

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

May 8, 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: May 10, 2018

Date for starting dividends payment: -

Quarterly earnings supplementary explanatory documents: No

Quarterly earnings presentation: No

*Amounts under one million yen have been rounded down.

1. Performance in the First Quarter ended on March 31, 2018 (January 1, 2018 to March 31, 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
	%	%	%	%
1st Quarter (ended on Mar. 31, 2018)	37,802 -	3,810 -	4,266 -	3,299 -
1st Quarter (ended on Jun. 30, 2017)	28,544 14.9	724 127.5	784 327.1	576 510.0

(Note) Comprehensive income:

Mar. 31, 2018 2,824 million yen (—%) Jun. 30, 2017 664 million yen (—%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
1st Quarter (ended on Mar. 31, 2018)	34.35	-
1st Quarter (ended on Jun. 30, 2017)	6.00	-

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

	Total Assets	Net Assets	Equity Ratio (%)
1st Quarter (as of March 31, 2018)	105,963	35,945	32.6%
FY2017 (as of December 31, 2017)	103,177	33,266	30.9

[Reference] Equity: First Quarter as of March 31, 2018 34,576 million yen

Fiscal Year as of December 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 December 31, 2017)	-	2.50	-	1.50	4.00
FY2018 (ended on December 31, 2018)	-	-	-	-	-
FY2018 (ended on Dec. 31, 2018) [plan]	-	2.50	-	2.50	5.00

Note: Revision to quarterly dividend forecast : No

3. Consolidated Performance Forecasts for the Fiscal Year 2018 (April 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
First Half	70,000 -	4,800 -	5,600 -	4,300 -	44.76
Full Year	135,000 -	8,400 -	9,600 -	7,300 -	75.99

Note: Revision to consolidated performance forecast : Yes

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

As of March 31, 2018	162,087
As of December 31, 2017	161,925
 - ③ Average number of shares during the period (cumulative; consolidated)

FY2018 1st quarter:	96,063,501
FY2017 1st quarter:	96,063,030

*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

Since last year, the company changed its fiscal year-end from March 31 to December 31. Accordingly, the previous full term is the special term due to change of duration which is 9 months starting April 1 and ending December 31, 2017. As this consolidated Financial Results for the first quarter (from Jan. 1, 2018 to Mar. 31, 2018) covers the months different from the last year (from Apr. 1, 2017 to Jun. 30, 2017), this first quarter is compared with the same period of the last year starting Jan. 1, 2017 and ending Mar. 31, 2017. Please note that the financial numbers of the same period last year are not financially audited and as a result, should be regarded as a reference number.

Financial result

The Japanese economy for the first quarter gradually recovered by the domestic demand of capital expenditure etc. due to the recovery of corporate performance and the increase of investment aiming at eliminating manual shortage. As for global economy, North America maintained a steady employment index, and the economy of developing countries such as China and ASEAN countries in total remained strong.

As for automotive market which the company group belongs to, the domestic car production volume decreased a little compared to the same term of last year. In ASEAN market, production volume of the three countries in ASEAN region increased in total compared to the same term of last year due to the remaining strong domestic demand in Thailand, and also increasing production volume both in Malaysia and in Indonesia. As for China, the production volume decreased a little compared with the same period of the last year due to the bigger sales decline affected by the spring season of the old new year's holiday. Under those circumstances, the company group increased both in the sales and profits thanks to the domestic sales increase driven by the strong sales of the new products that started production and the value-added products; e.g. LED lamp, camera monitor system, and so on, besides the better performance of AESAN subsidiaries. As a result, the sales for the consolidated cumulative first quarter of 2018 was 37,802 million yen (21.7% increase compared to the same term of last year (Jan 2017 - March 2017), 31,051 million yen) and operating income was 3,810 million yen (82.5% increase compared to the same term of last year, 2,087 million yen). Ordinary income increased significantly and reached 4,266 million yen (96.4% increase compared to the same term of last year, 2,172 million yen) 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 3,299 million yen (38.6% increase compared to the same term of last year, 2,380 million yen).

Results by each segment are as follows:

1. Auto-Components business

As for auto-components business, both sales and profits increased thanks to the domestic sales increase driven by the strong sales of the new products that started production and the value-added products; e.g. LED lamp, camera monitor system, and so on, besides the better performance of AESAN subsidiaries. As a result, the sales was 35,710 million yen (24.1% increase compared to the same term of last year which was 28,765 million yen), operating income was 3,731 million yen (90.7% increase compared to the same term of last year which was 1,956 million yen).

2. After-Market business

Mainly due to the decreased sales of aftermarket products to dealers affected by the vehicle inspection problems, the results of after-market business were: sales 1,902 million yen (11.2% decrease compared to the same term of last year, 2,141 million yen), operating income 52 million yen (49.2% decrease compared with the same term of last year, 103 million yen).

3. Other business

Other business sales was 541 million yen (3.8% increase compared to the same term of last year, 521 million yen), operating income was 17 million yen (27.0% decrease compared to the same term of last year, 24 million yen).

(Reference)

	(Millions of yen)		
	Same term of the last ve (April 1, 2017 ~ June 30, 2017)	Current 1st Quarter (January 1, 2018 ~ March 31, 2018)	Difference
Net sales	31,051	37,802	21.7%
Operating income	2,087	3,810	82.5%
Ordinary income	2,172	4,266	96.4%
quarterly net income attributable to the shareholder parent	2,380	3,299	38.6%

2. Consolidated Financial Statement

(1) Consolidated Balance Sheets

(Unit: 1,000,000)

	Previous Fiscal Year End (As of December 31, 2017)	First Quarter End (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	9,422	12,029
Notes and accounts receivable-trade	23,402	25,554
Electronically recorded monetary claims-operating	1,091	1,006
Merchandise and finished goods	4,658	3,818
Work in process	713	680
Raw materials and supplies	3,310	3,497
Deferred tax assets	1,616	1,609
Other	3,145	1,716
Allowance for doubtful accounts	(130)	(135)
Total current assets	47,229	49,775
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	10,479	11,579
Machinery, equipment and vehicles, net	11,508	11,035
Tools, furniture and fixtures, net	3,128	3,203
Land	3,434	3,426
Lease assets, net	7,412	7,236
Construction in progress	3,699	3,109
Total property, plant and equipment	39,662	39,680
Intangible assets		
goodwill	551	490
Other	1,301	1,129
Total intangible assets	1,852	1,620
Investments and other assets		
Investment securities	6,407	5,928
Long-term loans receivable	1,035	960
Deferred tax assets	142	139
Other	6,851	7,866
Allowance for doubtful accounts	(4)	(7)
Total investments and other assets	14,433	14,887
Total noncurrent assets	55,948	56,188
Total assets	103,177	105,963

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2017)	First Quarter End (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,938	25,911
Short-term loans payable	6,733	8,199
Current portion of long-term loans payable	985	1,129
Lease obligations	5,270	5,423
Income taxes payable	265	960
Accrued expenses	3,693	4,141
Provision for bonuses	958	1,907
Provision for directors' bonuses	29	49
Provision for product warranties	1,361	1,332
Other	3,374	2,893
Total current liabilities	47,611	51,950
Noncurrent liabilities		
Long-term loans payable	8,817	5,369
Lease obligations	3,750	3,375
Deferred tax liabilities	856	701
Retirement benefits	8,603	8,349
Asset retirement obligations	214	214
Provision for environmental program	8	8
Other	48	48
Total noncurrent liabilities	22,299	18,067
Total liabilities	69,911	70,018
Net assets		
Shareholders' equity		
Capital stock	8,957	8,957
Capital surplus	2,476	2,476
Retained earnings	20,449	23,605
Treasury stock	(43)	(43)
Total shareholders' equity	31,840	34,996
Accumulated other comprehensive income		
Valuation difference on other securities.	2,306	1,971
Foreign currency translation adjustment	(1,982)	(2,140)
Adjustment retirement benefits	(254)	(250)
Total accumulated other comprehensive income	69	(419)
Minority interests	1,356	1,368
Total net assets	33,266	35,945
Total liabilities and net assets	103,177	105,963

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

Consolidated Statements of Income

(Millions of yen)

	Previous 1st Quarter (April 1, 2017 ~ June 30, 2017)	Current 1st Quarter (January 1, 2018 ~ March 31, 2018)
Net sales	28,544	37,802
Cost of sales	22,953	29,408
Gross profit	5,591	8,394
Selling, general and administrative expenses	4,866	4,583
Operating income	724	3,810
Non-operating income		
Interest income	18	22
Dividends income	93	51
Equity in earnings of affiliates	206	803
Other	16	50
Non-operating income	334	928
Non-operating expenses		
Interest expenses	133	140
Commission paid	-	140
Foreign exchange losses	82	180
Other	58	10
Non-operating expenses	274	472
Ordinary income	784	4,266
Extraordinary income		
Gain on sales of noncurrent assets	0	1
Extraordinary income	0	1
Extraordinary loss		
Loss on disposal of noncurrent assets	63	123
Total Extraordinary loss	63	123
Income (loss) before income taxes	721	4,144
Income taxes	122	822
Income (loss) before minority interests	598	3,321
Minority interests in income	22	22
quarterly net income (loss) attributable to the shareholder parent company	576	3,299

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous 1st Quarter (April 1, 2017 ~ June 30, 2017)	Current 1st Quarter (January 1, 2018 ~ March 31, 2018)
Income (loss) before minority interests	598	3,321
Other comprehensive income		
Valuation difference on other securities	(19)	(335)
Foreign currency translation adjustment	152	(170)
Deferred gain for hedges	1	-
Adjustment retirement benefits	102	4
Share of other comprehensive income of associates accounted for using equity method	(171)	4
Total other comprehensive income	65	(497)
Comprehensive income	664	2,824
Comprehensive income attributable to		
Owners of the parent	623	2,810
Minority interests	41	13

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I. Previous First Quarter (April 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	26,396	1,807	28,203	341	28,544
(2) Intersegment Sales or Transfers	0	190	190	145	336
TOTAL	26,397	1,997	28,394	486	28,881
Segment income	745	(29)	715	7	722

* "Other" shows business segments which is not included in reportable segment. It shows "Realestate 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	715
Profit including "Other"	7
Elimination for intersegment	1
Operating income in quarterly consolidated statement	724

II. Current First Quarter (January 1, 2018 to March 31, 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	35,709	1,733	37,442	359	37,802
(2) Intersegment Sales or Transfers	1	168	170	181	351
TOTAL	35,710	1,902	37,612	541	38,154
Segment income	3,731	52	3,783	17	3,801

* "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	3,783
Profit including "Other"	17
Elimination for intersegment	8
Operating income in quarterly consolidated statement	3,810

(Reference)

Same period of the last year (January 1, 2017 to March 31, 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	28,764	1,918	30,682	368	31,051
(2) Intersegment Sales or Transfers	1	223	224	152	377
TOTAL	28,765	2,141	30,907	521	31,248
Segment income	1,956	103	2,060	24	2,084

* "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	2,060
Profit including "Other"	24
Elimination for intersegment	2
Operating income in quarterly consolidated statement	2,087

(Important subsequent events)

At a meeting of the Board of Directors on April 26, 2018, the Company resolved to issue new shares as restricted stock compensation to 11 directors and executive officers of the Company. The contents of the issue are as follows:

- | | |
|---|--|
| (1) Payment date | May, 24 2018 |
| (2) Class and number of shares to be issued | 24,500 of common stocks of the Company |
| (3) Issue price | 1,177 yen per share |
| (4) Total issuance amount | 28,836,500 yen |
| (5) Method of subscription /allocation | Allotment of special restricted stock /3rd party allotment |
| (6) Method to pay in capital | In-kind contribution of all monetary compensation receivables |
| (7) Persons to whom the shares will be allotted | Eight Directors of the Company (including two Independent Outside Directors but excluding other Outside Directors) 15,500 shares
Three Executive Officers (shikkou yakuin) 9,000 shares |
| (8) Others | A notice to the Ministry of Finance is issued based on Financial Instruments and Exchange Act |