

FY2018 First Half Financial Result Investor Relations Meeting

September 5, 2018
Ichikoh Industries, Ltd.

Notes

- ✓ **The financial results for First Half of the Fiscal Year Ending December 31, 2018 are compared with the financial results for the same period of the prior year (Jan~June 2017) (unaudited) .**
- ✓ **The forecast financial results of the full year ending December 31, 2018 are compared with the results of operations for the same period of the prior year which is 12 month (Jan~Dec 2017) (unaudited) .**

Table of Contents

- **FY2018 First Half Financial Result**
- **Forecast of FY2018**
- **Progress of the current medium-term management plan
announced last year (2017-2022)**
- **Appendix**

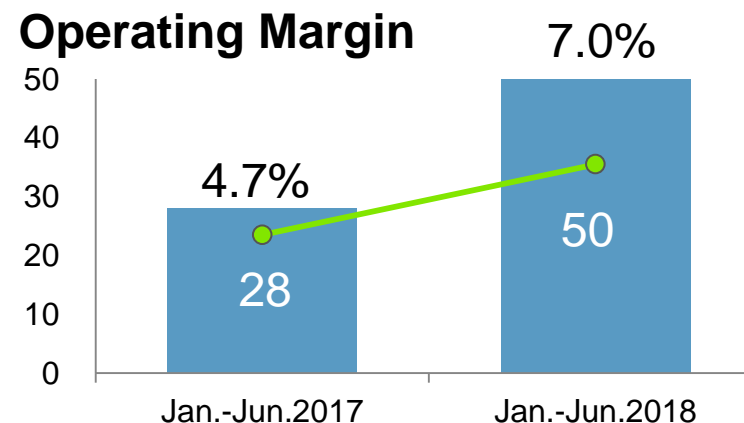
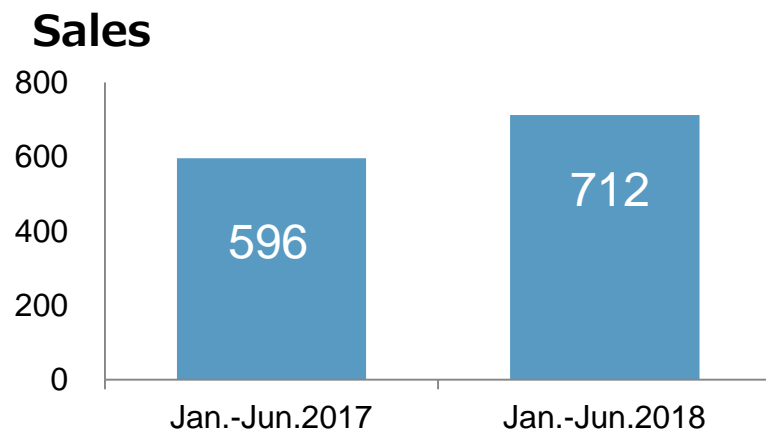
FY2018 First Half Financial Result (January~June 2018)

FY2018 FIRST HALF FINANCIAL RESULT(VS. LAST YEAR)

Hundreds million yen

◆ Significant increase of sales and profit achieved compared with the same term of the last year

	FY2017 (Jan.~Jun. 2017)	FY2018 (Jan.~Jun. 2018)	Increase /Decrease	Increase /Decrease %
Sales	596	712	116	19.4%
Operating Income	28	50	22	78.4%
Operating Margin (%)	4.7%	7.0%	-	2.3pts
Ordinary Income	30	59	30	100.9%
Net Income belonging to Parent company's shareholders	30	47	17	57.8%



FY2018 FIRST HALF RESULT BY EACH SITE

Hundreds million yen

- ◆ Japan sales and profit continued to increase significantly
- ◆ Overseas sales and profit continued steady increase

	Japan (Ichikoh Industries)	Overseas	Others	Internal transaction elimination etc.	Total
Sales	567 (471)	116 (92)	54 (53)	▲26 (▲20)	712 (596)
Operating Income	41 (21)	10 (7)	1 (1)	▲1 (▲0)	50 (28)
Operating Income %	7.2% (4.4%)	8.3% (7.5%)	2.3% (1.9%)	-	7.0% (4.7%)

Japan : Ichikoh non-consolidated (Isehara・Fujioka・Mirror・HQ)

Overseas : Indonesia・Malaysia・Thailand・China

Others : Automotive aftermarket business (PIAA)・ Bulb business (Life Elex)

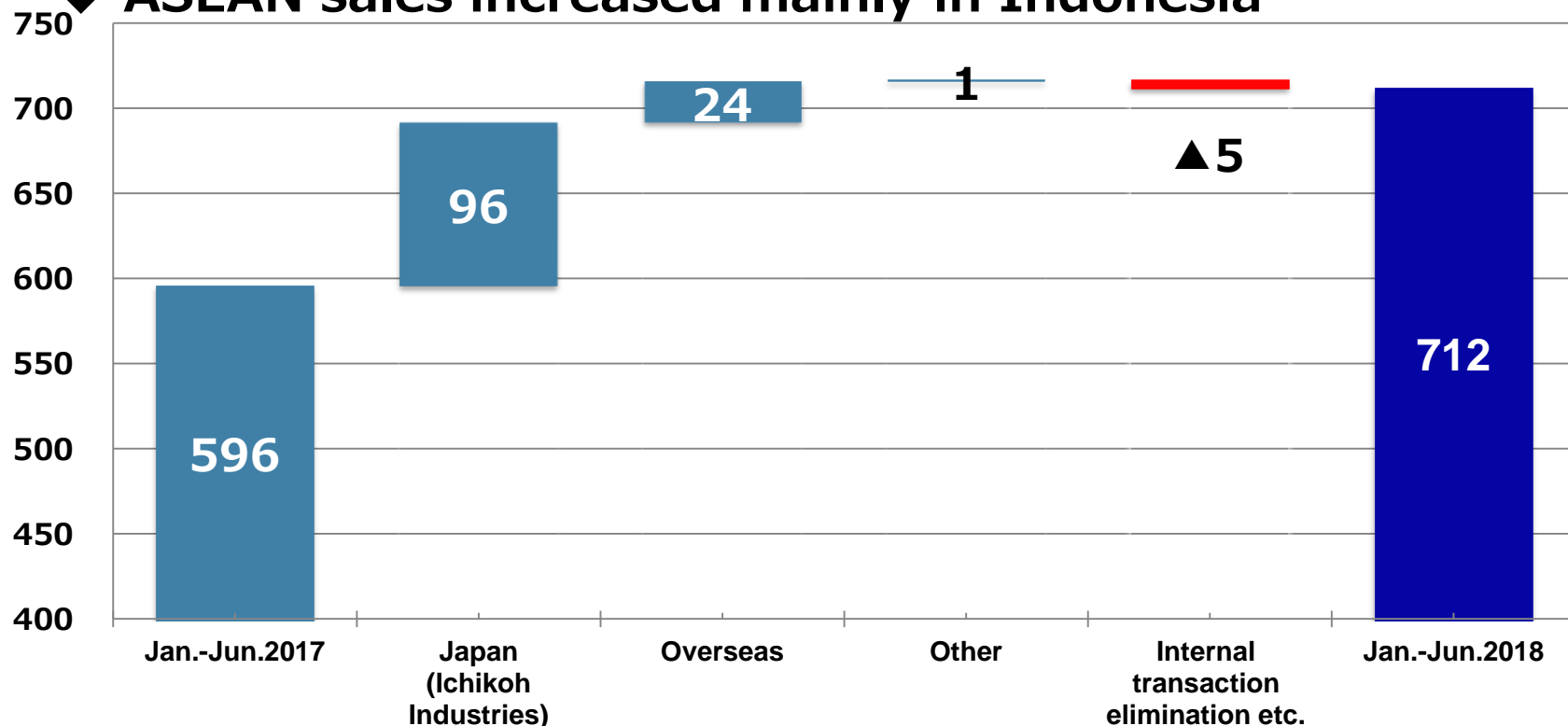
() : Same term result of the last year (Jan. to Jun., 2017)

FY2018 FIRST HALF FINANCIAL RESULT POINTS

Hundreds million yen

Sales

- ◆ Japan sales increased by SOP of new models, high-end value added products etc.
- ◆ ASEAN sales increased mainly in Indonesia

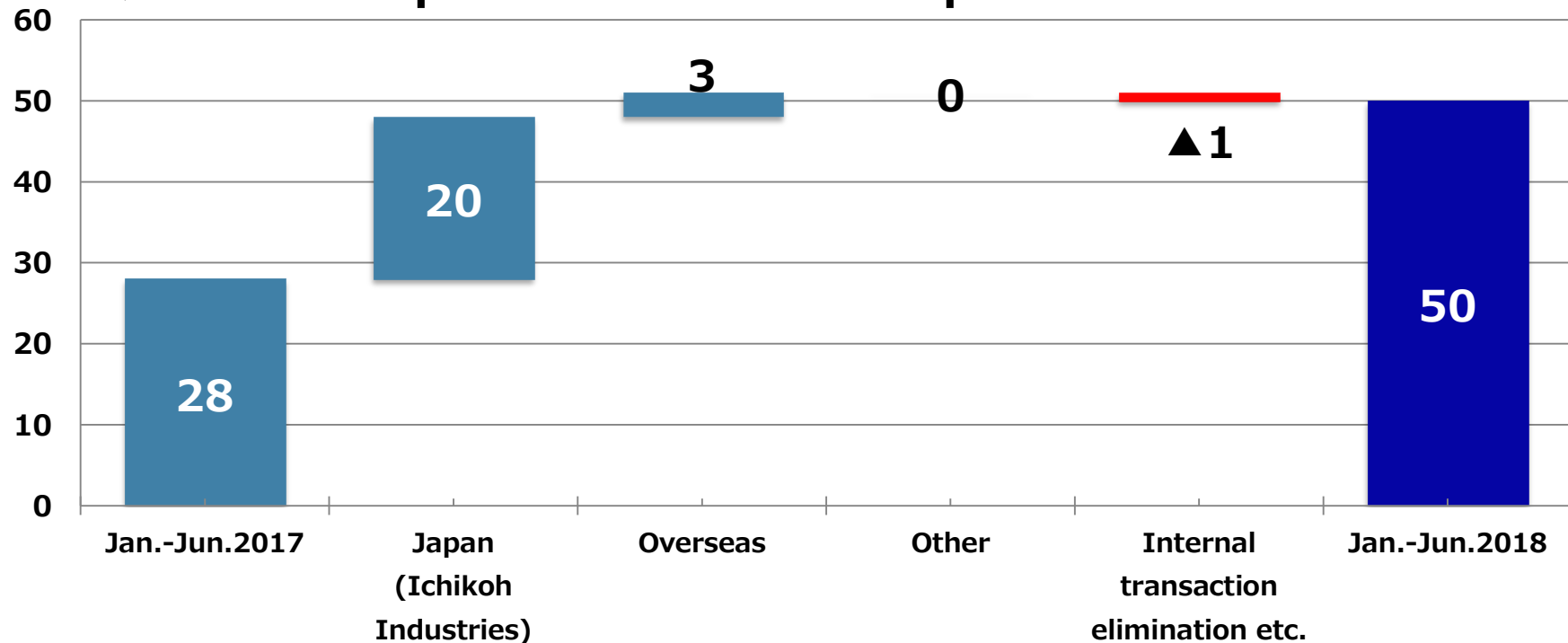


FY2018 FIRST HALF FINANCIAL RESULT POINTS

Hundreds million yen

Operating Income

- ◆ Japan profit: Contributed by increased sales of high-end value added products (LED lamps, camera monitor systems etc.)
- ◆ Overseas profit: Continued improvement

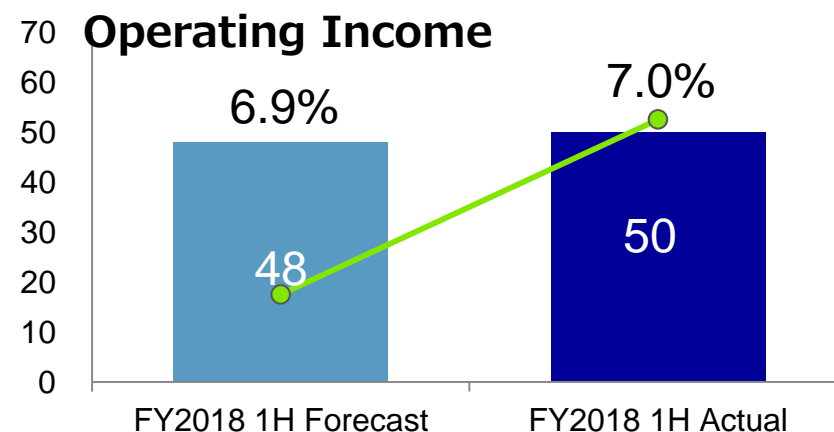
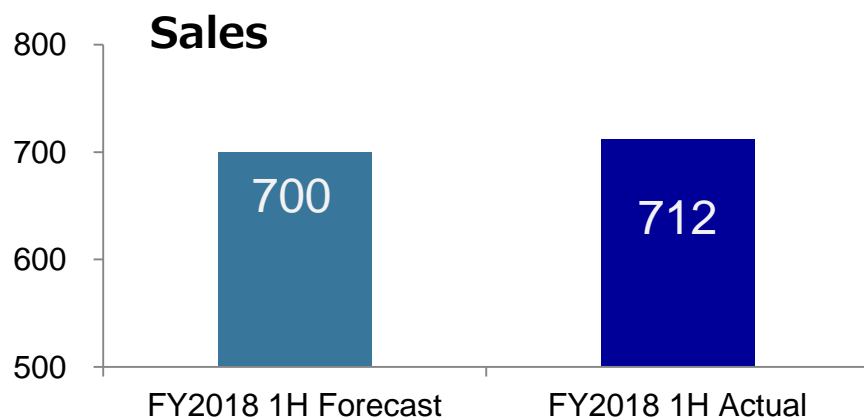


FY2018 FIRST HALF (VS. FORECAST)

Hundreds million yen

◆ Over-achieved the revised forecast when 1Q financial result was announced

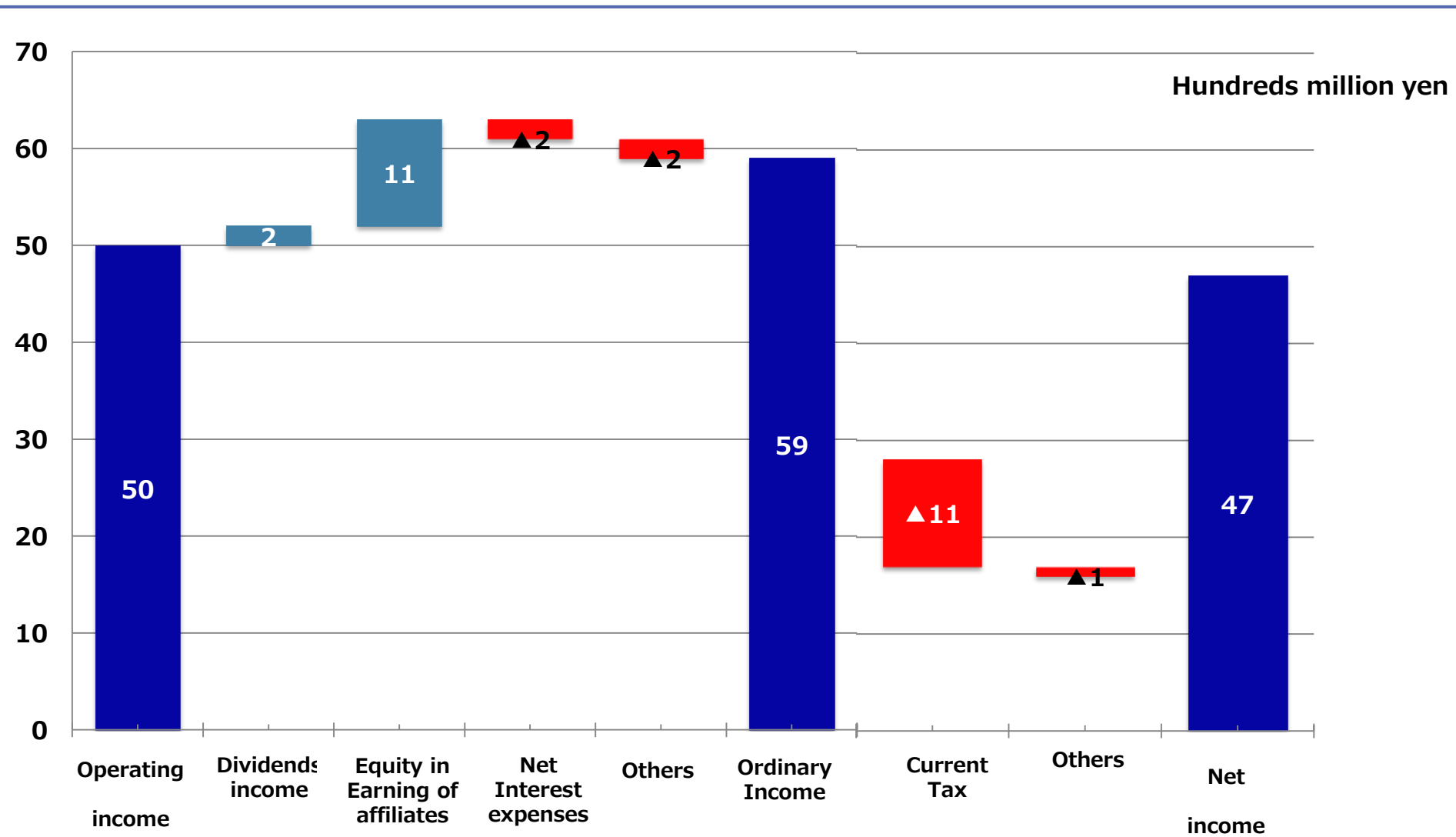
	FY2018 1H Forecast (Jan-Jun. 2018)	FY2018 1H Actual (Jun.-Jan. 2018)	Increase /Decrease	Increase /Decrease %
Sales	700	712	12	1.7%
Operating Income	48	50	2	4.5%
Operating Margin (%)	6.9%	7.0%	-	0.1pts
Ordinary Income	56	59	3	6.1%
Net Income belonging to Parent company's shareholders	43	47	4	8.5%



POINTS OF FIRST HALF 2018 FINANCIAL RESULT

- ◆ Domestic Lighting Business increased both sales and profit due to SOP of new models, high-end value added products (e.g. LED lamps)
- ◆ Domestic Mirror Business kept steady sales of camera monitor systems etc.
- ◆ ASEAN Lighting Business achieved its expected result by sales increase and operational improvement
- ◆ Ordinary Income was positively impacted by one-time profit in companies under equity-method. However, even without this one-time effect, the performance improved significantly compared to the same term of the last year

(REF) 【OPERATING INCOME~ORDINARY INCOME~NET INCOME】



CONSOLIDATED BALANCE SHEET (COMPARISON WITH PREVIOUS PERIOD)

Hundreds million yen

	2017/12	2018/6	Inc/Dec
Cash and equivalents	94	103	9
Inventory	87	84	▲3
Tangible and Intangible Fixed Assets	415	404	▲11
Others	436	445	9
Total Assets	1,032	1,036	4
Interest Bearing Debt	256	184	▲72
Other Liabilities	443	480	37
Total Liabilities	699	665	▲34
Shareholders' Equity	318	364	46
Accumulated other comprehensive income	1	▲6	▲7
Minority Interest	14	14	0
Net Assets	333	372	39
Ratio of Shareholder's Equity	30.9%	34.5%	
D/E Ratio	80.1%	51.5%	

CONSOLIDATED STATEMENT OF CASH FLOW

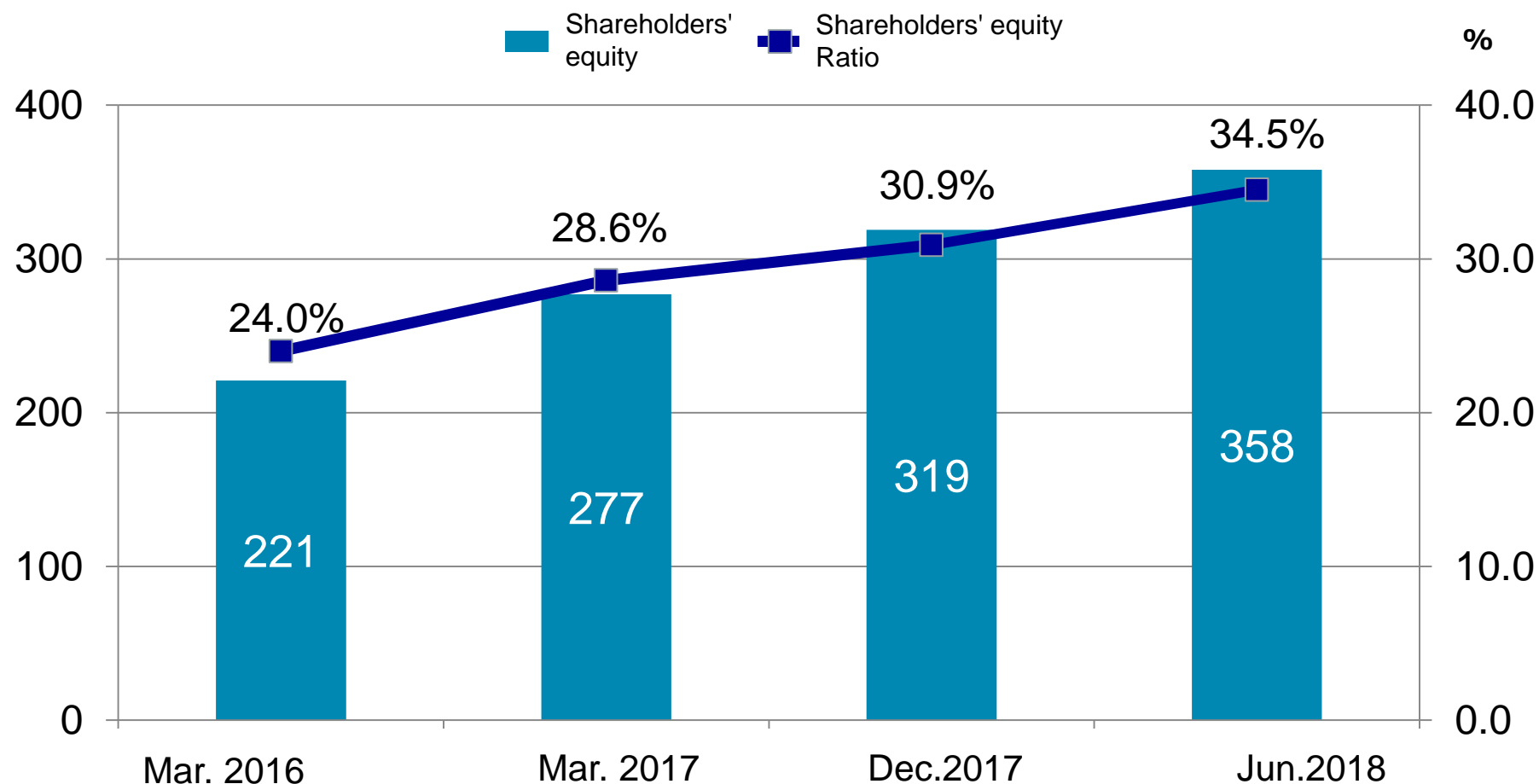
Hundreds million yen

	Jan.-Jun.2018
Pre-tax Profit	58
Depreciation and Amortization	49
Provision for bonuses	20
Working Capital	▲ 5
Equity in earnings of affiliates	▲ 11
Other CF	10
CF from Operating Activities	121
Capital investment expenditures	▲ 36
Gain on Sales of noncurrent assets	21
Other CF	▲ 9
CF from Investment Activities	▲ 24
Free CF	97
Changes in Interest Bearing Debt	▲ 88
Dividend payouts	▲ 1
CF from Financial Activities	▲ 87
Adjustments to Cash	▲ 1
Changes in Cash	9

SHAREHOLDERS' EQUITY AND RATIO

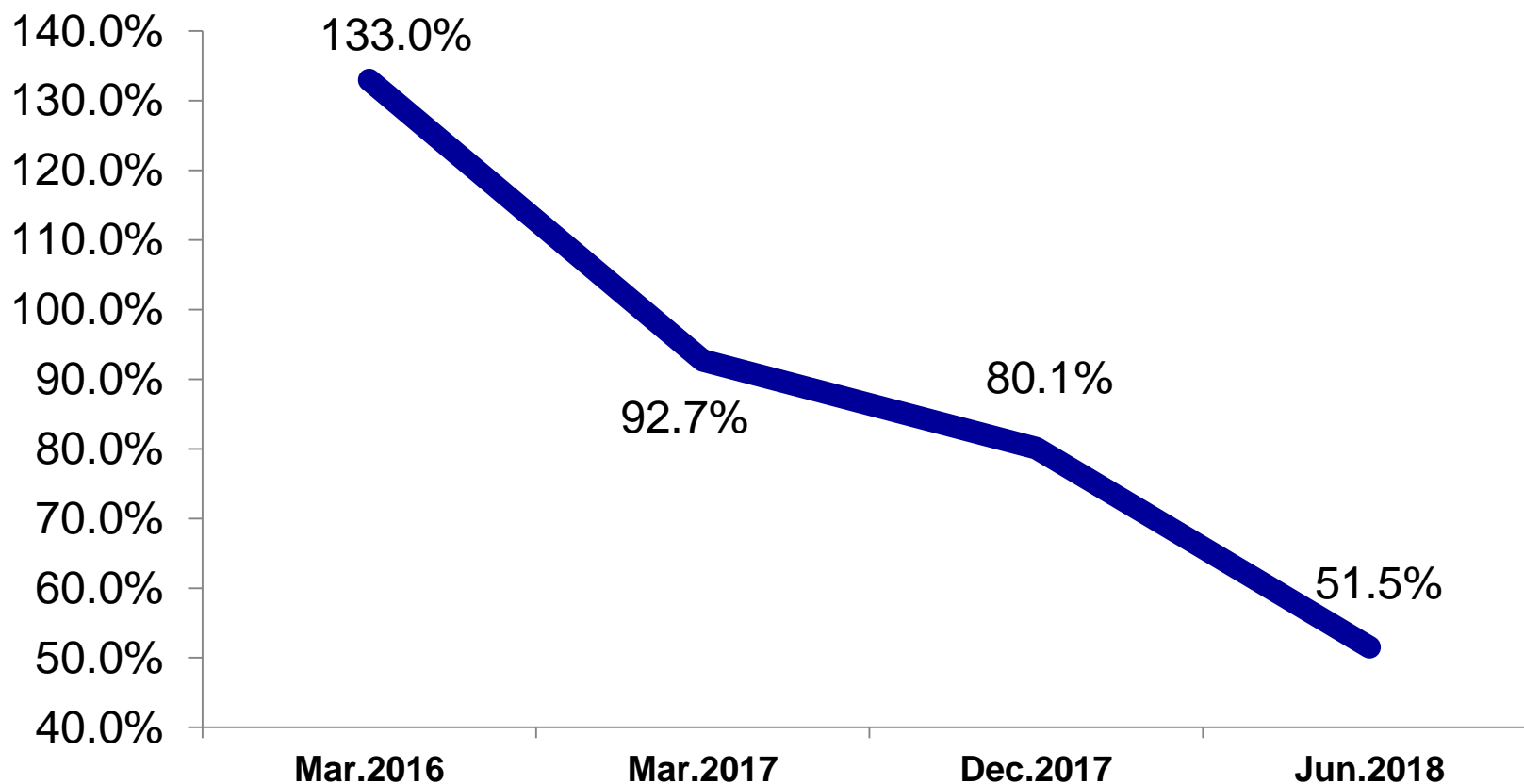
Hundreds million yen

Shareholders' Equity has been steadily improving



D/E RATIO

D/E ratio has been also steadily improving



FY2018 Financial Forecast

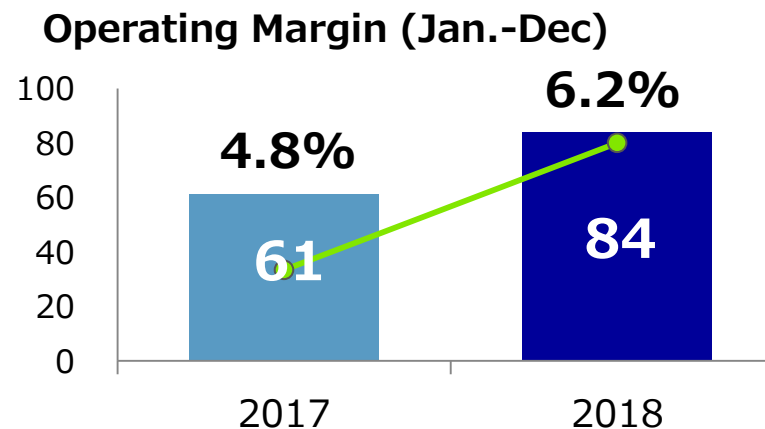
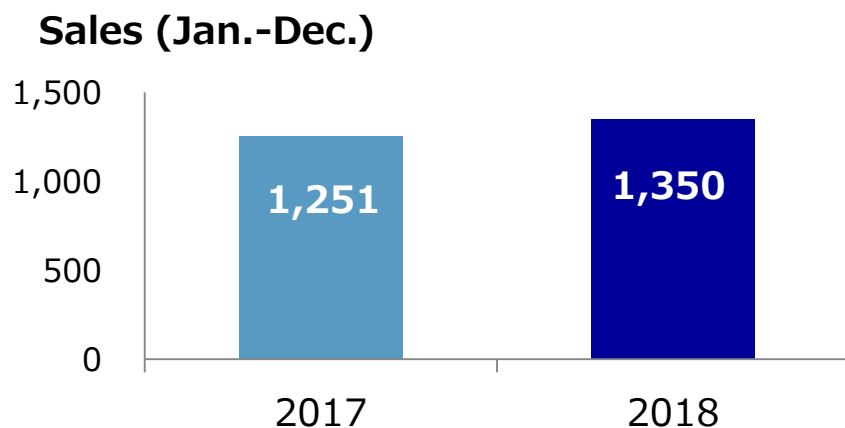
(January ~ December 2018)

2018 CONSOLIDATED FORECAST(VS. LAST YEAR)

Hundreds million yen

◆ Maintained the latest forecast revised at 1Q financials result announcement

	Jan.-Dec.		
	2017	2018	Inc/Dec
Sales	1,251	1,350	99
Operating Income	61	84	23
Operating Margin (%)	4.8%	6.2%	-
Ordinary Income	68	96	28
Net Income belonging to Parent company's shareholders	62	73	11



Progress status of the medium-term management plan announced last year (2017-2022)

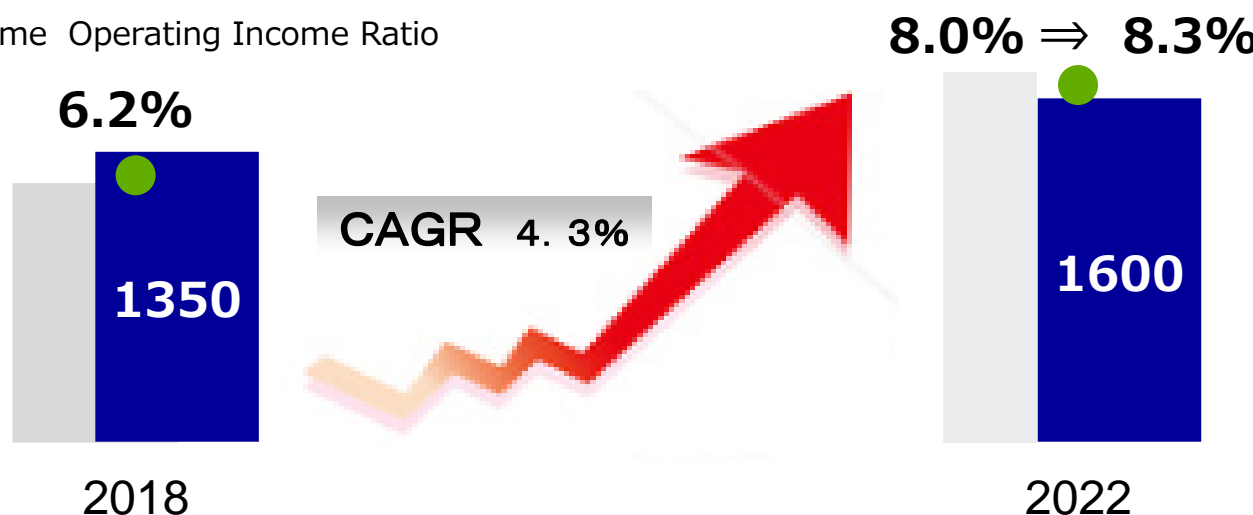
MTP 2017 – 2022 ANY CHANGES?

Hundreds million yen

■ Last Year MTP Forecast Sales

■ This time Forecast Sales

● This time Operating Income Ratio

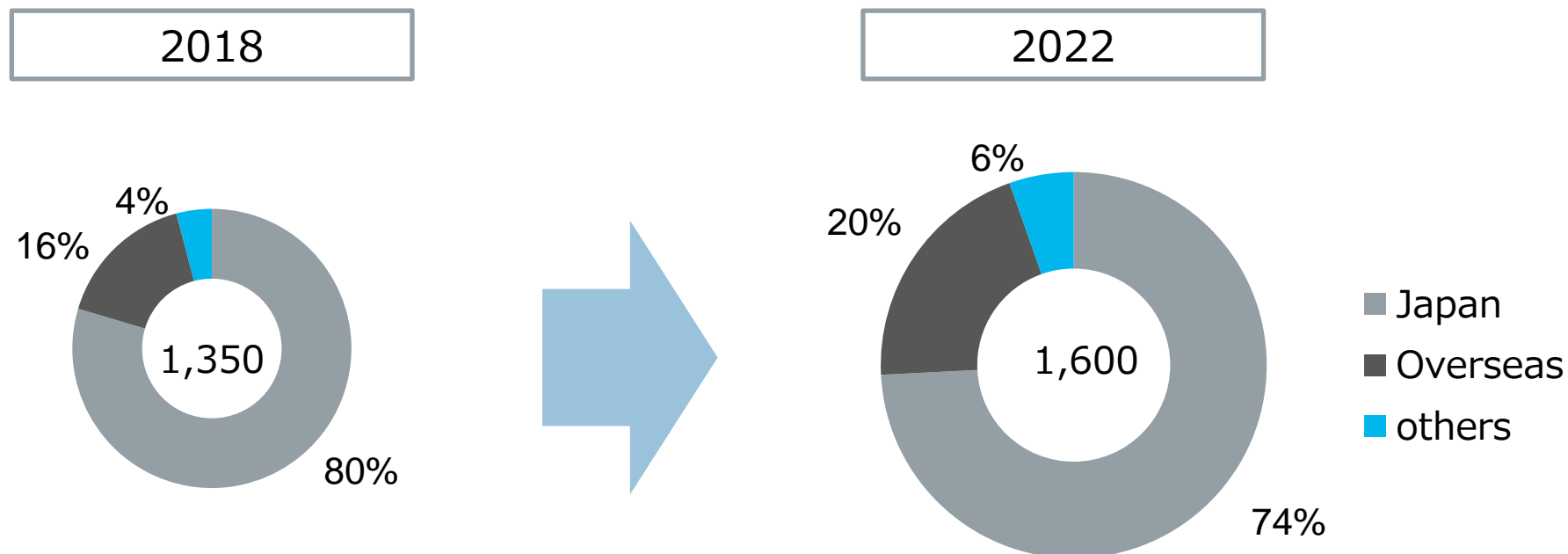


No significant change of the final target in 2022

- 2018 Will over-achieve the target (Operating Margin : Announced last year 4.8% ⇒ Forecast 6.2%)
- 2019-2020 Preparation period for the future growth (Investments for capacity expansion and efficiency improvement, Enhancement of R&D resources)
- 2022 Sales announced last year 1,650 ⇒ Revised 1,600
Operating Margin announced last year 8% ⇒ Revised 8.3%

MTP 2017 – 2022 EVOLUTION OF SALES BREAKDOWN

Hundreds million yen



Plan to increase sales composition in Overseas in line with growth of ASEAN and Chinese car production market

MTP 2017 – 2022

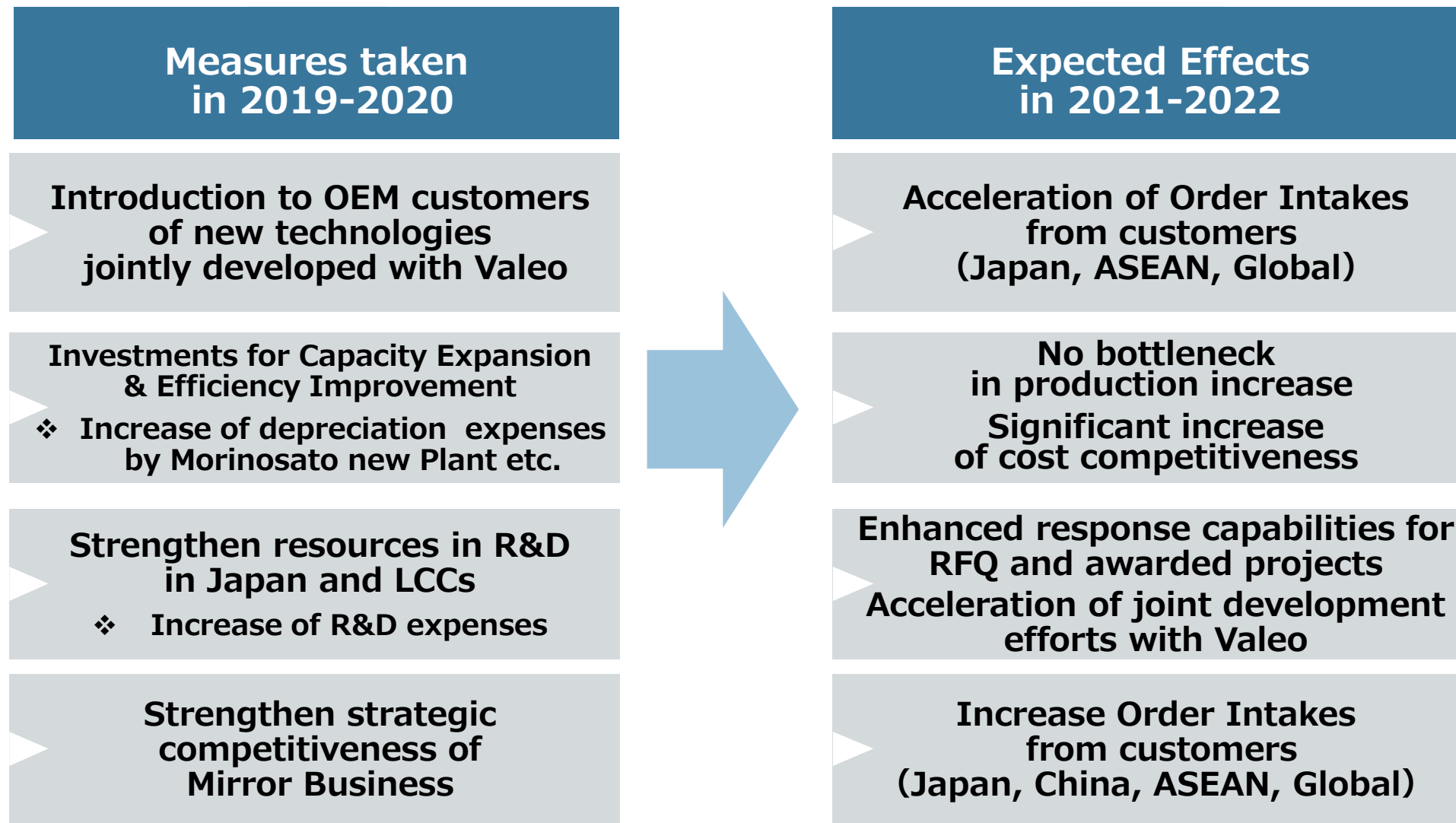
PROGRESS IN 2018

Hundreds million yen

	Announcement last year	Progress in 2018
Key Figures	<p>Sales : 1,650 (in 2022) Op. Margin : 8% (in 2022) (improve Op. Margin by 3.2pt)</p>	<p>In 2018, will overachieve Op. Margin by 1.4pt (Announced last year 4.8% ⇒ Forecast 6.2%)</p>
Measures & Progress	<p>To realize sales growth, expand and renovate production sites and strengthen R&D resources</p> <ol style="list-style-type: none"> Factors for profit improvement <ul style="list-style-type: none"> ▪ Efficiency improvement in domestic sites ▪ Enhanced product development ▪ Increase of market share with value added products ▪ Continued improvement of ASEAN operations Burden against profits <ul style="list-style-type: none"> ▪ Increase of depreciation from capex ▪ Increase of R&D expenses ▪ Price competition 	<p>Margin improvement became possible thanks to faster than expected realization of profit improvement</p> <ol style="list-style-type: none"> Profit improvement achieved by : <ul style="list-style-type: none"> ▪ Increase of sale of value-added products ▪ Efficiency improvement in Japan even prior to completion of sites renovation ▪ Improvement of ASEAN operation by Mother-Daughter activities Despite the following burdens: <ul style="list-style-type: none"> ▪ Fujioka Plant renovation ▪ China Guangzhou new Mirror Plant

MTP 2017 – 2022

2019 – 2020: PERIOD FOR THE FUTURE GROWTH



MTP 2017 – 2022

PROGRESS OF SYNERGIES WITH VALEO

Announcement last year

R&D Synergies

- ▶ Joint Technology Development Plan
- ▶ Mutual utilization of platform technologies

Purchasing synergies

- ▶ Acceleration of common purchasing with Valeo

Industrial synergies

- ▶ Introduction and implementation of Valeo Production Systems (VPS) and Factory 4.0

Optimizing indirect expenses

- ▶ Streamline administrative divisions

Progress in 2018

R&D Synergies

- ▶ Intensive introduction of ALL Valeo electronics technologies (e.g. LDM, ADB, HD Lighting)

Purchasing synergies

- ▶ Organizational change for synergies
- ▶ Consolidate Non Production Purchasing with Valeo

Industrial synergies

- ▶ Lean production system introduced in Fujioka
- ▶ Automated (Robot/ Cobot/ AGV) ⇒ Introduction in Isehara, Fujioka and Kyushu

Optimizing indirect expenses

- ▶ Accelerate Shares Service functions in Finance with Valeo Japan
- ▶ Common platform in ITIS with Valeo (upgrade to most advanced systems)

Appendix

PROGRESS OF MORINOSATO PLANT (TENTATIVE NAME)

Transfer from Isehara Plant to Morinosato

- ▶ Respond to the growth of head lamp businesses in the medium-term plan
- ▶ Strengthen cost competitiveness by adopting lean manufacturing method
- ▶ Improve Business Continuity Management (BCM)

(Schedule)

February 2018 Ceremony of starting construction

July 2019 Production start (plan)



**Construction is progressing
on schedule**

ICHIKOH AND VALEO OPENED NAGOYA TECHNICAL CENTER

In May 2018, Ichikoh and Valeo Japan jointly established the "Nagoya Technical Center"

Previous separate sites of Ichikoh and Valeo Japan in Chubu region were integrated into one place

(Purpose)

Enhance marketing activities in Chubu area

Expansion of R & D functions



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Disclaimer regarding forecasted figures

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