Unit: 100 million yen)

percentage in (brackets) operating profit margin

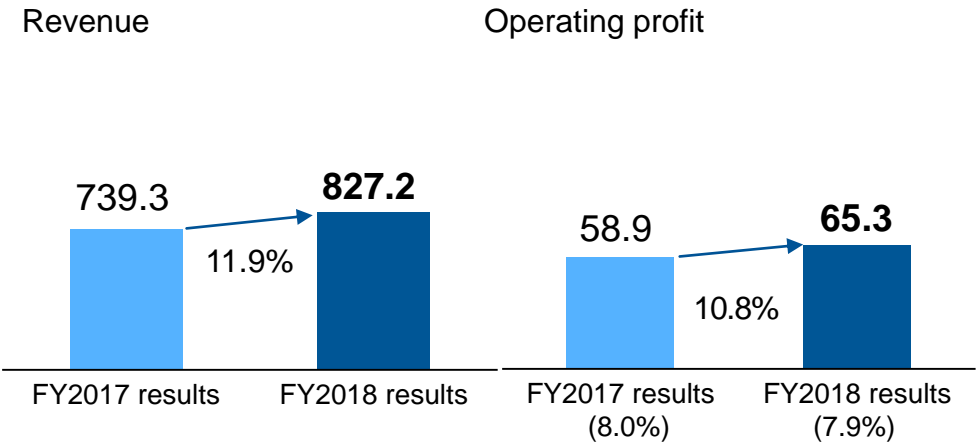
Asia



Revenue
Increased due to increase in sales of motorcycle and power products in India, Indonesia and Thailand and favorable foreign exchange rates, despite decrease in sales of automotive products in Indonesia and Malaysia

Operating profit
Increased due to higher revenue and effects of cost reduction

China



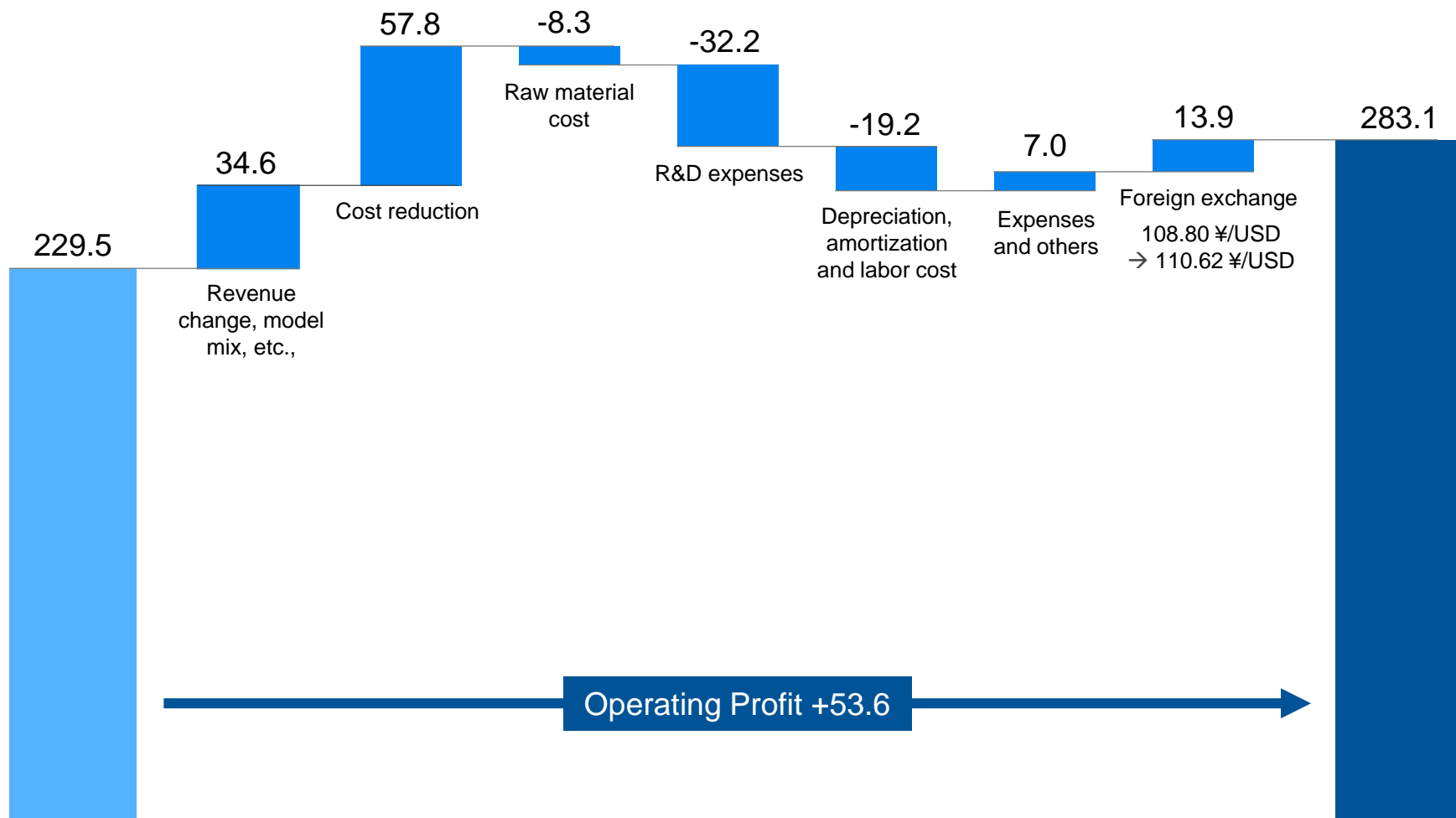
Revenue
Increased due to increased in sales of motorcycle, power products and automotive products and favorable foreign exchange rates

Operating profit
Increased due to higher revenue

* The Amounts listed include amounts for internal revenue between segments.
* Amounts are rounded to the nearest millions yen

Factors for Change in FY2018 Consolidated Operating Profit

[IFRS] (Unit: 100 million yen)



FY2017 results

FY2018 results

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

FY2018 Capital expenditure, Depreciation and Research & Development Expenses

[IFRS] (Unit: 100 million yen)

	FY2017 results	FY2018 results	Change amount	Change percentage
Capital expenditure	162.9	184.1	21.2	13.0%
Depreciation	168.9	178.0	9.1	5.4%
R&D expenses	194.0	227.8	33.8	17.4%
Ratio of R&D expenses to consolidated revenue	6.0%	6.5%	-	-

▶ Capital expenditure

Increased due to preparation for production of FI system for motorcycles in India, the development of xEV products and reinforcement of testing facilities for upstream development

▶ Depreciation

Increased due to launch of advanced environmental products and expansion of supply system

▶ R&D expenses

Increased due to preparations for production of xEV products for the future, upstream development and enhanced R&D capacity to expand new customers

Impact of Foreign Exchange in FY2018

Impact of foreign exchange	Impact of amount (unit : 100 million yen)
1 U.S. Dollar	8.2
1 Thai Baht	-1.2
1 Chinese Yuan	3.7
1 Indian Rupee	0.8
1 Indonesian Rupiah	-1.9
1 Brazilian Real	0.1
Other	-5.2
Difference in exchange rates for sales *1 (at the line of Operating profit)	4.5
Difference between exchange rates for sales and exchange rates for sales proceeds *2 (Financial balance)	22.0
Subtotal	26.5
Difference from foreign exchange translation *3 (at the line of Profit before tax)	9.2
Total	35.6
At the line of Operating profit	13.9
Financial balance	21.7

FY2017 results	FY2018 results	Change
¥108.80	¥110.62	-¥1.82
¥3.10	¥3.37	¥0.27
¥16.12	¥16.78	¥0.66
¥1.62	¥1.73	¥0.11
¥0.82	¥0.82	-
¥33.21	¥34.26	¥1.05

(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

(Note: ¥=Japanese Yen)

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

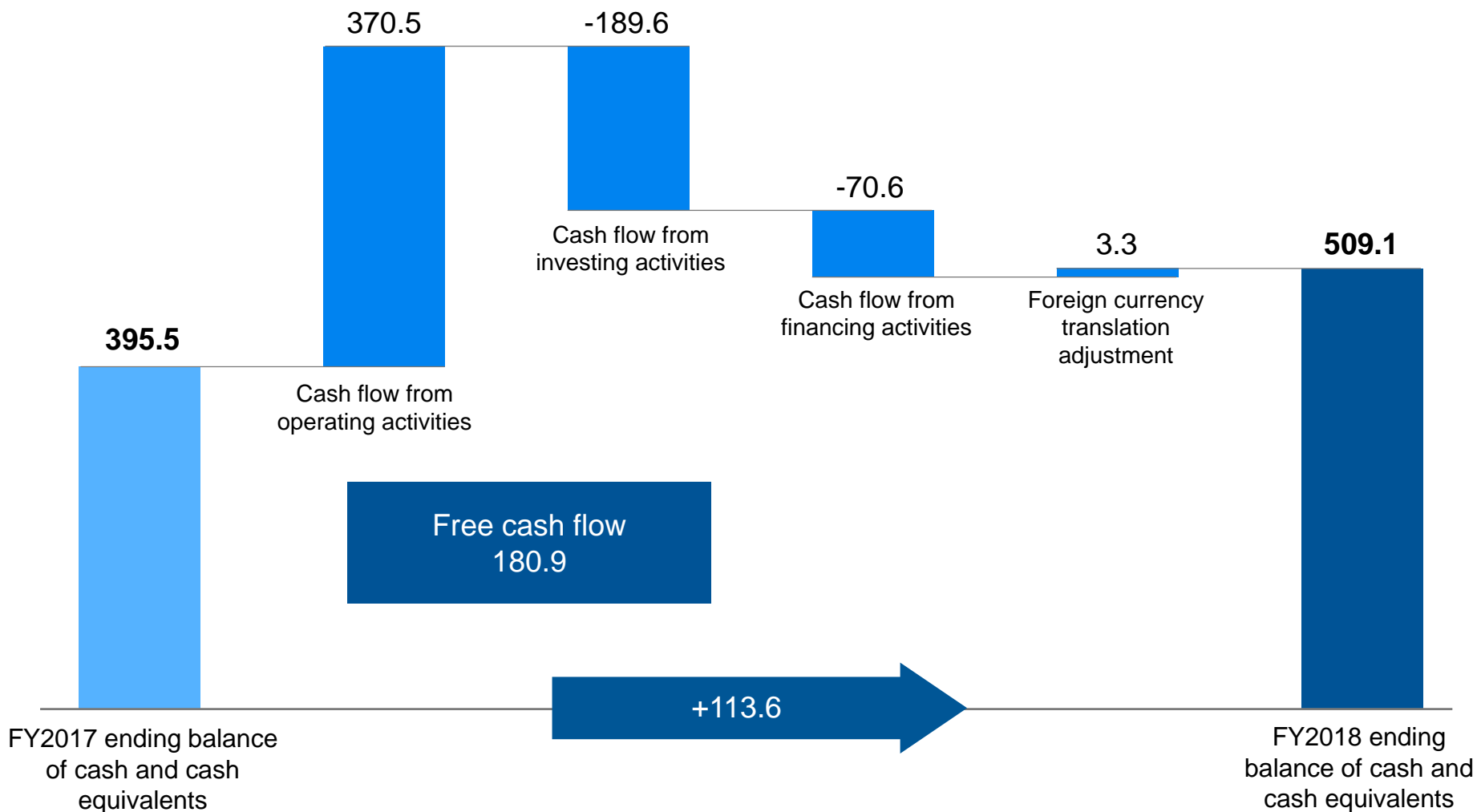
FY2018 Consolidated Statement of Financial Position

[IFRS] (Unit: 100 million yen)

	FY2017 end	FY2018 end	Change amount		FY2017 end	FY2018 end	Change amount
Total assets	2,668.5	2,837.1	168.6	Total liabilities and equity	2,668.5	2,837.1	168.6
Total current assets	1,471.6	1,618.0	146.4	Total current liabilities	639.2	661.9	22.7
Cash and cash equivalents	395.5	509.1	113.6	Trade and other payables	522.2	550.8	28.5
Trade and other receivables	569.8	586.5	16.7	Short-term loans	85.9	67.9	-18.0
Inventories	457.7	487.0	29.3	Other	31.1	43.3	12.2
Other	48.5	35.3	-13.2	Total non-current liabilities	90.5	93.2	2.7
Total non-current assets	1,197.0	1,219.1	22.2	Long-term loans	-	-	-
Property, plant and equipment	971.5	980.0	8.5	Other	90.5	93.2	2.7
Intangible assets	61.8	61.0	-0.8	Total equity	1,938.8	2,082.0	143.2
Other non-current financial assets	53.4	57.6	4.2	Equity attributable to owners of the parent	1,704.2	1,845.1	140.9
Other	110.3	120.6	10.3	Non-controlling interests	234.6	236.9	2.3

FY2018 Consolidated Cash Flow

[IFRS]
(Unit: 100 millions yen)



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

FY2019 Consolidated Financial Forecast

[IFRS] (Unit: 100 million yen)

	FY2018 results	FY2019 forecast	Change amount	Change percentage
Revenue	3,514.9	3,400.0	-114.9	-3.3 %
Motorcycle and power products	961.0	945.0	-16.0	-1.7 %
Automotive products	2,553.9	2,455.0	-98.9	-3.9 %
Operating profit	283.1	200.0	-83.1	-29.4 %
Profit before tax	271.4	190.0	-81.4	-30.0 %
Income tax expenses	68.0	70.0	2.0	3.0%
Profit for the year	203.5	120.0	-83.5	-41.0 %
Profit for the year attributable to owners of the parent	178.2	100.0	-78.2	-43.9 %

Exchange Rate

1 U.S. Dollar	¥110.62	¥105.00	¥5.62
1 Thai Baht	¥3.37	¥3.30	¥0.07
1 Chinese Yuan	¥16.78	¥16.70	¥0.08
1 Indian Rupee	¥1.73	¥1.60	¥0.13
1 Indonesian Rupiah (100-unit rate)	¥0.82	¥0.76	¥0.06
1 Brazilian Real	¥34.26	¥31.40	¥2.86

(Note: ¥=Japanese Yen)

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

Forecast of FY2019 Consolidated Results by Segment

[IFRS] (Unit: 100 million yen)

percentage in (brackets) operating profit margin

Japan

Revenue

1,571.6 → 1,574.0

0.2%

FY2018 results FY2019 forecast

Operating profit

59.4

-76.4%

14.0

FY2018 results (3.8%) FY2019 forecast (0.9%)

Revenue

Increase due to increase in sales from expansion of vehicle models equipped with PCUs and launch of new models of automotive products in Japan, despite lower revenue due to unfavorable foreign exchange rates

Operating profit

Decrease due to higher R&D expenses for the future and unfavorable foreign exchange rates

Americas

Revenue

991.4 → 880.0

-11.2%

FY2018 results FY2019 forecast

Operating profit

16.2

5.2%

17.0

FY2018 results (1.6%) FY2019 forecast (1.9%)

Revenue

Decrease due to lower sales volumes and sales unit prices of automotive products

Operating profit

Increase due to reversal of impairment losses in the previous year, despite lower revenue

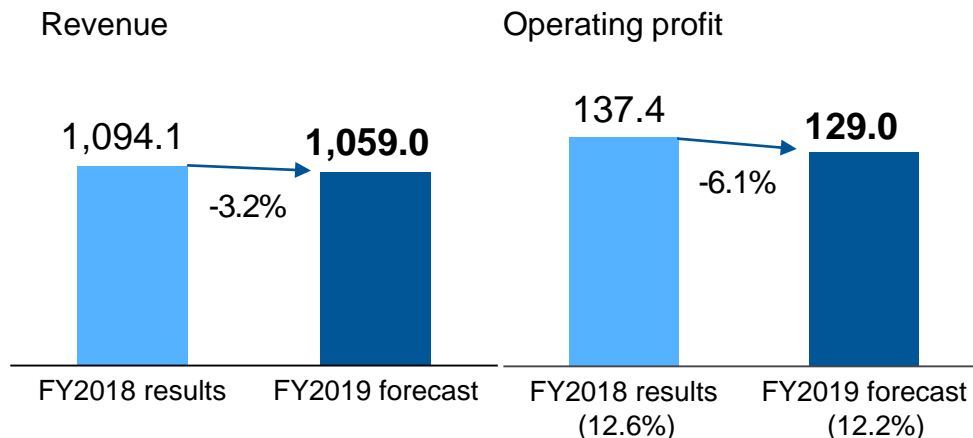
* The Amounts listed include amounts for internal revenue between segments.

* Amounts are rounded to the nearest millions yen

Forecast of FY2019 Consolidated Results by Segment

[IFRS] (Unit: 100 million yen)
percentage in (brackets) operating profit margin

Asia



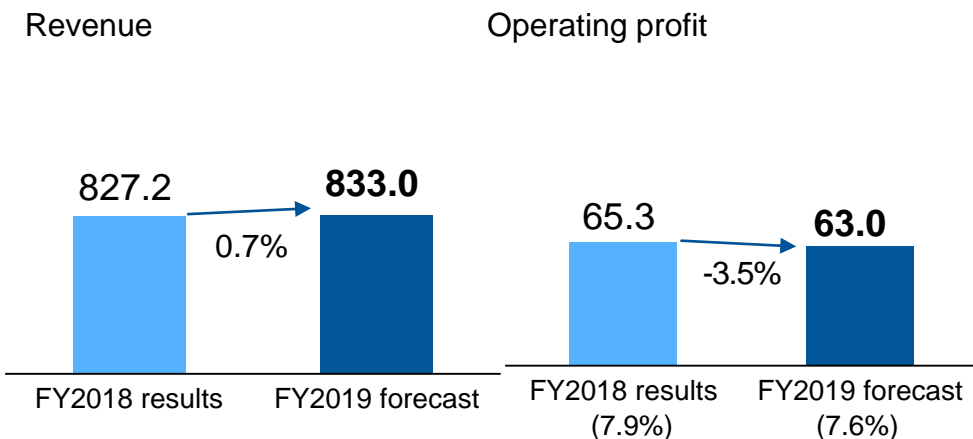
Revenue

Decrease due to lower sales unit prices of automotive products and unfavorable foreign exchange rates, despite increase in sales of motorcycle and power products in India and Thailand

Operating profit

Decrease due to lower revenue and higher costs for start-up of motorcycle FI system production in India

China



Revenue

Increase due to increase in sales of motorcycle and power products, despite sales unit prices of automotive products and unfavorable foreign exchange rates

Operating profit

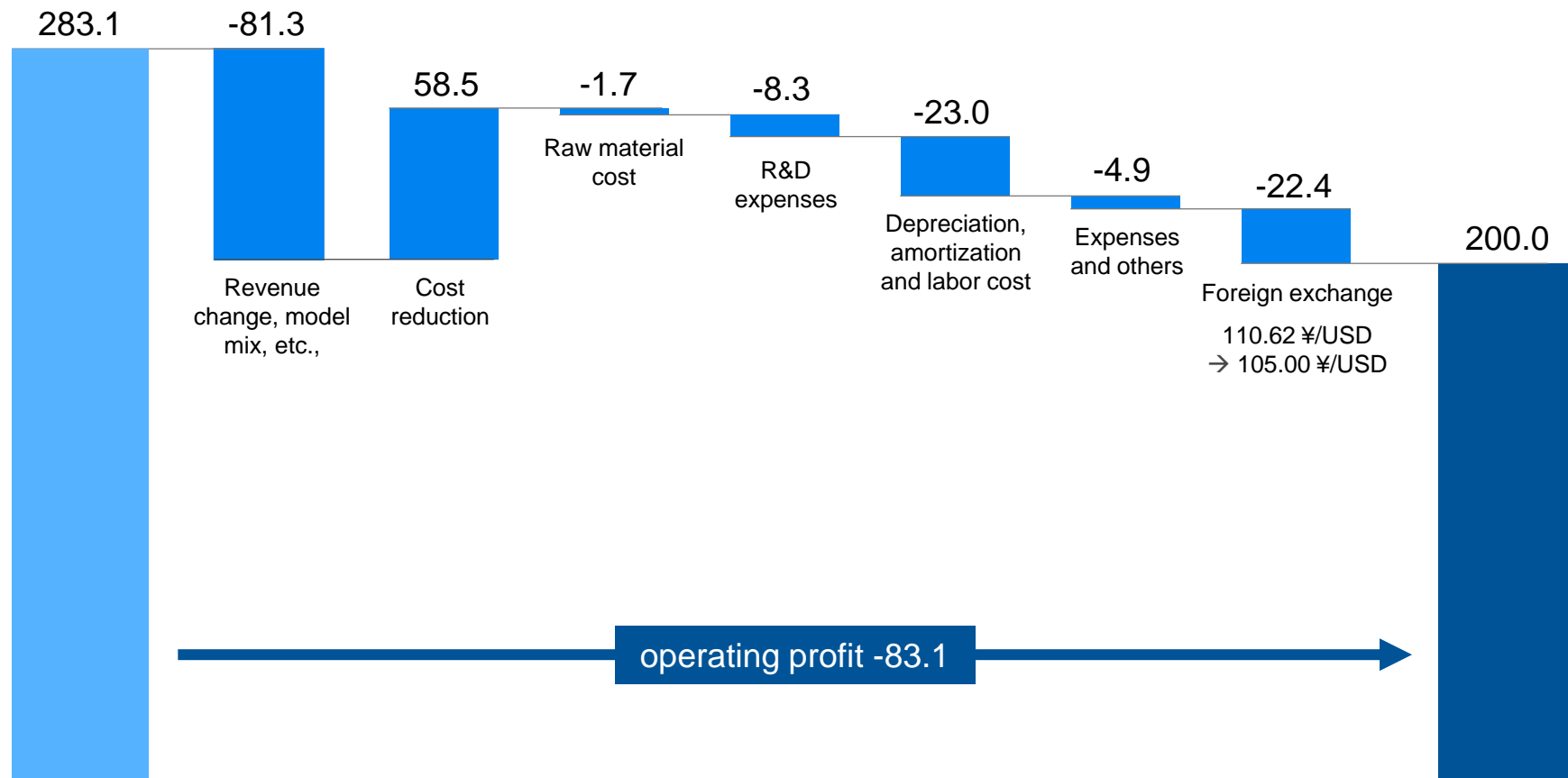
Decrease due to sales unit prices of automotive products and higher preparation costs for production of xEV products, despite higher revenue

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

* Amounts are rounded to the nearest millions yen

Expected Factors for Change in FY2019 Consolidated Operating Profit

[IFRS] (Unit: 100 million yen)



FY2018 results

FY2019 forecast

Forecasts of Capital expenditure, Depreciation and Research & Development Expenses for FY2019

	FY2018 results	FY2019 forecast	Change amount	Change percentage
Capital expenditure	184.1	415.0	230.9	125.4%
Depreciation	178.0	176.0	-2.0	-1.1 %
R&D expenses	227.8	236.0	8.2	3.6%
Ratio of R&D expenses to consolidated revenue	6.5%	6.9%	-	-

▶ Capital expenditure

Drastic increase due to expansion of capital investments to prepare for production of FI system for motorcycles in India and enhance production capacity for xEV products

▶ Depreciation

Decrease due to foreign exchange rates, despite increases due to launch of advanced environmental products and expansion of supply system

▶ R&D expenses

Increase due to preparation for production of xEV products for future and enhance R&D capacity to expand new customers

Forecast of Foreign Exchange impact in FY2019

Impact of foreign exchange	Impact of amount (unit : 100 million yen)
1 U.S. Dollar	-21.6
1 Thai Baht	-2.3
1 Chinese Yuan	10.6
1 Indian Rupee	0.9
1 Indonesian Rupiah	-2.6
1 Brazilian Real	-0.7
Other	0.5
Difference in exchange rates for sales *1 (at the line of Operating profit)	-15.2
Difference between exchange rates for sales and exchange rates for sales proceeds *2 (Financial balance)	1.9
Subtotal	-13.3
Difference from foreign exchange translation *3 (at the line of Profit before tax)	-7.1
Total	-20.4
At the line of Operating profit	-22.4
Financial balance	2.0

FY2018 results	FY2019 forecast	Change
¥110.62	¥105.00	¥5.62
¥3.37	¥3.30	¥0.07
¥16.78	¥16.70	¥0.08
¥1.73	¥1.60	¥0.13
¥0.82	¥0.76	¥0.06
¥34.26	¥31.40	¥2.86

(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

(Note: ¥=Japanese Yen)

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

* The 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

(ten thousand units)

	Japan	U.S.	Europe	Brazil	Taiwan	Thailand	China	India	Indonesia	Malaysia	Vietnam	Total
FY2017 results	9	5	-	6	14	135	176	1,263	10	3	69	1,689
FY2018 results	7	5	-	7	11	134	176	1,535	4	3	63	1,945
FY2019 forecast	5	2	-	4	5	131	143	1,676	-	4	63	2,033
Change	-29 %	-60 %	-	-43 %	-55 %	-2 %	-19 %	9%	-	33%	0%	5%

Motorcycle FI systems: Sales unit numbers by each location

(ten thousand units)

	Japan	U.S.	Europe	Brazil	Taiwan	Thailand	China	India	Indonesia	Malaysia	Vietnam	Total
FY2017 results	41	14	3	71	19	165	41	4	453	5	179	994
FY2018 results	40	14	4	70	26	187	51	8	484	7	201	1,092
FY2019 forecast	42	11	9	69	26	189	109	9	492	11	198	1,165
Change	5%	-21 %	125%	-1 %	0%	1%	114%	13%	2%	57%	-1 %	7%