

Intake Module Next Generation Model



Consolidated Financial Results for the 1st Half of FY2019

Keihin Corporation
November 2, 2018

Summary of Consolidated Financial Results for the 1st Half of FY2019 and FY2019 Financial Forecasts

President and CEO
Chitoshi Yokota

Highlight of performance

1 Consolidated actual results for the 1st Half of FY2019

Revenue:
173.1 billion
yen

- Achieved the highest sales for the cumulative 1st Half in the history which could be attributed to the increase in the sales of the motorcycle and power products in Asia and the automotive products in Japan and China, despite the impact of the unit sales prices decline in North America.

Operating
profit: 13.4
billion yen

- Achieved the highest operating profit for the cumulative 1st Half in the history which could be attributed to cost reductions, the improvement of production efficiency and the increase in revenue, despite the increased costs incurred for future activities, such as R&D expenses and the costs for FI system production preparation for the motorcycles in India.

2 Consolidated Financial Forecasts for FY2019

Revenue:
348.0 billion
yen

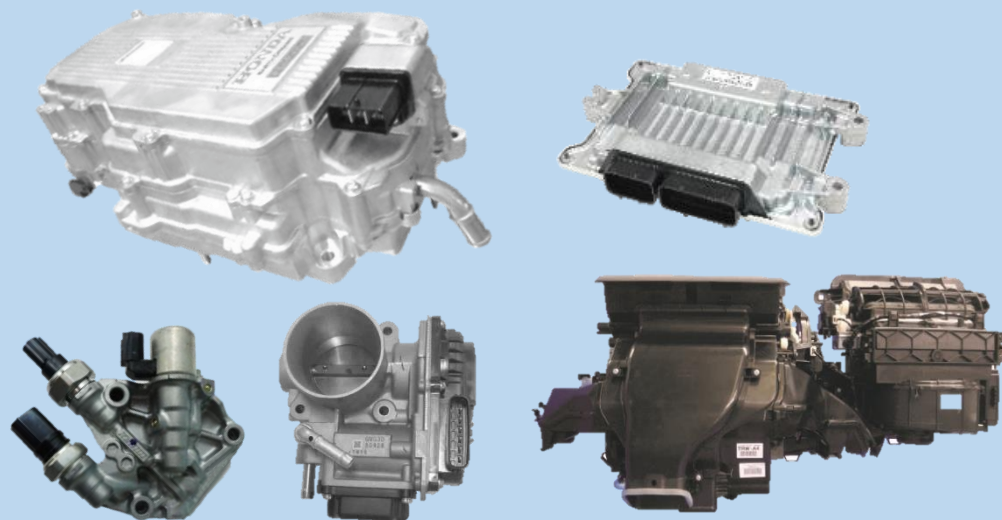
- Likely to decline from the previous period due to the drop of the unit sales prices of the automotive products in North America and China as well as the effect from the weak currencies of emerging countries, despite the increase in the sales of the motorcycle and power products in Asia.

Operating
profit: 23.0
billion yen

- Likely to decrease from the previous period due to the increases in R&D expenses and the launch of the FI system production for the motorcycles in India as well as the weak currencies of emerging countries, despite the cost reduction.

Topics for the 1st Half of FY2019 : Products

- ▶ Our products installed in Honda's CLARITY PHEV, which were released in Japan (July 2018)



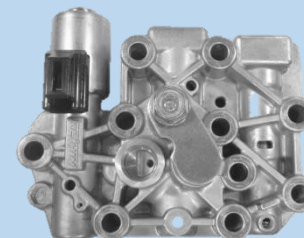
- ▶ Our products installed in Honda's CB150R, which were released in Indonesia (July 2018)



- ▶ Our products installed in Haojue "Yue Xing HJ125T-23", which were released by Jiangmen Dachangjiang Group Co.,Ltd. in China (August 2018)



- ▶ Our product installed in Subaru's FORESTER HV, which was released in Japan (September 2018)



Topics for the 1st Half of FY2019: Businesses

- ▶ A new R&D site, “Daiba R&D Office” was opened to reinforce the domain of the electric control for powertrain. (April 2018)



- ▶ A Chinese subsidiary opened a new sales office in Shanghai for the expansion of the sales of xEV products for the motorcycles and automotive in China. (August 2018)



- ▶ A Vietnamese subsidiary of Sanyang Motor in Taiwan recognized our contribution for the high quality and the launch of new model, and awarded “Daily Business Performance Award”. (April 2018)



- ▶ Our long support for blood donation campaign was recognized and awarded “The Minister of Health, Labour and Welfare Award”. (August 2018)



Consolidated Financial Results for the 1st Half of FY2019

[IFRS] (Unit: 100 million yen)

	FY2018 1st Half Results	FY2019 1st Half Results	Amount of change	Rate of change
Revenue	1,681.4	1,731.3	49.8	3.0%
* Ratio of sales to customers other than main customer	15.5%	15.0%		
Operating profit	124.2	133.7	9.5	7.6%
* Operating profit margin	7.4%	7.7%		
Profit before tax	126.9	126.0	- 0.9	- 0.7%
Profit attributable to owners of the parent	71.4	75.1	3.7	5.3%
Dividend per share at the end of the 1st Half	¥21	¥22	¥1	-
* Dividends payout ratio	21.8%	21.7%		
Exchange Rate (against 1 U.S. dollar)	¥111.30	¥110.62	¥0.68	-
Total number of vehicles (million units)	24.17	25.89	1.72	7.1%
Motorcycle and power products	18.03	19.90	1.87	10.4%
Automotive products	6.14	5.99	-0.16	-2.5%

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

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

Operating profit: Although more costs were incurred for development purposes, such as R&D expenses and preparation for FI system aimed for motorcycles production in India, operating profit increased from prior year which is mainly attributed to the improvement of cost reduction, production efficiency, as well as the increasing of sales.

(Note: ¥=Japanese Yen) (Note: Amounts are rounded to the nearest million yen)

Topics for the 2nd Half of FY2019

- ▶ In order to increase the production capability of PCU in Japan, the production space is expected to be enhanced by expanding the clean room. (Mass production is expected to be started in 2019)

■ Expansion of production capability of PCU

250,000 units/year

100,000 units/year

The end of FY2019 The end of FY2020 (Estimated)



Clean room is expanded for the enhancement of PCU production (Miyagi Plant, Japan)

■ Characteristics of our PCU

- ✓ Achieved the output density of the world-top level with original cooling structure and implementing technology
- ✓ Achieved the direct mounting to transmission with vibration suppression design



Power Control Units for xEVs

- ▶ Followed by the establishment of manufacturing technology in Japan, the first mass production of the new-type electronic control unit (new-type ECU) overseas for motorcycle, which is produced with the newly developed case-integrating molding technology, is currently ready to be launched in Thailand. (The mass production is expected to be initiated in the winter of 2018.)

■ Expansion of production capability of new-type ECU

2,350,000 units/year

900,000 units/year

The end of FY2018 The end of FY2019 (Estimated)



New-type ECU production line which is newly established in Thailand

■ Characteristics of new-type ECU

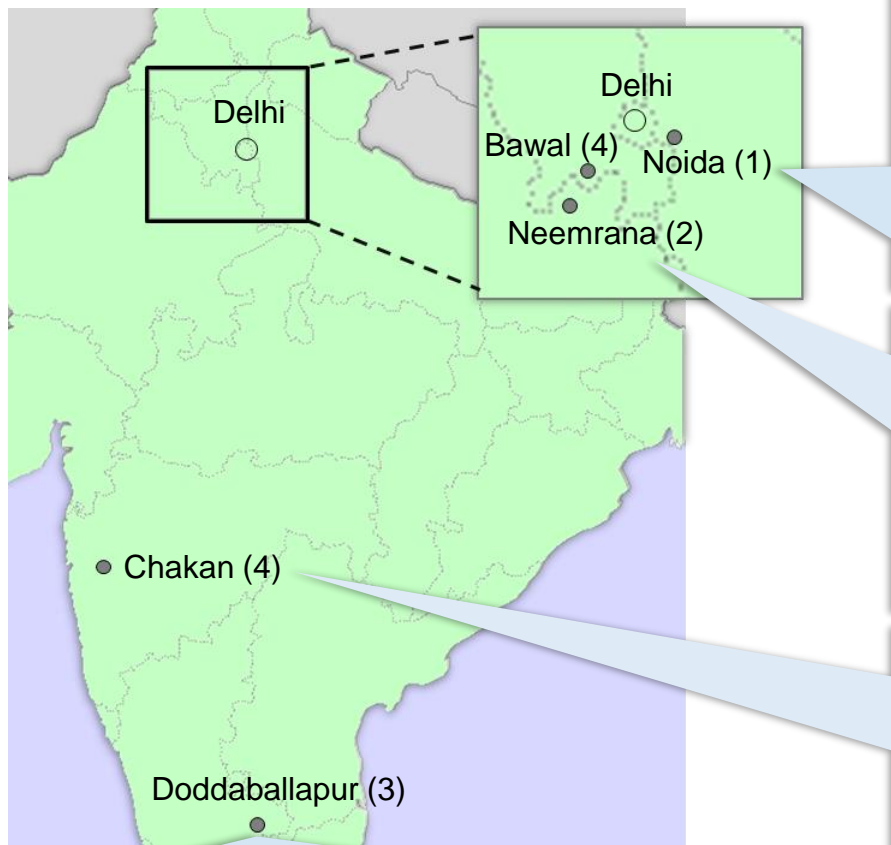
- ✓ With the newly developed case-integrating molding technology, this product could achieve 31% downsizing, 46% weight-saving and 18% cost-down



New-type electronic control unit

Topics for the 2nd Half of FY2019

- ▶ The world-largest motorcycle FI system supply system is established in India.
(Mass production will be initiated in 2019)



(1) KPL Plant I (Noida) Expansion of building

For ECU production, the construction of clean room has been completed, and the installation of production facility has been started.



Electronic control unit

(2) KPL Plant II (Neemrana) New plant

A new plant that will be used for injectors and fuel pump parts production is currently under construction



Injector



Fuel-feed pump

(4) KFI Plant I (Chakan), Plant II (Bawal)

Installation of throttle body and fuel pump production facilities has been started.



Throttle body



Fuel pump

(3) KFI Plant III (Doddaballapur) Expansion of building

The facility has been expanded and the installation of throttle body and fuel pump production facilities has been started



Throttle body



Fuel pump

KPL: Keihin India Manufacturing Pvt. Ltd.

KFI: Keihin FIE Pvt. Ltd.

Consolidated Financial Forecasts for FY2019

[IFRS] (Unit: 100 million yen)

	FY2018 Results	FY2019 Forecast	Amount of change	Rate of change
Revenue	3,514.9	3,480.0	- 34.9	- 1.0%
* Ratio of sales to customers other than main customer	15.1%	15.1%		
Operating profit	283.1	230.0	- 53.1	- 18.8%
* Operating profit margin	8.1%	6.6%		
Profit before tax	271.4	219.0	- 52.4	- 19.3%
Profit attributable to owners of the parent	178.2	130.0	- 48.2	- 27.1%
Dividends per share	¥43	¥45	¥2	-
* Dividends payout ratio	17.8%	25.6%		
Exchange Rate (against 1 U.S. dollar)	¥110.62	¥110.30	¥0.32	-
Total number of vehicles (million units)	48.72	51.87	3.15	6.5%
Motorcycle and power products	36.13	39.24	3.11	8.6%
Automotive products	12.59	12.63	0.04	0.3%

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

Revenue: Decrease due to a drop in the unit sales prices of the automotive products in North America and China as well as the negative impact from the weak currencies of emerging countries, despite increased sales of the motorcycle and power products in Asia.

Operating profit: Decrease due to the increase in the expenses for the future, such as R&D and the preparation for the FI system production for the motor cycles in India as well as the weak currencies of emerging countries, despite the cost reduction.

Revision of the dividend forecast

We position the return of profits to our shareholders as a key issue for management.

Based on the amendment of the annual consolidated financial result forecast, we decide to increase the forecast of the dividend at the end for the financial period ending in March 2019 by one yen from 22 yen to 23 yen.

	FY2018 Results	FY2019 Forecast (Announced in May 11)	FY2019 Forecast (Amended this time)	Year-to-year change
Annual dividends	¥43	¥44	¥45	¥2
Dividend at the end of the 1st Half	¥21	¥22	¥22	¥1
Dividend at the end of the financial period	¥22	¥22	¥23	¥1
Dividends payout ratio	17.8%	32.5%	25.6%	-

Details of Consolidated Financial Results for the 1st Half of FY2019 and Financial Forecasts for FY2019

Director, Business Administration Operations
Shinji Suzuki

Consolidated Financial Results for the 1st Half of FY2019

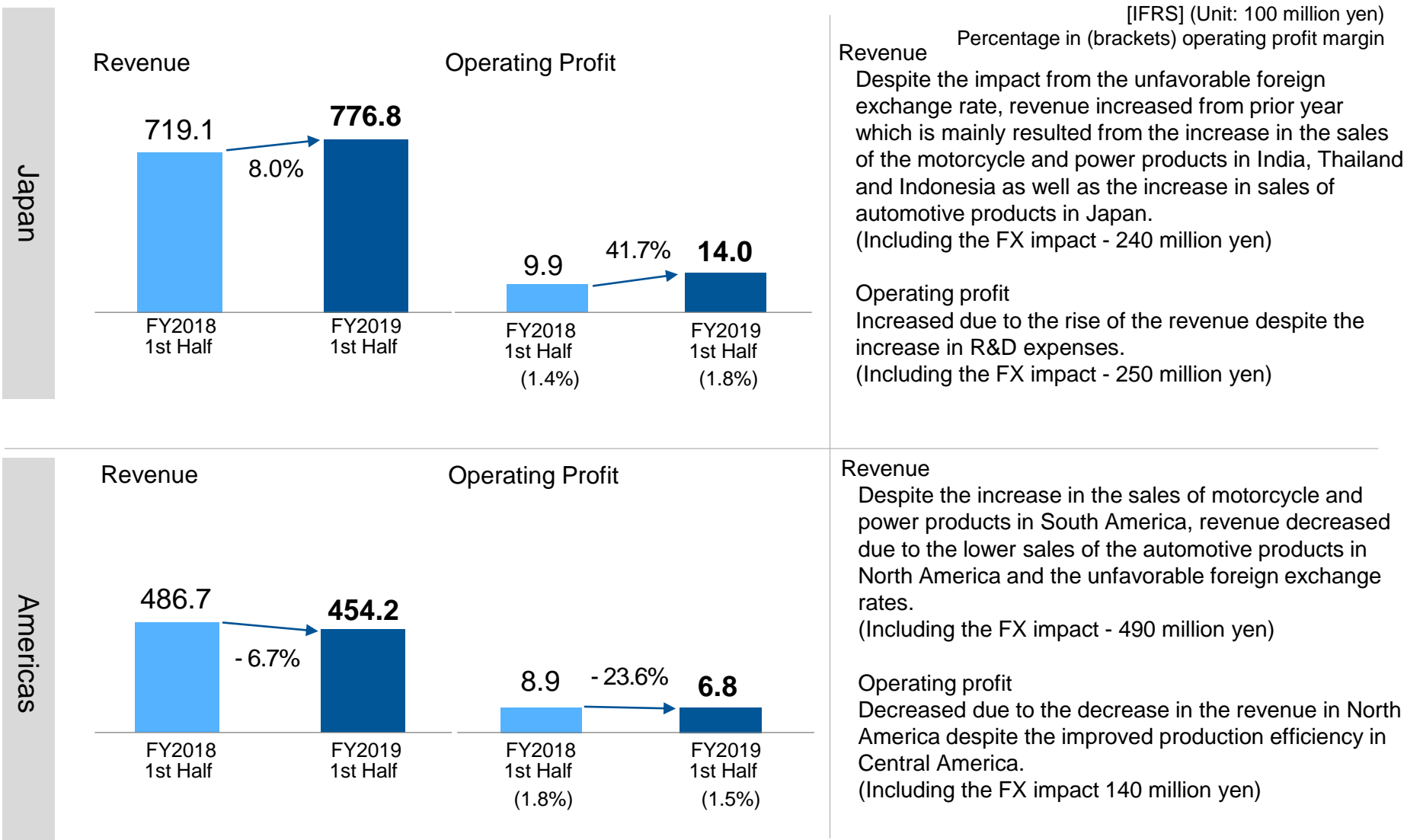
[IFRS] (Unit: 100 million yen)

	FY2018 1st Half Results	FY2019 1st Half Results	Amount of change	Rate of change
Revenue	1,681.4	1,731.3	49.8 (FX Impact -13.9)	3.0%
Motorcycle and power products	469.3	505.1	35.8	7.6%
Automotive products	1,212.1	1,226.2	14.1	1.2%
Operating profit	124.2	133.7	9.5 (FX Impact - 5.6)	7.6%
Profit before tax	126.9	126.0	- 0.9	- 0.7%
Income tax expenses	44.1	38.8	- 5.2	-11.9%
Profit for the period	82.8	87.1	4.4	5.3%
Profit attributable to owners of the parent	71.4	75.1	3.7	5.3%

Exchange Rate

1 U.S. Dollar	¥111.30	¥110.62	¥0.68
1 Thai Baht	¥3.30	¥3.40	- ¥0.10
1 Chinese Yuan	¥16.49	¥16.63	- ¥0.14
1 Indian Rupee	¥1.73	¥1.61	¥0.12
1 Indonesian Rupiah (100-unit rate)	¥0.83	¥0.77	¥0.06
1 Brazilian Real	¥34.86	¥28.99	¥5.87

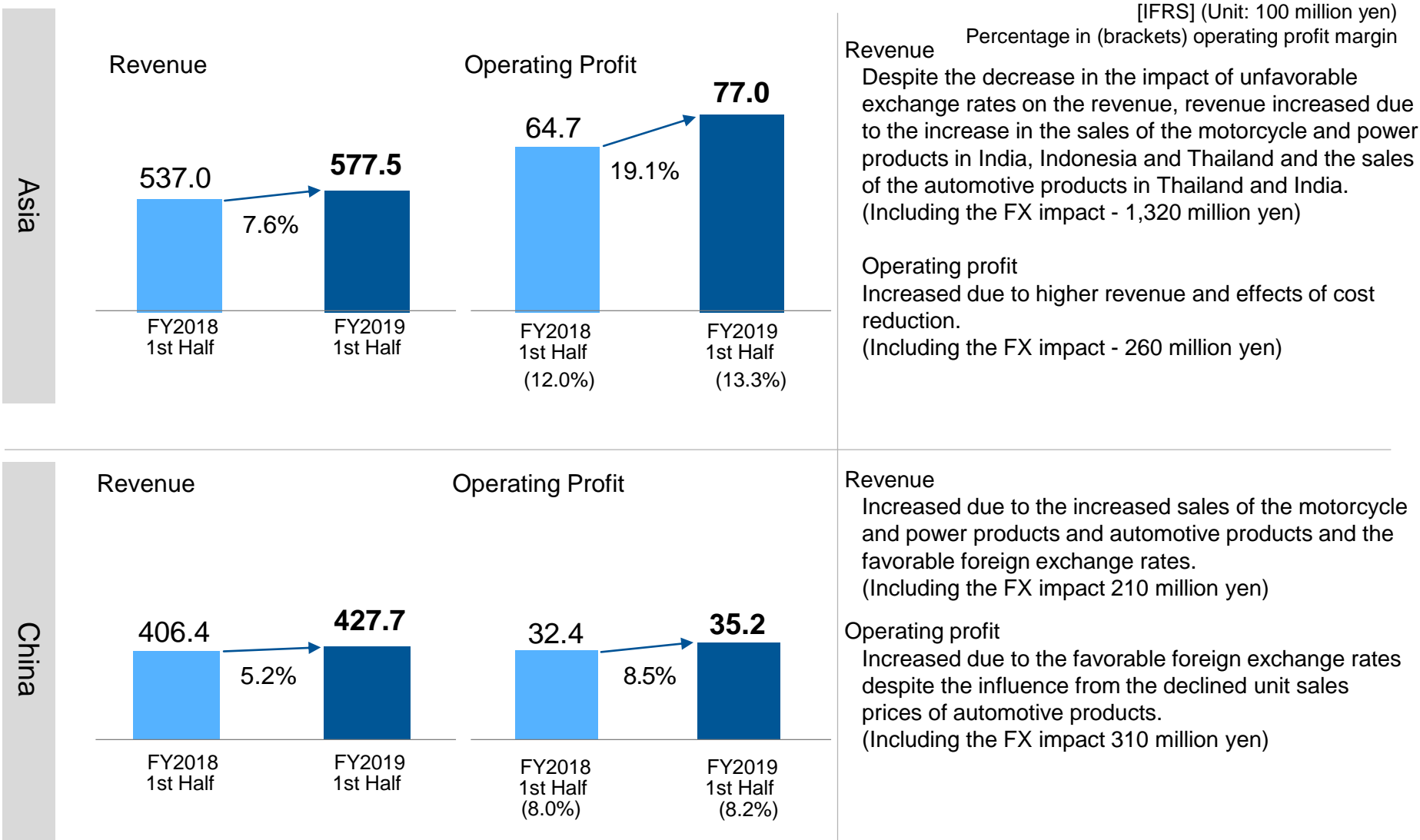
The 1st Half of FY 2019 Consolidated Results by Segment



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

* Amounts are rounded to the nearest millions yen

The 1st Half of FY 2019 Consolidated Results by Segment

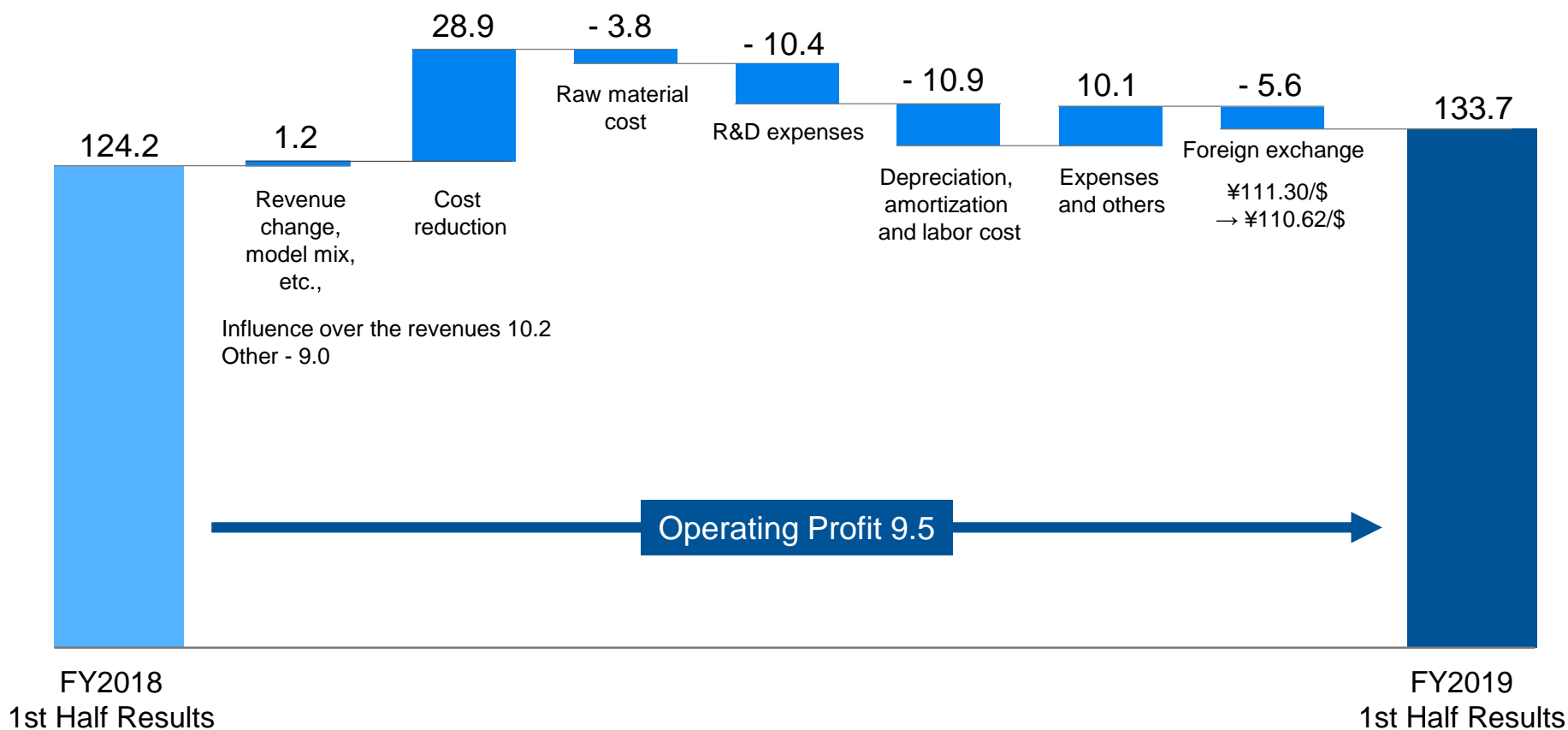


* The Amounts listed include amounts for internal revenue between segments.

* Amounts are rounded to the nearest millions yen

Expected Factors for Changes in the 1st Half of FY2019 Consolidated Operating Profit

[IFRS] (Unit: 100 million yen)



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

Capital expenditure, Depreciation and Research & Development Expenses for the 1st Half of the FY2019

[IFRS] (Unit: 100 million yen)

	FY2018 1st Half Results	FY2019 1st Half Results	Amount of change	Rate of change
Capital expenditure	83.8	106.0	22.2	26.5%
Depreciation	87.3	86.3	- 1.0	- 1.1%
R&D expenses	109.5	116.9	7.5	6.8%
The ratio of R&D expenses against the consolidated revenue	6.5%	6.8%	-	-

▶ Capital expenditure

Increased due to the increase in the capital expenditure for the production of FI system for the motorcycles in India.

▶ Depreciation

Decreased due to the impact of foreign exchange despite the new facilities.

▶ R&D expenses

Increased due to the cost incurred for xEV products future production preparation and the enhancement of the R&D capacity to expand customer base.

Impact of foreign exchange of the 1st Half of the FY2019

Impact of foreign exchange		Amount of influence (unit : 100 million yen)	FY2018 1st Half Results	FY2019 1st Half Results	Difference in exchange rates
	1 U.S. Dollar	- 3.1	¥111.30	¥110.62	¥0.68
	1 Thai Baht	0.6	¥3.30	¥3.40	- ¥0.10
	1 Chinese Yuan	1.2	¥16.49	¥16.63	- ¥0.14
	1 Indian Rupee	-2.2	¥1.73	¥1.61	¥0.12
	1 Indonesian Rupiah	- 2.2	¥0.83	¥0.77	¥0.06
	1 Brazilian Real	0.0	¥34.86	¥28.99	¥5.87
	Other	1.1			
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)		- 20.8			
Sub-total		- 24.4			
Difference from foreign exchange translation *3 (at the line of Profit before tax)		- 1.8			
Total		- 26.2			
At the line of Operating profit		- 5.6			
Financial balance		- 20.6			

(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

The 1st Half of the FY2019 Consolidated Statement of Financial Position

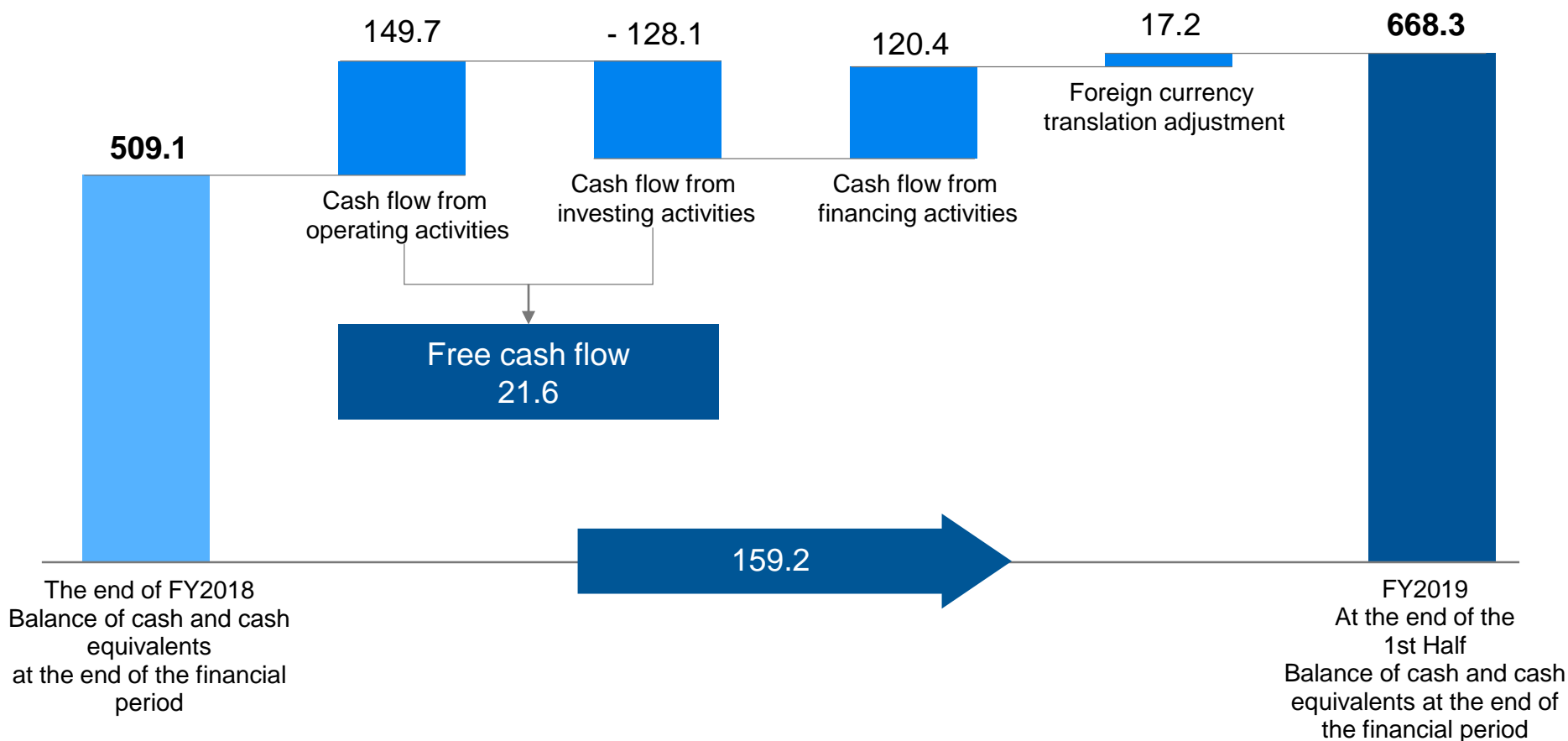
[IFRS] (Unit: 100 million yen)

	The end of FY2018	FY2019 At the end of the 1st Half	Amount of change		The end of FY2018	FY2019 At the end of the 1st Half	Amount of change
Total assets	2,837.1	3,081.8	244.6	Total liabilities and equity	2,837.1	3,081.8	244.6
Total current assets	1,618.0	1,808.7	190.8	Total current liabilities	661.9	679.2	17.3
Cash and cash equivalents	509.1	668.3	159.2	Trade and other current payables	550.8	559.3	8.5
Trade and other current receivables	586.5	552.9	- 33.6	Short-term loans	67.9	78.1	10.2
Inventories	487.0	542.3	55.2	Other	43.3	41.8	- 1.5
Other	35.3	45.2	9.9	Total non-current liabilities	93.2	238.0	144.8
Total non-current assets	1,219.1	1,273.0	53.9	Long-term loans	-	147.8	147.8
Property, plant and equipment	980.0	1,025.3	45.3	Other	93.2	90.2	- 3.0
Intangible assets	61.0	66.4	5.5	Total equity	2,082.0	2,164.6	82.5
Other non-current financial assets	57.6	64.7	7.1	Equity attributable to owners of the parent	1,845.1	1,923.8	78.7
Other	120.6	116.5	- 4.0	Non-controlling interests	236.9	240.8	3.9

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

The 1st Half of the FY2019 Consolidated Cash Flow

[IFRS]
(Unit: 100 millions yen)



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

Consolidated Financial Forecasts for FY2019

[IFRS] (Unit: 100 million yen)

	FY2018 Results	FY2019 Forecast	Amount of change	Rate of change
Revenue	3,514.9	3,480.0	- 34.9 (FX Impact - 72.2)	- 1.0%
Motorcycle and power products	961.0	990.0	29.0	3.0%
Automotive products	2,553.9	2,490.0	- 63.9	- 2.5%
Operating profit	283.1	230.0	- 53.1 (FX Impact - 35.8)	- 18.8%
Profit before tax	271.4	219.0	- 52.4	- 19.3%
Income tax expense	68.0	64.0	- 4.0	- 5.9%
Profit for the year	203.5	155.0	- 48.5	- 23.8%
Profit attributable to owners of the parent	178.2	130.0	- 48.2	- 27.0%

Exchange Rate

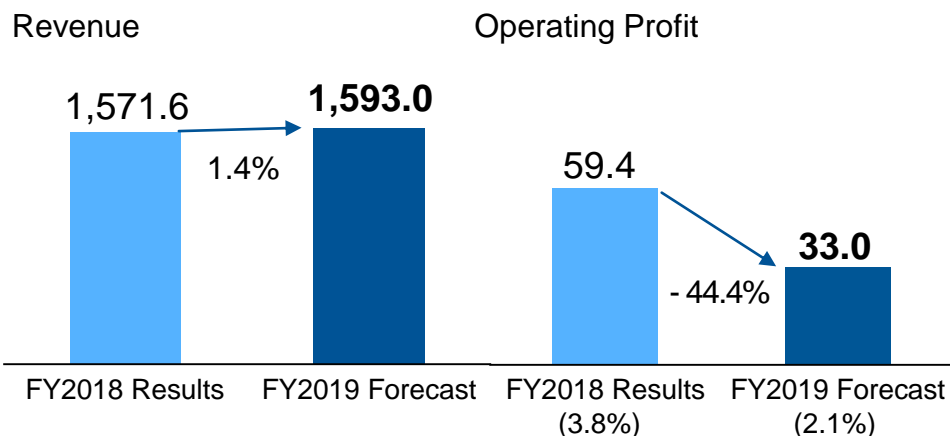
1 U.S. Dollar	¥110.62	¥110.30	¥0.32
1 Thai Baht	¥3.37	¥3.40	- ¥0.03
1 Chinese Yuan	¥16.78	¥16.32	¥0.46
1 Indian Rupee	¥1.73	¥1.56	¥0.17
1 Indonesian Rupiah (100-unit rate)	¥0.82	¥0.75	¥0.07
1 Brazilian Real	¥34.26	¥28.14	¥6.12

FY2019 Forecast of the Consolidated Results by Segment

[IFRS] (Unit: 100 million yen)

Percentage in (brackets) operating profit margin

Japan



Revenue

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

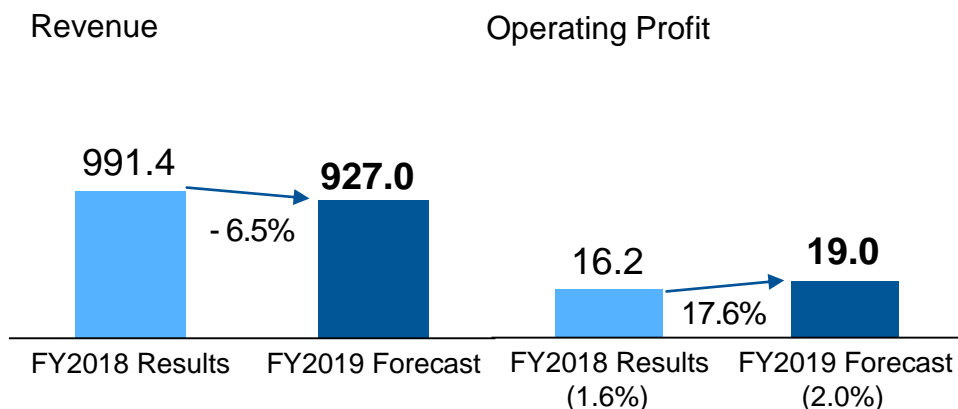
(Including the FX impact - 710 million yen)

Operating profit

Despite the increasing of revenue, operating profit is expected to be decreased from FY2018 due to more R&D expenses incurred and the impact of foreign exchange rates.

(Including the FX impact - 530 million yen)

Americas



Revenue

Revenue is expected to be decreased from FY 2018 due to the decrease in the automotive product sales, the drop of the unit sales price, and the decreasing of revenue resulted from the unfavorable foreign exchange rates, etc.

(Including the FX impact - 650 million yen)

Operating profit

Despite the decreasing of revenue, operating profit is expected to be increased due to the improvement of the production efficiency in Central America and the reversal of impairment losses from the previous year.

(Including the FX impact - 80 million yen)

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

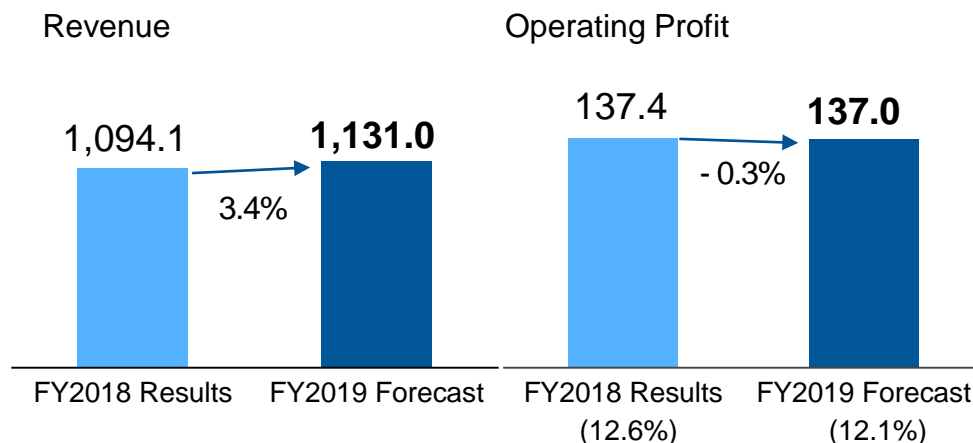
* Amounts are rounded to the nearest millions yen

FY2019 Forecast of the Consolidated Results by Segment

Asia

[IFRS] (Unit: 100 million yen)

Percentage in (brackets) operating profit margin



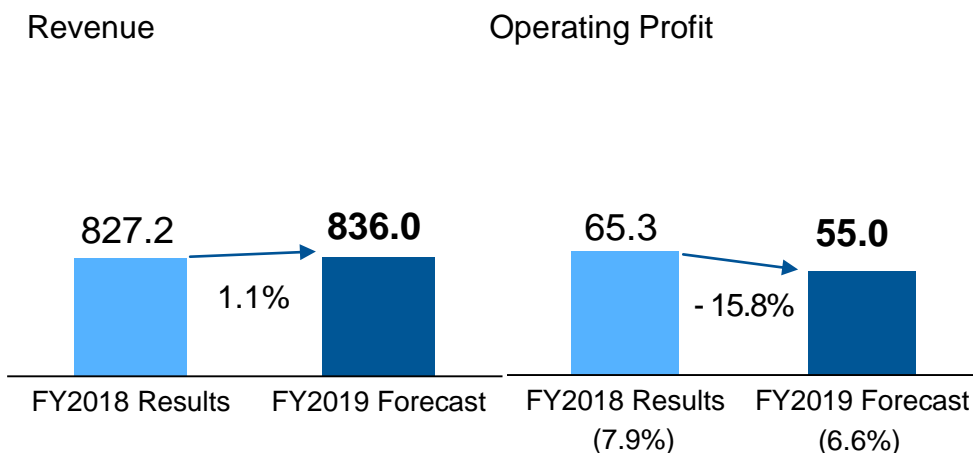
Revenue

Although revenue is expected to be affected by the unfavorable foreign exchange rate, revenue is expected to be increased due to the increasing of motorcycle and power products sales in India and Thailand. (Including the FX impact - 4,820 million yen)

Operating profit

Despite the increase in the revenue, operating profit is expected to be decreased due to the negative impact of foreign exchange and the increase in the expenses for the launch of motorcycle FI system. (Including the FX impact - 2,110 million yen)

China



Revenue

Increase due to increase in sales of the motorcycle and power products, despite the negative impact of the unit sales prices of automotive products and the unfavorable foreign exchange rates. (Including the FX impact - 2,380 million yen)

Operating profit

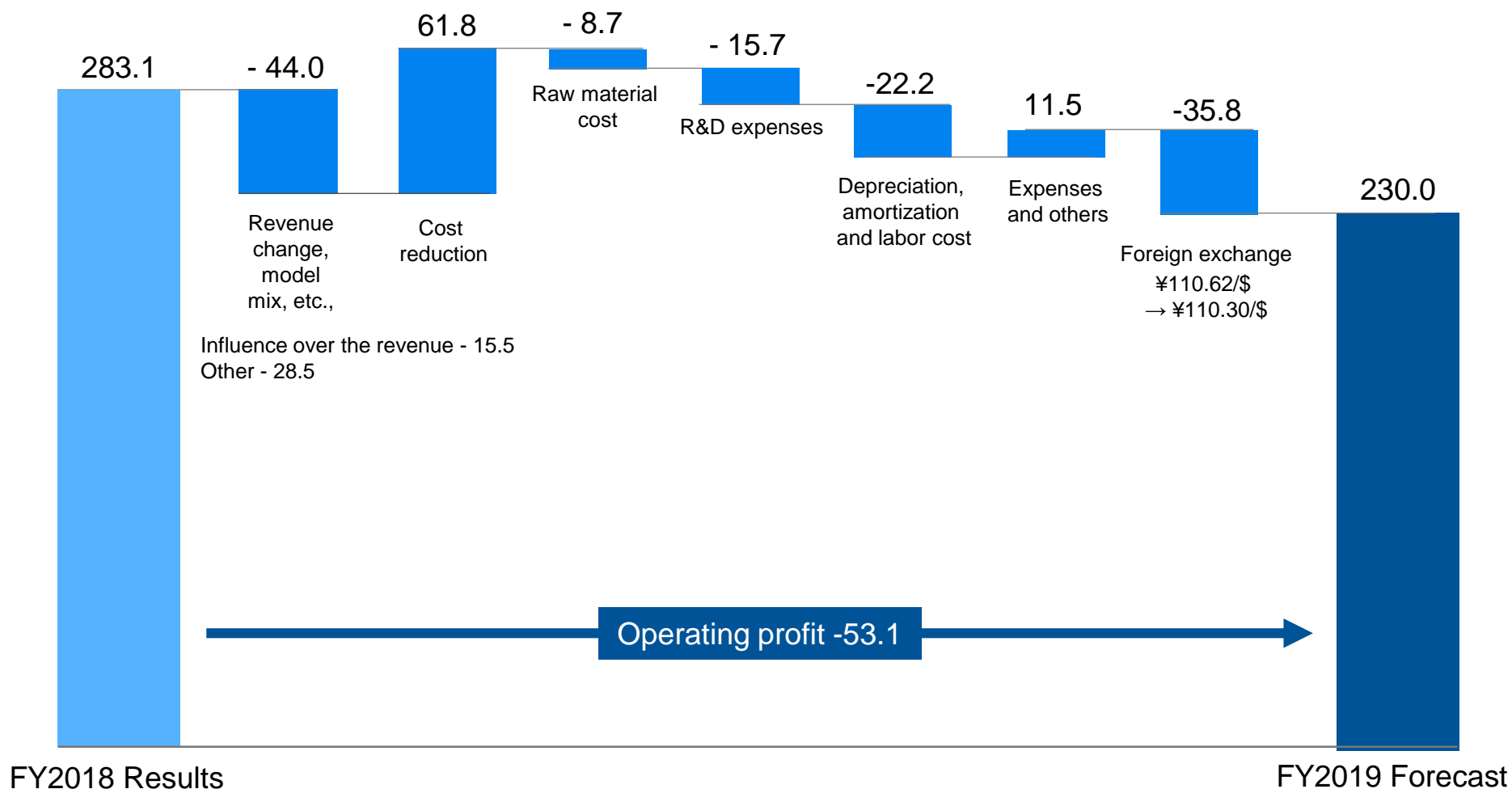
Decrease due to the negative impact of the unit sales prices of the automotive products, the preparation costs for the production of xEV products and foreign exchange rates despite the increase in the revenue. (Including the FX impact - 570 million yen)

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

* Amounts are rounded to the nearest millions yen

Expected Factors for Changes in the FY2019 Consolidated Operating Profit

[IFRS] (Unit: 100 million yen)



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

	FY2018 Results	FY2019 Forecast	Amount of change	Rate of change
Capital expenditure	184.1	365.0	180.9	98.3%
Depreciation	178.0	176.0	-2.0	- 1.1%
R&D expenses	227.8	239.0	11.2	4.9%
The ratio of R&D expenses against the consolidated revenue	6.5%	6.9%	-	-

▶ Capital expenditure

Significant increase due to the expansion of the capital investments for the production of FI system for the motorcycles in India and the enhancement of the production capacity for xEV products.

▶ Depreciation

Decrease due to the impact of exchange rates.

▶ R&D expenses

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

Forecast of foreign exchange impact in the FY2019

Impact of foreign exchange	Amount of influence (unit : 100 million yen)
1 U.S. Dollar	- 3.1
1 Thai Baht	- 6.7
1 Chinese Yuan	- 5.5
1 Indian Rupee	- 4.2
1 Indonesian Rupiah	- 6.5
1 Brazilian Real	- 0.7
Other	- 2.5
Difference in exchange rates for sales *1 (at the line of Operating profit)	- 29.2
Difference between exchange rates for sales and exchange rates for sales proceeds *2 (Financial balance)	- 17.3
Sub-total	- 46.5
Difference from foreign exchange translation *3 (at the line of Profit before tax)	- 6.6
Total	- 53.1
At the line of Operating profit	- 35.8
Financial balance	- 17.3

FY2018 Results	FY2019 Forecast	Difference in exchange rates
¥110.62	¥110.30	¥0.32
¥3.37	¥3.40	- ¥0.03
¥16.78	¥16.32	¥0.46
¥1.73	¥1.56	¥0.17
¥0.82	¥0.75	¥0.07
¥34.26	¥28.14	¥6.12

(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

* 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 the 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	The number of units sold
FY2018 1st Half Results	4	3	0	3	7	60	85	789	4	2	33	990
FY2018 Results	7	5	0	7	11	134	176	1,535	4	3	63	1,945
FY2019 1st Half Results	4	2	-	2	5	72	82	909	0	2	33	1,111
Year-to-year	0%	- 33%	-	- 33%	- 29%	20%	- 4%	15%	- 100%	0%	0%	12%
FY2019 Forecast	6	3	-	3	7	146	148	1,756	0	3	63	2,135
Year-to-year	- 14%	- 40%	-	- 57%	- 36%	9%	- 16%	14%	- 100%	0%	0%	10%

Motorcycle FI systems: Sales unit numbers by each location

(ten thousand units)

	Japan	U.S.	Europe	Brazil	Taiwan	Thailand	China	India	Indonesia	Malaysia	Vietnam	The number of units sold
FY2018 1st Half Results	19	7	2	32	14	92	23	4	236	3	99	531
FY2018 Results	40	14	4	70	26	187	51	8	484	7	201	1,092
FY2019 1st Half Results	18	5	5	40	13	92	29	7	266	5	109	589
Year-to-year	- 5%	- 29%	150%	25%	- 7%	0%	26%	75%	13%	67%	10%	11%
FY2019 Forecast	37	11	10	79	23	188	92	12	526	10	218	1,206
Year-to-year	- 8%	- 21%	150%	13%	- 12%	1%	80%	50%	9%	43%	8%	10%