

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2018

August 7, 2018

Company name: **ICHIKOH INDUSTRIES, LTD.**
 Listing: Tokyo Stock Exchange, First Section
 Code number: 7 2 4 4
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Filing of Quarterly Financial Report: August 9, 2018

Date for starting dividends payment: September 5, 2018

Quarterly earnings supplementary explanatory documents: Yes

Quarterly earnings presentation: Yes (Institutional Investor, Analyst)

*Amounts under one million yen have been rounded down.

1. Performance at the end of the Second Quarter as of June 30, 2018 (January 1, 2018 to June 30, 2018)

(1) Consolidated Financial Results (Millions of yen; percentage figures indicate year-on-year change)

	Net Sales	Operating Income	Ordinary Income	quarterly net income (loss) attributable to the shareholder parent company
	%	%	%	%
2nd Quarter (ended on Jun. 30, 2018)	71,168 -	5,017 -	5,941 -	4,665 -
2nd Quarter (ended on Sep. 30, 2017)	60,571 19.1	2,316 108.6	2,773 162.7	2,212 75.3

(Note) Comprehensive income:

Jun. 30, 2018 4,031 million yen (– %) Sep. 30, 2017 2,907 million yen (– %)

	Net income per share (Yen)	Net income per share-diluted (Yen)
2nd Quarter (ended on Jun. 30, 2018)	48.56	-
2nd Quarter (ended on Sep. 30, 2017)	23.03	-

(2) Consolidated Financial Position (Millions of yen; except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)
2nd Quarter (as of Jun. 30, 2018)	103,649	37,180	34.5 %
FY2017 (as of Dec. 31, 2017)	103,177	33,266	30.9

[Reference] Equity: Second Quarter as of Jun. 30, 2018 35,796 million yen
 Fiscal Year as of Dec. 31, 2017 31,910 million yen

2. Cash Dividends

(Cut-off Date)	Cash Dividends per share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Full Year
FY2017 (ended on Dec. 31, 2017)	-	2.50	-	1.50	4.00
FY2018 (ended on Dec. 31, 2018)	-	2.50	-	-	-
FY2018 (ended on Dec. 31, 2018) [plan]	-	-	-	2.50	5.00

Note: Revision to quarterly dividend forecast : No

3. Consolidated Performance Forecasts for the Fiscal Year 2018 (January 1, 2018 to December 31, 2018)

(Millions of yen; percentages indicate changes over the same period in the previous fiscal year)

	Net Sales	Operating Income	Ordinary Income	quarterly net income (loss) attributable to the shareholder parent company	Net Income per Share (Yen)
	%	%	%	%	yen
Full Year	135,000 -	8,400 -	9,600 -	7,300 -	75.99

Note: Revision to consolidated performance forecast : No

Ichikoh Industries changed its fiscal year-end from the last fiscal year, then the previous full term is 9 months which is started from April 1 and ended on December 31, 2017. It is the reason why the differences between the previous term and the previous quarter have not been written in the above.

4. Other

- (1) Principal affiliates' transfer in this fiscal term (in accordance with the change of consolidation scope) No
- | | | |
|----------|---|------------------|
| Added | - | (Corporate name) |
| Excluded | - | (Corporate name) |
- (2) Application of simple accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Applied
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- ① Changes in accounting policies due to revisions to accounting standard: No
 - ② Changes in accounting policies due to other reasons: No
 - ③ Changes in accounting estimates: No
 - ④ Restatement: No
- (4) Number of issued shares (common stock)
- ① Number of shares outstanding at the end of the period (including treasury stock)

As of June 30, 2018	96,250,001
As of December 31, 2017	96,225,501
 - ② Number of shares of treasury stock at the end of period

As of June 30, 2018	162,530
As of December 31, 2017	161,925
 - ③ Average number of shares during the period (cumulative; consolidated)

FY2018 2nd quarter:	96,070,358
FY2017 2nd quarter:	96,063,232

*Quarterly review procedures:

This quarterly financial flash report is out of scope of the review procedures by certified public accountants or auditing firms

*Appropriate use of business forecast; other special items:

Performance Forecasts are based on judgments and estimated that have been made on the basis of currently available information. Change in the company's business environment and in market trends may cause actual result to differ materially from these forecast figures.

1. Qualitative Information on Quarterly Results

(1) Analysis of operating results

The company has changed its fiscal year-end from March 31 to December 31 since last year. For this reason, the previous term is a special term of 9 months starting from April 1 and ending on December 31, 2017. As the consolidated period for the second quarter (from Jan. 1, 2018 to Jun. 30, 2018) is different from the last year second quarter consolidated period (from Apr. 1, 2017 to Sep. 30, 2017), the second quarter is compared with the same period of the last year starting from Jan. 1, 2017 and ending on Jun. 31, 2017.

Please note that the financial numbers of the same period of last year are figures for reference to which the results are not audited.

(Financial result)

The Japanese economy for the second quarter gradually recovered on domestic demand by continued housing constructions of high standard under the low interest rate environment, construction investments, and also on foreign demand, by strong export aimed at Asia countries. As for global economy, despite concerns such as relation between USA and China, the employment index in USA maintained steady, and the economy of developing countries China and ASEAN in total remained strong.

As for automotive market to which the company group belongs, the domestic car production volume resulted almost flat compared to the same term of last year. In ASEAN market, production volume of the three countries in ASEAN regions increased in total compared to the same term of last year due to the growth of production volume in the main three ASEAN countries, Thailand, Indonesia and Malaysia. Also for China, car production volume increased compared with the same period of the last year.

Under those circumstances, the consolidated cumulative second quarter results of the company increased both in sales and profit thanks to the increase of domestic sales due to the launch of new products and strong sales of value-added products such as LED lamp and camera monitor system, also thanks to the performance recovery of ASEAN overseas affiliates. As a result, sales was 71,168 million yen (same term of last year was 59,595 million, 19.4% increase), operating income was 5,107 million yen (same term of last year was 2,812 million, 78.4% increase). Ordinary income increased significantly and reached 5,941 million yen (same term of last year was 2,957 million yen, 100.9% increase) mainly due to the positive impact of the temporary gains recorded in equity-method affiliates. And net income attributable to shareholders of the parent company was 4,665 million yen (same term of last year was 2,957, 57.8% increase).

Results by each segment are as follows:

① Auto-Components business

As for auto-components business, sales and profit increased compared to the same term of last year, thanks to the increase of domestic sales by the launch of new products and strong sales of value-added products such as LED lamp and camera monitor system, also thanks to the performance recovery of ASEAN overseas affiliates. As a result, sales was 66,827 million yen (same term of last year was 55,162 million yen, 21.1% increase), operating income was 4,943 million yen (same term of last year was 2,701 million yen, 83.0% increase).

② After-Market business

Mainly due to the decreased sales of aftermarket products for dealers caused by vehicle inspection problems, the results of after-market business decreased by: sales 4,038 million yen (same term of last year was 4,138 million yen, 2.4 % decrease), operating income 59 million yen (same term of last year was 74 million yen, 19.6% decrease).

③ Other business

The sale of other business was 1,023 million yen (same term of last year was 1,008, 1.5% increase), operating income was 11 million yen (same term of last year was 31 million yen, 63.9% decrease).

(Reference)

(Millions of yen)

	Same term of the last year (January 1, 2017 ~ June 30, 2017)	Current 2nd Quarter (January 1, 2018 ~ June 30, 2018)	Difference
Net sales	59,595	71,168	19.4%
Operating income	2,812	5,017	78.4%
Ordinary income	2,957	5,941	100.9%
quarterly net income attributable to the shareholder parent	2,957	4,665	57.8%

2. Consolidated Financial Statement

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2017)	Second Quarter End (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	9,422	10,308
Notes and accounts receivable-trade	23,402	24,527
Electronically recorded monetary claims-operating	1,091	782
Merchandise and finished goods	4,658	4,248
Work in process	713	712
Raw materials and supplies	3,310	3,460
Deferred tax assets	1,616	1,643
Other	3,145	1,652
Allowance for doubtful accounts	(130)	(120)
Total current assets	47,229	47,215
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	10,479	11,363
Machinery, equipment and vehicles, net	11,508	11,931
Tools, furniture and fixtures, net	3,128	3,618
Land	3,434	3,420
Lease assets, net	7,412	5,917
Construction in progress	3,699	2,584
Total property, plant and equipment	39,662	38,836
Intangible assets		
goodwill	551	435
Other	1,301	1,112
Total intangible assets	1,852	1,548
Investments and other assets		
Investment securities	6,407	5,916
Long-term loans receivable	1,035	1,089
Deferred tax assets	142	171
Other	6,851	8,880
Allowance for doubtful accounts	(4)	(7)
Total investments and other assets	14,433	16,050
Total noncurrent assets	55,948	56,434
Total assets	103,177	103,649

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2017)	Second Quarter End (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,938	25,117
Short-term loans payable	6,733	4,627
Current portion of long-term loans payable	985	1,129
Lease obligations	5,270	4,656
Income taxes payable	265	1,328
Accrued expenses	3,693	4,276
Provision for bonuses	958	2,956
Provision for directors' bonuses	29	48
Provision for product warranties	1,361	1,319
Other	3,374	3,697
Total current liabilities	47,611	49,157
Noncurrent liabilities		
Long-term loans payable	8,817	5,369
Lease obligations	3,750	2,643
Deferred tax liabilities	856	698
Retirement benefits	8,603	8,348
Asset retirement obligations	214	199
Provision for environmental program	8	8
Other	48	43
Total noncurrent liabilities	22,299	17,312
Total liabilities	69,911	66,469
Net assets		
Shareholders' equity		
Capital stock	8,957	8,972
Capital surplus	2,476	2,491
Retained earnings	20,449	24,971
Treasury stock	(43)	(44)
Total shareholders' equity	31,840	36,390
Accumulated other comprehensive income		
Valuation difference on other securities.	2,306	1,959
Foreign currency translation adjustment	(1,982)	(2,307)
Adjustment retirement benefits	(254)	(245)
Total accumulated other comprehensive income	69	(593)
Minority interests	1,356	1,383
Total net assets	33,266	37,180
Total liabilities and net assets	103,177	103,649

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income	(Millions of yen)	
	Previous 2nd Quarter (April 1, 2017 ~ September 30, 2017)	Current 2nd Quarter (January 1, 2018 ~ June 30, 2018)
Net sales	60,571	71,168
Cost of sales	48,441	56,373
Gross profit	12,129	14,794
Selling, general and administrative expenses	9,813	9,777
Operating income	2,316	5,017
Non-operating income		
Interest income	50	45
Dividends income	99	162
Equity in earnings of affiliates	592	1,127
Other	74	258
Non-operating income	816	1,593
Non-operating expenses		
Interest expenses	290	218
Commission paid	4	140
Foreign exchange losses	40	164
Other	24	146
Non-operating expenses	360	669
Ordinary income	2,773	5,941
Extraordinary income		
Gain on sales of noncurrent assets	16	1
Extraordinary income	16	1
Extraordinary loss		
Loss on disposal of noncurrent assets	64	128
Total Extraordinary loss	64	128
Income (loss) before income taxes	2,725	5,814
Income taxes	457	1,108
Income (loss) before minority interests	2,267	4,705
Minority interests in income	55	39
quarterly net income (loss) attributable to the shareholder parent company	2,212	4,665

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous 2nd Quarter (April 1, 2017 ~ September 30, 2017)	Current 2nd Quarter (January 1, 2018 ~ June 30, 2018)
Income (loss) before minority interests	2,267	4,705
Other comprehensive income		
Valuation difference on other securities	285	(346)
Foreign currency translation adjustment	322	(263)
Deferred gain for hedges	(0)	-
Adjustment retirement benefits	112	9
Share of other comprehensive income of associates accounted for using equity method	(80)	(72)
Total other comprehensive income	639	(673)
Comprehensive income	2,907	4,031
Comprehensive income attributable to		
Owners of the parent	2,819	4,002
Minority interests	88	28

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I. Previous Second Quarter (April 1, 2017 to September 30, 2017)

1. Sales and profits or losses for each reportable segment

(Millions of yen)

	Segments			Other	Total
	Automotive Parts	Automotive Aftermarket	Sub Total		
Net sales					
(1) Sales to Outside Customers	56,345	3,546	59,892	679	60,571
(2) Intersegment Sales or Transfers	2	468	470	316	786
TOTAL	56,348	4,014	60,362	995	61,358
Segment income	2,482	(154)	2,328	16	2,344

* "Other" shows business segments which is not included in reportable segment. It shows "Real estate business in our group".

2. Total amount for profit and loss in reportable segment and

Details of adjustment in the quarterly consolidated statement (Adjustment amounts and items)

(Millions of yen)

Profit	Amount
Total amount for Segment	2,328
Profit including "Other"	16
Elimination for intersegment	(27)
Operating income in quarterly consolidated statement	2,316

II. Current Second Quarter (January 1, 2018 to June 30, 2018)

1. Sales and profits or losses for each reportable segment

(Millions of yen)

	Segments			Other	Total
	Automotive Parts	Automotive Aftermarket	Sub Total		
Net sales					
(1) Sales to Outside Customers	66,825	3,653	70,478	689	71,168
(2) Intersegment Sales or Transfers	1	385	387	334	721
TOTAL	66,827	4,038	70,865	1,023	71,889
Segment income	4,943	59	5,003	11	5,015

* "Other" shows business segments which is not included in reportable segment. It shows "Sales and production business of electric bulb for automotive in our group".

2. Total amount for profit and loss in reportable segment and

Details of adjustment in the quarterly consolidated statement (Adjustment amounts and items)

(Millions of yen)

Profit	Amount
Total amount for Segment	5,003
Profit including "Other"	11
Elimination for intersegment	2
Operating income in quarterly consolidated statement	5,017

(Reference)

Same period of the last year (January 1, 2017 to June 30, 2017)

1. Sales and profits or losses for each reportable segment

(Millions of yen)

	Segments			Other	Total
	Automotive Parts	Automotive Aftermarket	Sub Total		
Net sales					
(1) Sales to Outside Customers	55,160	3,725	58,885	710	59,595
(2) Intersegment Sales or Transfers	1	413	415	298	713
TOTAL	55,162	4,138	59,301	1,008	60,309
Segment income	2,701	74	2,776	31	2,807

* "Other" shows business segments which is not included in reportable segment. It shows "Sales and production business of electric bulb for automotive in our group".

2. Total amount for profit and loss in reportable segment and

Details of adjustment in the quarterly consolidated statement (Adjustment amounts and items)

(Millions of yen)

Profit	Amount
Total amount for Segment	2,776
Profit including "Other"	31
Elimination for intersegment	4
Operating income in quarterly consolidated statement	2,812

(Reference) Summary of Non-consolidated financial results as of June 30,2018 (January 1, 2018 ~ June 30, 2018)

(1) Operating results

(Percentages(%) shows fluctuation to the previous)

	Net Sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
30-Jun.18	56,733	20.5	4,053	97.0	3,946	104.1	2,833	35.5
30-Jun.17 *	47,078	-	2,057	-	1,933	-	2,090	-

(Notice *) Same period of the last year (January 1, 2017 ~ June 30, 2017)

(2) Financial conditions

	Total assets	Net assets	Ratio of shareholders' equity	Net assets per share
	million yen	million yen	%	yen
30-Jun.18	82,022	28,987	35.3	301.68
31-Dec.17	80,162	26,611	33.2	277.02

(Reference) Shareholders' equity:

Jun. 30, 2018 28,987 million yen Dec. 31, 2017 26,611 million yen