



New Power Control Unit



Consolidated Financial Results for the 1st Half of FY2020

Keihin Corporation
November 6, 2019

**Summary of
Consolidated Financial Results for the 1st Half of FY2020
and FY2020 Financial Forecasts,
and Explanation of the Management Integration
Announced on October 30**

President and CEO
Keiichi Aida

Parentheses indicate changes from the same period of the previous year.

1 Consolidated actual results for the 1st Half of FY2020

Revenue
164.1 billion yen
(-5.2%)

- Decreased sales of motorcycle products in India
- Decreased sales of automotive products in Asia as well as lower unit prices in North America and China
- Negative impact from the appreciation of the yen

Operating profit
6.6 billion yen
(-50.7%)

- Impact of decreased revenue
- Increase in R&D expenses, etc.
- Negative impact of the yen's appreciation against the U.S. dollar and the depreciation of currencies in emerging economies

2 Consolidated Financial Forecasts for FY2020

Revenue
328.0 billion yen
(-6.1%)

- Higher unit prices for motorcycle products in India
- Decreased sales of automotive products in North America and Asia as well as lower unit prices in China
- Negative impact from the appreciation of the yen

Operating profit
15.0 billion yen
(-42.9%)

- Impact of decreased revenue
- Increase in depreciation and labor costs
- Negative impact of the yen's appreciation against the U.S. dollar and the depreciation of currencies in emerging economies

Increase in installation of a new type of FI system for motorcycles compliant with BS6 (equivalent to Euro 5) exhaust emission regulations

■ Honda Genio released in Indonesia (June 2019)



Electronic Control Unit



Injector



Throttle Body

■ Honda Activa125 released in India (September 2019)



Injector



Throttle Body



Fuel Pump Module

Our products installed in Haojue EH150 HJ150-25 released in China (July 2019)



Electronic Control Unit



Injector

Our products installed in Honda N-WGN released in Japan (August 2019)



Air-conditioning unit



Condenser



Electronic Control Throttle Body



EGR valve



SPOOL valve

Mass production commenced for 4 products of FI System in India (September 2019)

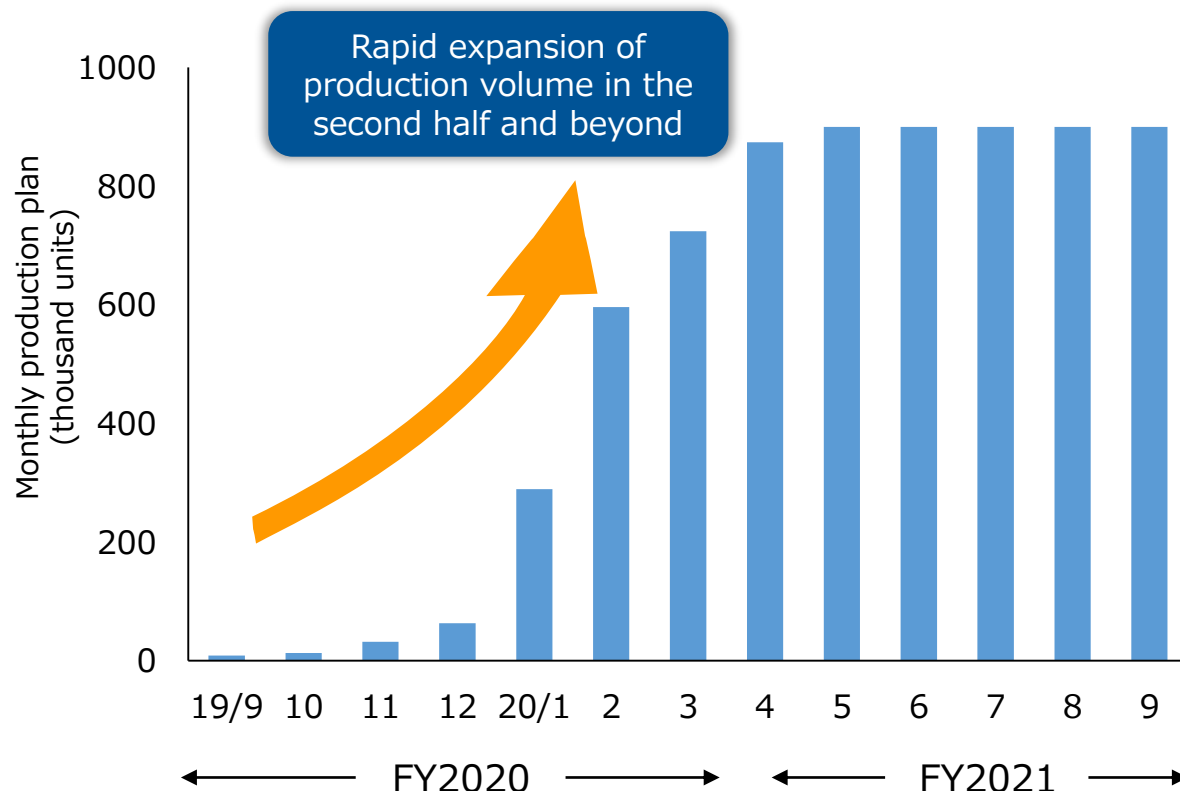


Throttle Body production line



Electronic Control Unit production line

■ Image of monthly production trends



Plans call for rapid expansion of production in the second half of the year and beyond, with full production in FY2021 and beyond

Acquisition of land and buildings for a new Power Control Unit (PCU) factory in Japan (June 2019)



Location Murata-city, Shibata-gun, Miyagi

Site area 69,462 m²

Received the Grand Prize for "Efforts to Improve the Environment" from Honda Motors' Indian subsidiary (June 2019)



Announcement of a First order for gasoline engine products for Toyota in Thailand (June 2019)



Toyota Motor Corporation

[IFRS] (Unit: 100 million yen)

	FY2019 1st Half Results	FY2020 1st Half Results	Amount of change	Rate of change
Revenue	1,731.3	1,641.3	-90.0	-5.2 %
* Ratio of sales to customers other than main customer	15.0%	15.0%		
Operating profit	133.7	66.0	-67.7	-50.7 %
*Operating profit margin	7.7%	4.0%		
Profit before tax	126.0	55.9	-70.1	-55.6 %
Profit attributable to owners of the parent	75.1	17.9	-57.2	-76.2 %
Dividend per share at the end of the 1st Half	¥22	¥23	¥1	—
*Dividend payout ratio	21.7%	95.0%		
Exchange Rate (against 1 U.S. dollar)	¥110.62	¥108.73	¥1.89	—
Total number of vehicles (million units)	25.9	24.7	-1.2	-4.5 %
Motorcycle and power products	19.9	18.6	-1.3	-6.5 %
Automotive products	6.0	6.1	0.1	2.3 %

►Year-on-year: Decreased in both revenue and profit

Revenue

- Decreased sales of motorcycle products in India
- Decreased sales of automotive products in Asia as well as lower unit prices in North America and China
- Negative impact from the appreciation of the yen

Operating profit

- Impact of decreased revenue
- Increase in R&D expenses, etc.
- Negative impact of the yen's appreciation against the U.S. dollar and the depreciation of currencies in emerging economies

Mass production started for new PCU in Japan (October 2019)

■ Features of the new PCU

In addition to the further miniaturization and weight reduction due to the high integration of electronic control parts and mounting technology, a power supply for in-vehicle electrical equipment (DCDC converter) is mounted internally, greatly improving the mountability for electric vehicles



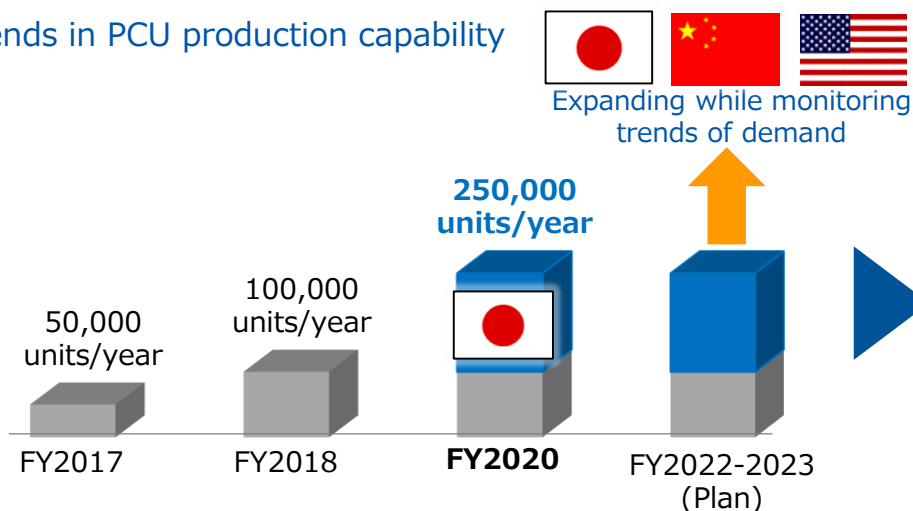
■ Production initiatives to enhance competitiveness

Achieved a 60% reduction in labor compared to conventional methods by expanding the automation of the assembly process



Production base: Miyagi Plant

■ Trends in PCU production capability



Establish a system to ensure a stable supply of high-quality QCDs in Japan and expanding it overseas (Local procurement and production)

[IFRS] (Unit: 100 million yen)

	FY2019 Results	FY2020 Forecast	Amount of change	Rate of change
Revenue	3,492.2	3,280.0	-212.2	-6.1 %
* Ratio of sales to customers other than main customer	14.8%	15.5%		
Operating profit	262.6	150.0	-112.6	-42.9 %
*Operating profit margin	7.5%	4.6%		
Profit before tax	247.6	125.0	-122.6	-49.5 %
Profit attributable to owners of the parent	157.1	46.0	-111.1	-70.7 %
Dividends per share	¥45	¥23	-¥22	—
*Dividend payout ratio	21.2%	37.0%		
Exchange Rate (against 1 U.S. dollar)	¥111.01	¥106.96	-¥4.05	—
Total number of vehicles (million units)	50.4	47.5	-2.9	-5.8 %
Motorcycle and power products	38.3	35.7	-2.5	-6.7 %
Automotive products	12.2	11.8	-0.4	-3.3 %

►Year-on-year: Decreased in both revenue and profit

Revenue

- Higher unit prices for motorcycle products in India
- Decreased sales of automotive products in North America and Asia as well as lower unit prices in China
- Negative impact from the appreciation of the yen

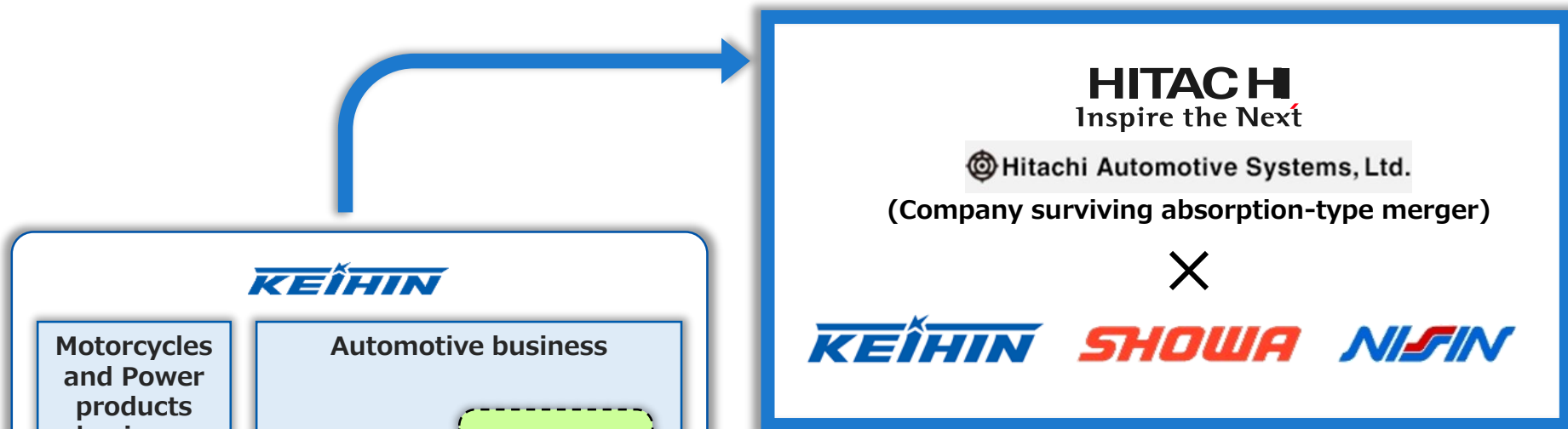
Operating profit

- Impact of decreased revenue
- Increase in depreciation and labor costs
- Negative impact of the yen's appreciation against the U.S. dollar and the depreciation of currencies in emerging economies

Explanation of the Management Integration Announced on October 30

President and CEO
Keiichi Aida

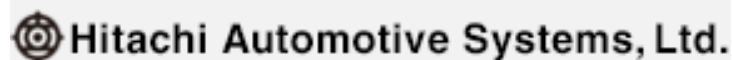
Management integration of motorcycle and automotive powertrain businesses



Integration Plan for the Air-Conditioning Business



Combining the strengths of the four companies to be integrated as well as Hitachi, Ltd. and Honda, we will launch a global mega supplier that will provide competitive motorcycle and automotive solutions to OEMs around the world.



Overview of the integrated company	
Name	Hitachi Automotive Systems, Ltd. (tentative)
Headquarter	2520 Takaba, Hitachinaka-city, Ibaraki, 312-8503 Japan (tentative)
Representative	Dr. Brice Koch*
Stockholders	Hitachi, Ltd.: 66.6%, Honda Motor Co., Ltd.: 33.4%
Plan for integration	<ol style="list-style-type: none">1) Conclusion of basic agreement of merger : October 30, 20192) Take over bit of KEIHIN, SHOWA, NISSIN by Honda3) Honda makes Keihin, Showa, and NISSIN wholly-owned subsidiaries4) Establish an integrated company (absorption-type merger)

* To be formalized by the Board of Directors of the new merger company

To provide world-leading solutions for motorcycles by fusing the three companies' leadership positions and the Hitachi Group's control system technology



The world's number-one fuel supply product, combining high environmental performance with the joy of driving



The world's number-one brake product, providing safety with aluminum and brakes

**Integrated solutions
for the entire motorcycles**

The world's number-one shock absorber, applying technology developed in the world's highest class of racing




Vehicle body control and motion control technologies acquired through the development of four-wheeled vehicles as well as the Hitachi Group's excellent digital technologies

 **Hitachi Automotive Systems, Ltd.**

**Establish a global leadership position in specialized business areas,
create industry-leading technological innovation and synergy,
and provide competitive solutions**

Electric/gasoline powertrain

 Hitachi Automotive Systems, Ltd.



- ✓ Efficient energy management for vehicles
- ✓ Advanced motor and inverter design
- ✓ Material development technology
- ✓ High-density packaging technology
- ✓ Internal combustion engine control technology
- ✓ High-precision cutting and processing technology

**New mobility package for
advanced powertrain**

Advanced chassis system

 Hitachi Automotive Systems, Ltd.



- ✓ Robotics technology
- ✓ Vehicle motion control technology
- ✓ Expertise on vehicle performance requirements
- ✓ Wide range of advanced chassis equipment
- ✓ Mechatronics technology
- ✓ Precision processing and manufacturing technologies

**Advanced integrated chassis
and reliable systems for
autonomous driving**

AD/ADAS

 Hitachi Automotive Systems, Ltd.



- ✓ Vehicle control system
- ✓ Algorithms based on AI
- ✓ Complex environmental recognition technology
- ✓ Integrated vehicle motion control technology

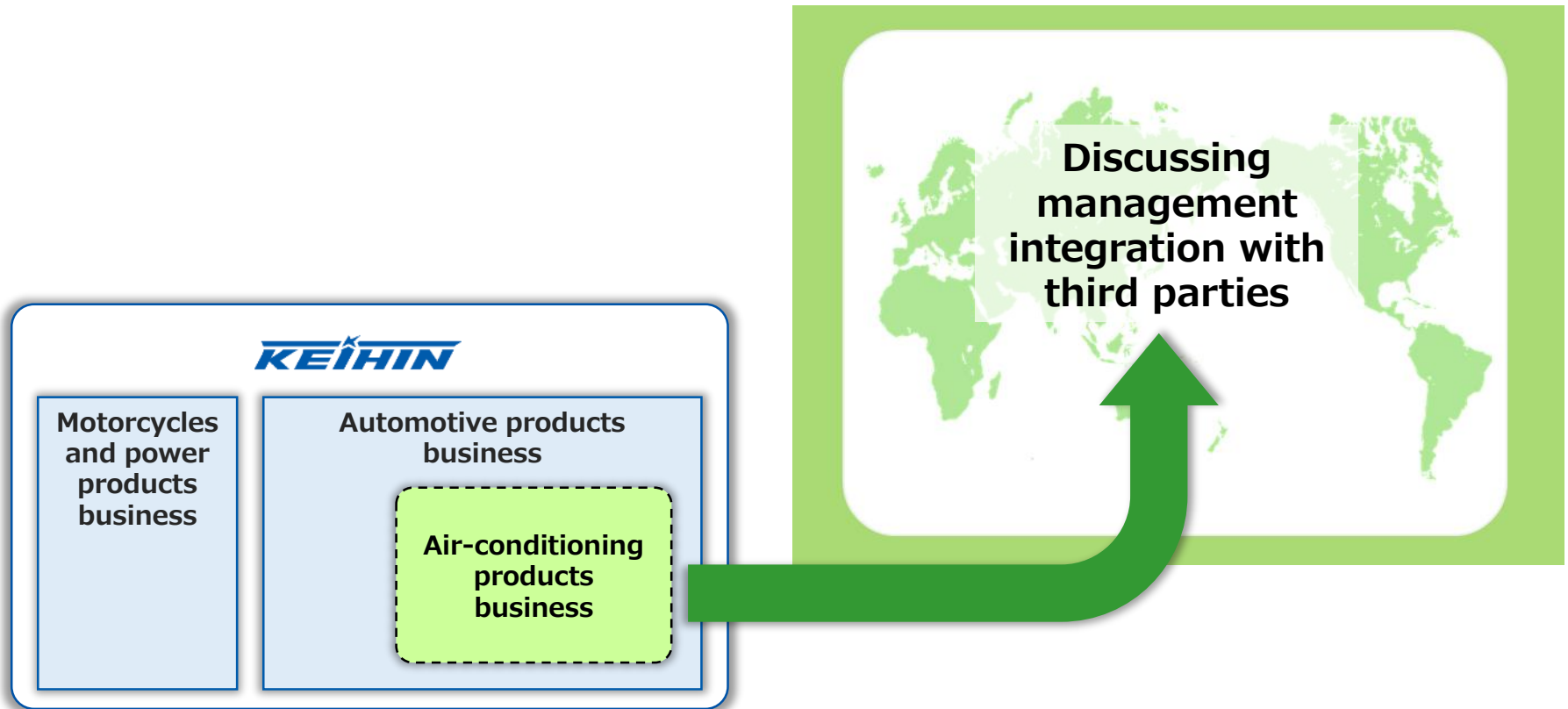
**Integrated vehicle control
using autonomous driving
recognition technology**

- 1. Create and streamline development resources in next-generation technology areas by effectively and efficiently using each company's development resources**
- 2. Strengthen the global supply system by increasing the number of factories**
- 3. Build an ultra-efficient production system by integrating production and automation technologies of four companies**
- 4. Strengthen cost competitiveness through economies of scale**



**Contribute to a safe and comfortable society,
a sustainable and greener society, and improving people's QoL
by providing advanced mobility solutions**

Provide competitive air-conditioning system products by further strengthening development capabilities and drastically expanding the business scale



Aiming to be a **globally competitive system supplier** in the air conditioning area



- **Evolve air-conditioning systems by combining the automotive air-conditioning technology developed by Keihin and KTT Group with the product lineups of our partners.**
- **Strengthen the development system of new technologies in preparation for the age of electrification and autonomous driving.**
- **Improve cost competitiveness by expanding global production systems and leveraging economies of scale.**

Details of Consolidated Financial Results for the 1st Half of FY2020 and Financial Forecasts for FY2020

Director, Chief Financial Officer
Shinji Suzuki

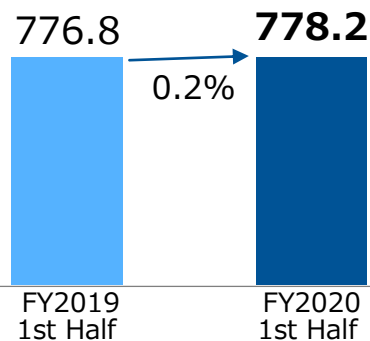
[IFRS] (Unit: 100 million yen)

	FY2019 1st Half Results	FY2020 1st Half Results	Amount of change	Rate of change
Revenue	1,731.3	1,641.3	-90.0 (FX impact: -37.2)	-5.2 %
Motorcycle and power products	505.1	492.6	-12.5	-2.5 %
Automotive products	1,226.2	1,148.7	-77.5	-6.3 %
Operating profit	133.7	66.0	-67.7 (FX impact: -10.8)	-50.7 %
Profit before tax	126.0	55.9	-70.1	-55.6 %
Income tax expense	38.8	26.2	-12.7	-32.6 %
Profit for the period	87.1	29.7	-57.4	-65.9 %
Profit attributable to owners of the parent	75.1	17.9	-57.2	-76.2 %
Exchange Rate				
1 U.S. Dollar	¥110.62	¥108.73	¥1.89	
1 Thai Baht	¥3.40	¥3.49	- ¥0.09	
1 Chinese Yuan	¥16.63	¥15.64	¥0.99	
1 Indian Rupee	¥1.61	¥1.56	¥0.05	
1 Indonesian Rupiah (100-unit rate)	¥0.77	¥0.76	¥0.01	
1 Brazilian Real	¥28.99	¥27.32	¥1.67	

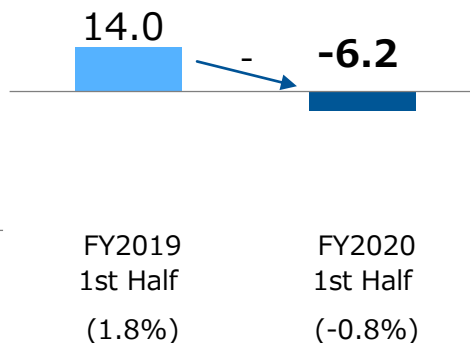
[IFRS] (Unit: 100 million yen)
Percentage in (brackets) operating profit margin

Japan

Revenue



Operating profit



Revenue

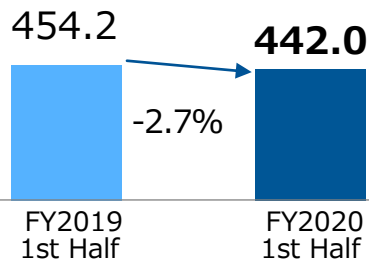
- Increased sales due to the launch of the motorcycle FI system in India (including the FX impact -8.8)

Operating profit

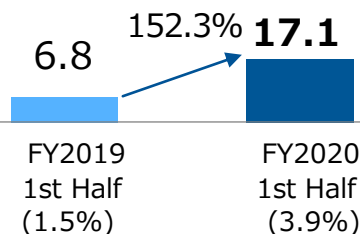
- Decreased profit partly due to an increase in R&D expenses (including the FX impact -2.3)

Americas

Revenue



Operating profit



Revenue

- Lower sales unit prices of automotive in North America
- Decreased revenue due to the unfavorable foreign exchange rate (including the FX impact -7.0)

Operating profit

- Cost reduction effect
- Improved productivity in North and Central Americas (including the FX impact -0.4)

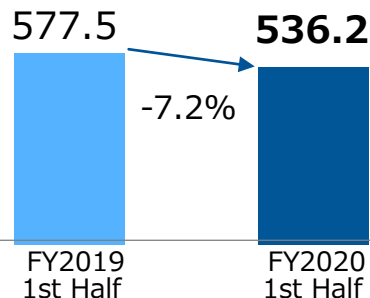
* The Amounts listed include amounts for internal revenue between segments.

* Amounts are rounded to the nearest millions yen

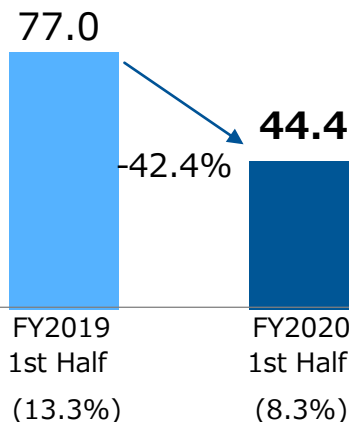
[IFRS] (Unit: 100 million yen)
Percentage in (brackets) operating profit margin

Asia

Revenue



Operating profit



Revenue

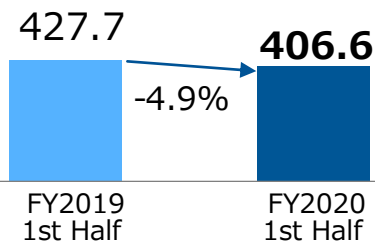
- Lower sales of motorcycles and power products in India and Vietnam
- Lower automotive sales in Malaysia and India
- Decreased revenue due to the unfavorable foreign exchange rate (including the FX impact -2.1)

Operating profit

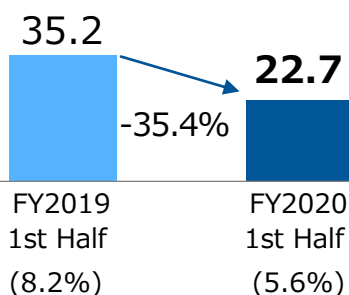
- Impact of decreased revenue
- Increased costs due to the launch of the motorcycle FI system in India (including the FX impact -2.7)

China

Revenue



Operating profit



Revenue

- Lower sales unit prices of automotive
- Decreased revenue due to the unfavorable foreign exchange rate (including the FX impact -25.2)

Operating profit

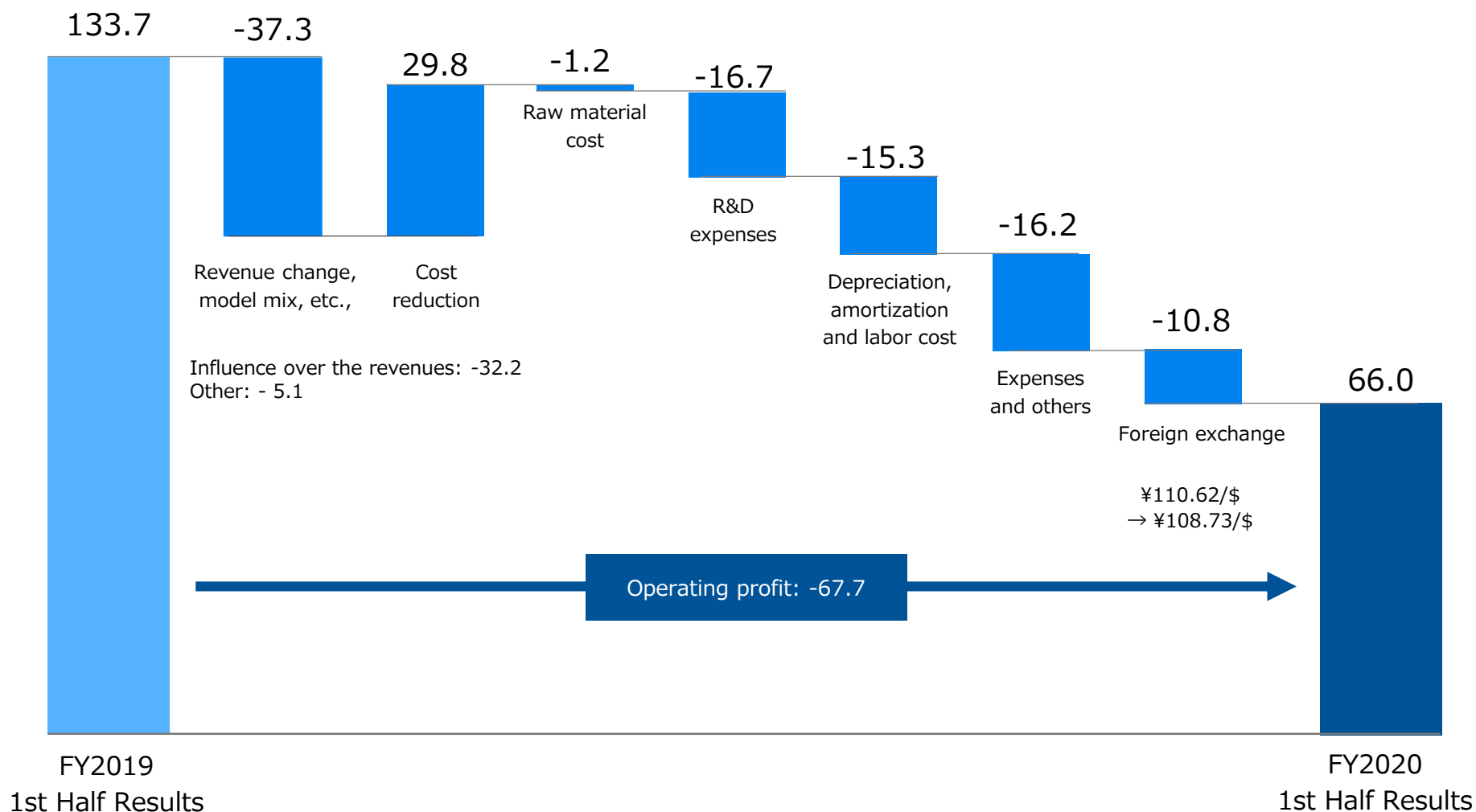
- Impact of decreased revenue
- Impact of foreign exchange (including the FX impact -6.7)

* 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 FY2020 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 FY2020

[IFRS] (Unit: 100 million yen)

	FY2019 1st Half Results	FY2020 1st Half Results	Amount of change	Rate of change
Capital expenditure	106.0	117.5	11.5	10.9%
Depreciation	86.3	89.7	3.4	3.9%
R&D expenses	116.9	135.9	18.9	16.2%
The ratio of R&D expenses against the consolidated revenue	6.8%	8.3%	-	-

► Capital expenditure

Increased due to the expansion of capital expenditure to reinforce responses to the electrification of automotive

► Depreciation

Increased due to the motorcycle FI system in India and the start of mass production of next-generation products for electric vehicles in Japan

► R&D expenses

Increased in preparation for the future introduction of electrification and for the reinforcement of R&D aiming to expand new customers

Impact of foreign exchange	Amount of influence (unit : 100 million yen)
1 U.S. Dollar	-3.1
1 Thai Baht	-0.8
1 Chinese Yuan	-4.0
1 Indian Rupee	-0.5
1 Indonesian Rupiah	0.2
1 Brazilian Real	-0.4
Other	-1.0
Difference in exchange rates for sales *1 (at the line of Operating profit)	-9.6
Difference between exchange rates for sales and exchange rates for sales proceeds *2 (Financial balance)	-0.2
Sub-total	-9.8
Difference from foreign exchange translation *3 (at the line of Profit before tax)	-0.9
Total	-10.7
At the line of Operating profit	-10.8
Financial balance	0.1

FY2019 1st Half Results	FY2020 1st Half Results	Difference in exchange rates
¥110.62	¥108.73	¥1.89
¥3.40	¥3.49	-¥0.09
¥16.63	¥15.64	¥0.99
¥1.61	¥1.56	¥0.05
¥0.77	¥0.76	¥0.01
¥28.99	¥27.32	¥1.67

(Indonesian rupiah rates are based on 100 currency units)

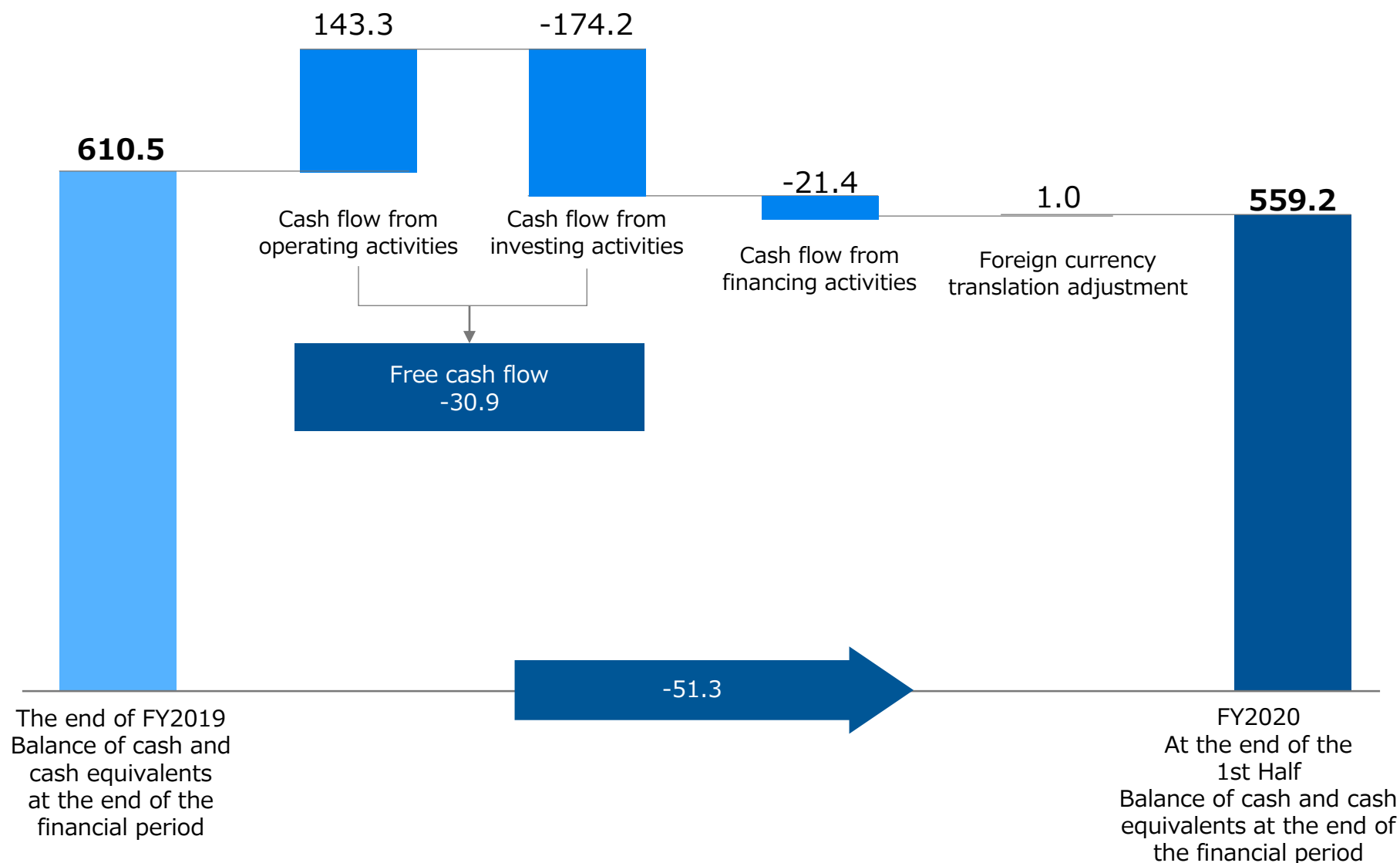
- *1: Difference from the previous fiscal year in the exchange rates used for posting revenues denominated in foreign currencies
- *2: Difference, from the previous fiscal year, between the exchange rates used for posting revenues denominated in foreign currencies and the exchange rates for posting sales proceeds received
- *3: Difference from the previous fiscal year in yen exchange rates used for consolidating individual financial statements denominated in foreign currencies

[IFRS] (Unit: 100 million yen)

	The end of FY2019	FY2020 At the end of the 1st Half	Amount of change		The end of FY2019	FY2020 At the end of the 1st Half	Amount of change
Total assets	3,151.9	3,095.5	-56.4	Total liabilities and equity	3,151.9	3,095.5	-56.4
Total current assets	1,746.9	1,638.0	-108.9	Total current liabilities	675.8	661.8	-14.0
Cash and cash equivalents	610.5	559.2	-51.2	Trade and other current payables	577.4	534.3	-43.1
Trade and other current receivables	565.5	493.4	-72.0	Short-term loans	68.8	82.7	13.9
Inventories	535.6	554.3	18.7	Other	29.6	44.7	15.2
Other	35.3	31.0	-4.3	Total non-current liabilities	244.2	255.2	11.0
Total non-current assets	1,405.0	1,457.5	52.5	Long-term loans	147.9	147.9	0.0
Property, plant and equipment	1,132.9	1,172.6	39.8	Other	96.3	107.3	10.9
Intangible assets	75.6	79.0	3.4	Total shareholders' equity	2,231.9	2,178.5	-53.4
Other non-current financial assets	50.6	55.7	5.1	Equity attributable to owners of the parent	1,983.5	1,937.4	-46.1
Other	146.0	150.2	4.2	Non-controlling interests	248.3	241.0	-7.3

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

[IFRS]
(Unit: 100 millions yen)



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

[IFRS] (Unit: 100 million yen)

	FY2019 results	FY2020 Forecast	Amount of change	Rate of change
Revenue	3,492.2	3,280.0	-212.2 (FX Impact - 129.8)	-6.1 %
Motorcycle and power products	1,003.3	1,027.0	23.7	2.4 %
Automotive products	2,488.9	2,253.0	-235.9	-9.5 %
Operating profit	262.6	150.0	-112.6 (FX Impact - 34.4)	-42.9 %
Profit before tax	247.6	125.0	-122.6	-49.5 %
Income tax expense	69.0	60.0	-9.0	-13.0 %
Profit for the year	178.6	65.0	-113.6	-63.6 %
Profit attributable to owners of the parent	157.1	46.0	-111.1	-70.7 %
Exchange Rate				
1 U.S. Dollar	¥111.01	¥106.96	¥4.05	
1 Thai Baht	¥3.43	¥3.45	-¥0.02	
1 Chinese Yuan	¥16.49	¥15.16	¥1.33	
1 Indian Rupee	¥1.60	¥1.52	¥0.08	
1 Indonesian Rupiah (100-unit rate)	¥0.77	¥0.75	¥0.02	
1 Brazilian Real	¥29.17	¥26.42	¥2.75	

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

Japan

Revenue

1,591.8 → 1,583.0

-0.6%

FY2019 Results FY2020 Forecast

Operating profit

25.1 → 41.0

63.6%

FY2019 Results (1.6%) FY2020 Forecast (2.6%)

Revenue

- Increased sales due to the launch of the motorcycle FI system in India
- Decreased revenue due to the unfavorable foreign exchange rate (including the FX impact -34.9)

Operating profit

- Increased revenue due to the launch of the motorcycle FI system in India (including the FX impact -18.0)

Americas

Revenue

925.7 → 825.0

-10.9%

FY2019 Results FY2020 Forecast

Operating profit

17.2 → 27.0

56.9%

FY2019 Results (1.9%) FY2020 Forecast (3.3%)

Revenue

- Fewer sales and lower unit prices of automotive
- Decreased revenue due to the unfavorable foreign exchange rate (including the FX impact -34.0)

Operating profit

- Cost reduction effect
- Improved productivity in North and Central Americas (including the FX impact -2.3)

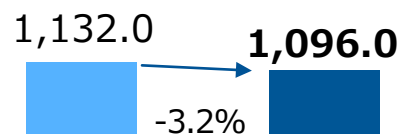
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* Amounts are rounded to the nearest millions yen

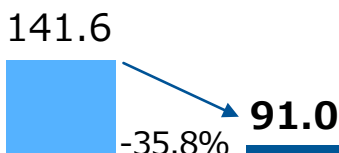
[IFRS] (Unit: 100 million yen)
Percentage in (brackets) operating profit margin

Asia

Revenue



Operating profit



Revenue

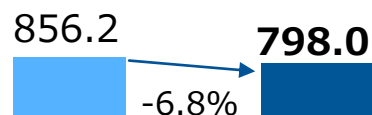
- Lower automotive sales in Thailand and Malaysia
- Decreased revenue due to the unfavorable foreign exchange rate (including the FX impact -25.3)

Operating profit

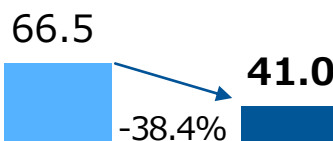
- Impact of decreased revenue
- Increased costs due to the launch of the motorcycle FI system in India (including the FX impact -6.2)

China

Revenue



Operating profit



Revenue

- Lower sales unit prices of automotive
- Decreased revenue due to the unfavorable foreign exchange rate (including the FX impact -68.2)

Operating profit

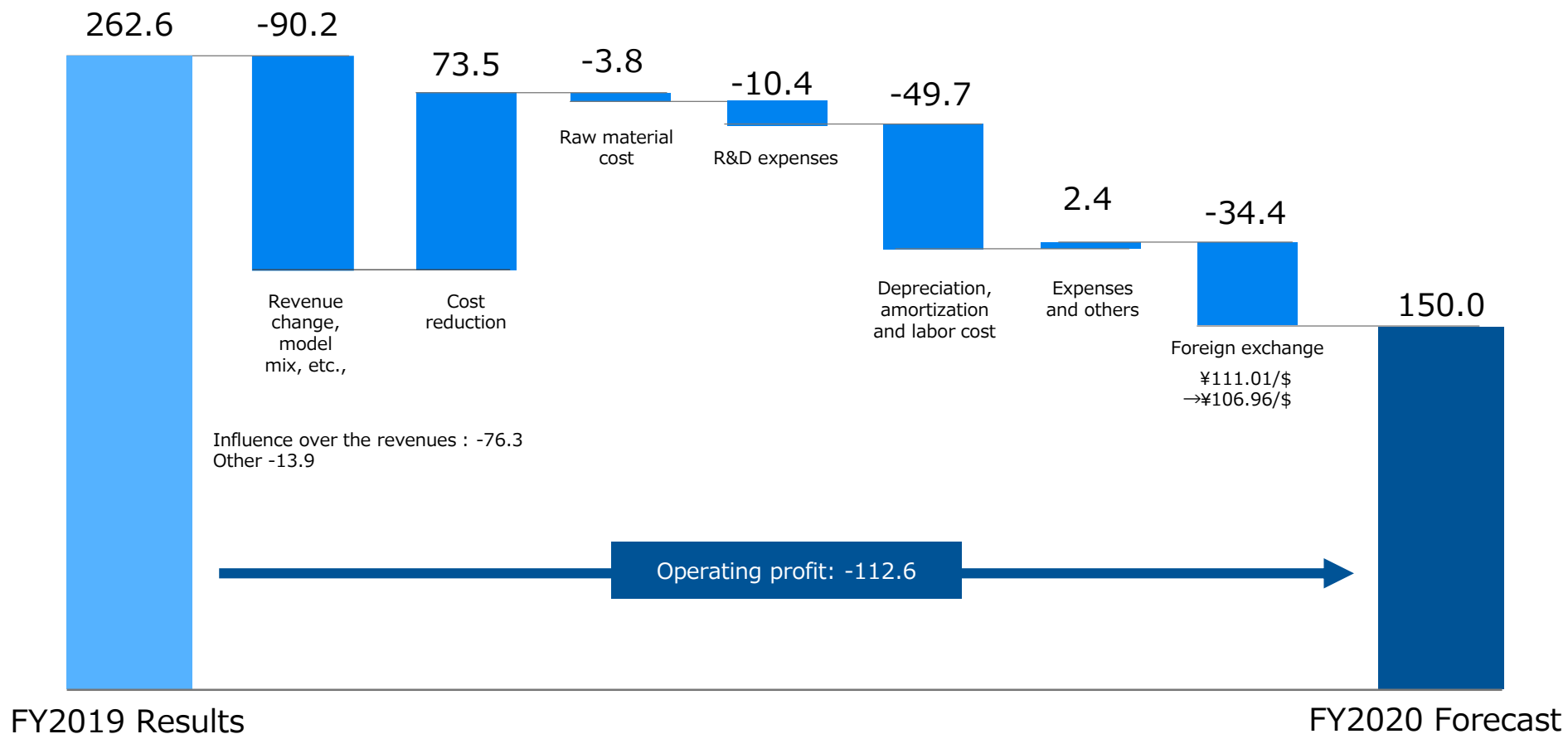
- Impact of decreased revenue
- Impact of foreign exchange (including the FX impact -12.1)

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

* Amounts are rounded to the nearest millions yen

Expected Factors for Changes in the FY2020 Consolidated Operating Profit

[IFRS] (Unit: 100 million yen)



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

Forecasts of Capital expenditure, Depreciation and Research & Development Expenses for the FY2020

[IFRS] (Unit: 100 million yen)

	FY2019 Results	FY2020 Forecast	Amount of change	Rate of change
Capital expenditure	291.8	325.0	33.2	11.4%
Depreciation	171.4	195.0	23.6	13.8%
R&D expenses	246.6	260.0	13.4	5.4%
The ratio of R&D expenses against the consolidated revenue	7.1%	7.9%	-	-

▶ Capital expenditure

Increased due to enhanced capital expenditure in preparation for electrification of automotive

▶ Depreciation

Increased due to the motorcycle FI system in India and the start of mass production of next-generation products for electric vehicles in Japan

▶ R&D expenses

Increased because of the strengthening of R&D for the expansion of new customers

Impact of foreign exchange		Amount of influence (unit : 100 million yen)	FY2019 Results	FY2020 Forecast	Difference in exchange rates
	1 U.S. Dollar	-15.2	¥111.01	¥106.96	¥4.05
	1 Thai Baht	-1.5	¥3.43	¥3.45	- ¥0.02
	1 Chinese Yuan	-8.1	¥16.49	¥15.16	¥1.33
	1 Indian Rupee	-1.9	¥1.60	¥1.52	¥0.08
	1 Indonesian Rupiah	0.8	¥0.77	¥0.75	¥0.02
	1 Brazilian Real	-0.9	¥29.17	¥26.42	¥2.75
	Other	-2.1			
Difference in exchange rates for sales *1 (at the line of Operating profit)		-28.9	(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		
Difference between exchange rates for sales and exchange rates for sales proceeds *2 (Financial balance)		-4.5			
Sub-total		-33.4			
Difference from foreign exchange translation *3 (at the line of Profit before tax)		-4.1			
Total		-37.5			
At the line of Operating profit		-34.4			
Financial balance		-3.1			

We will continue to strive to enhance our corporate value by realizing our corporate principle: “We shall contribute to the future of mankind by the continuous creation of new value.”



The original robot made by Keihin major products

* 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.

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
FY2019 1st Half Results	4	2	-	2	5	72	82	909	0	2	33	1,111
FY2019 Results	7	2	-	3	8	148	150	1,631	0	3	64	2,016
FY2020 1st Half Results	3	2	-	1	3	69	60	758	0	2	31	929
Year-to-year	-1	0	-	-1	-2	-3	-22	-151	0	0	-2	-182
FY2020 Forecast	5	3	-	1	6	142	122	1,218	0	4	56	1,557
Year-to-year	-2	1	-	-2	-2	-6	-28	-413	0	1	-8	-459

Motorcycle FI systems: Number of sales by location

(ten thousand units)

	Japan	U.S.	Europe	Brazil	Taiwan	Thailand	China	India	Indonesia	Malaysia	Vietnam	The number of units sold
FY2019 1st Half Results	18	5	5	40	13	92	29	7	266	5	109	589
FY2019 Results	37	11	10	82	24	184	87	10	542	10	224	1,221
FY2020 1st Half Results	14	5	6	44	14	85	75	6	273	6	112	640
Year-to-year	-4	0	1	4	1	-7	46	-1	7	1	3	51
FY2020 Forecast	31	12	10	87	24	176	152	186	556	12	225	1,471
Year-to-year	-6	1	0	5	0	-8	65	176	14	2	1	250