

## Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2019

August 8, 2019

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, 2019

Date for starting dividends payment: September 6, 2019

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, 2019 (January 1, 2019 to June 30, 2019)

(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, 2019)	66,906 $\Delta$ 6.0	4,016 $\Delta$ 19.9	4,172 $\Delta$ 29.8	2,756 $\Delta$ 40.9
2nd Quarter (ended on Jun. 30, 2018)	71,168 17.5	5,017 116.6	5,941 114.3	4,665 110.8

(Note) Comprehensive income:

Jun. 30, 2019 2,715 million yen ( $\Delta$ 32.6%) Jun. 30, 2018 4,031 million yen ( 38.7%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
2nd Quarter (ended on Jun. 30, 2019)	28.69	-
2nd Quarter (ended on Jun. 30, 2018)	48.56	-

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

	Total Assets	Net Assets	Equity Ratio (%)
2nd Quarter (as of Jun. 30, 2019)	106,191	42,305	38.7
FY2018 (as of Dec. 31, 2018)	102,416	39,997	37.9

[Reference] Equity: Second Quarter as of Jun. 30, 2019 41,113 million yen  
 Fiscal Year as of Dec. 31, 2018 38,798 million yen

### 2. Cash Dividends

(Cut-off Date)	Cash Dividends per share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Full Year
FY2018 (ended on Dec. 31, 2018)	-	2.50	-	4.50	7.00
FY2019 (ended on Dec. 31, 2019)	-	3.50	-	-	-
FY2019 (ended on Dec. 31, 2019) [plan]	-	-	-	3.50	7.00

Note: Revision to previous dividend forecast : Yes

### 3. Consolidated Performance Forecasts for the Fiscal Year 2019 (January 1, 2019 to December 31, 2019)

(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	134,000 $\Delta$ 4.7	7,800 $\Delta$ 13.4	7,400 $\Delta$ 23.7	5,000 $\Delta$ 48.8	52.03

Note: Revision to previous consolidated performance forecast : No

#### 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, 2019	96,292,401
As of December 31, 2018	96,250,001
  - ② Number of shares of treasury stock at the end of period

As of June 30, 2019	164,036
As of December 31, 2018	163,749
  - ③ Average number of shares during the period (cumulative)

FY2019 2nd quarter:	96,098,272
FY2018 2nd quarter:	96,070,358

\*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 Japanese economy for the cumulative second quarter downturned because of weak exports due to USA-China trade war and slowdown in overseas economies in addition to noticeable deterioration of corporate earnings. As for global economy slowdown due to investment control measures and increase of tariff by USA was shown in China while the employment index and the market indicators in USA maintained steady in general. The economy of the developing countries in ASEAN showed signs of weakening like a drop in export affected by the economic slowdown in China.

As for automotive market to which the company group belongs, the domestic car production volume expanded in the latter half and increased compared to the same period of last year. The total car production volume of the three countries in ASEAN regions almost unchanged compared to the same period of last year, as the production in Malaysia and Indonesia increased but the production in Thailand decreased. In China, car production volume decreased compared to the same period of last year due to decrease of the passenger car production affected by the economic slowdown.

Under those circumstances, in spite of the increase both in the sales and profits for the cumulative second quarter on a combined base of ASEAN affiliates, both the domestic sales and profits decreased compared to the same period of last year due to effect of lower production centered on vehicles for export and increase in expenses such as, R&D expenses while production of strongly selling models continuously increased since last year. As a result, sales was 66,906 million yen (6.0% decrease compared to the same period of last year) and operating income was 4,016 million yen (19.9% decrease compared to the same period of last year). Ordinary income was 4,172 million yen (29.8% decrease compared to the same period of last year) due to a decrease in equity in earnings of joint company in China and net income attributable to shareholders of the parent company was 2,756 million yen (40.9% decrease compared to the same period of last year).

Results by each segment are as follows:

#### ① Auto-Components business

As for auto-components business, in spite of the increase both in the sales and profits on a combined base of ASEAN affiliates, both domestic sales and profits decreased compared to the same period of last year due to effect of lower production centered on vehicles for export and increase in expenses such as R&D expenses while production of strongly selling models continuously increased since last year. As a result, the sales was 62,683 million yen (6.2% decrease compared to the same period of last year) and operating income was 3,968 million yen (19.7% decrease compared to the same period of last year).

#### ② After-Market business

As for after-market business, the sales was 4,191 million yen (3.8% increase compared to the same period of last year ) due to the increase of sales to the company group but operating income was 54 million yen (8.9% decrease compared to the same period of last year) because of the increase in the expenses for sales expansion.

#### ③ Other business

Due to the decrease in the sales of electric valve to China and sales to the company group, the sales was 865 million yen (15.4% decrease compared to the same period of last year) and operating loss was 23 million yen (operating income was 11 million yen in the same period of last year).

## 2. Consolidated Financial Statement

### (1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2018)	Second Quarter End (As of June 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	10,215	8,597
Notes and accounts receivable-trade	23,590	20,526
Electronically recorded monetary claims-operating	1,049	1,063
Merchandise and finished goods	3,463	4,378
Work in process	712	785
Raw materials and supplies	3,357	3,326
Other	1,277	8,939
Allowance for doubtful accounts	(75)	(76)
<b>Total current assets</b>	<b>43,589</b>	<b>47,541</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	11,432	11,134
Machinery, equipment and vehicles, net	11,842	11,411
Tools, furniture and fixtures, net	4,561	3,828
Land	3,379	3,386
Lease assets, net	3,767	2,238
Construction in progress	4,064	6,842
<b>Total property, plant and equipment</b>	<b>39,048</b>	<b>38,842</b>
Intangible assets		
goodwill	324	227
Other	985	1,143
<b>Total intangible assets</b>	<b>1,309</b>	<b>1,370</b>
Investments and other assets		
Investment securities	5,167	5,263
Long-term loans receivable	519	490
Deferred tax assets	4,084	4,227
Other	8,704	8,464
Allowance for doubtful accounts	(8)	(8)
<b>Total investments and other assets</b>	<b>18,467</b>	<b>18,437</b>
<b>Total noncurrent assets</b>	<b>58,826</b>	<b>58,650</b>
<b>Total assets</b>	<b>102,416</b>	<b>106,191</b>

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2018)	Second Quarter End (As of June 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	25,831	26,100
Short-term loans payable	2,100	726
Current portion of long-term loans payable	1,329	1,329
Lease obligations	3,072	1,547
Income taxes payable	1,549	1,250
Accrued expenses	3,476	4,053
Provision for bonuses	921	2,979
Provision for directors' bonuses	23	72
Provision for product warranties	1,552	1,687
Other	6,995	5,083
<b>Total current liabilities</b>	<b>46,853</b>	<b>44,831</b>
Noncurrent liabilities		
Long-term loans payable	4,604	9,539
Lease obligations	1,654	577
Deferred tax liabilities	190	171
Retirement benefits	8,858	8,541
Asset retirement obligations	202	170
Provision for environmental program	8	8
Other	45	45
<b>Total noncurrent liabilities</b>	<b>15,565</b>	<b>19,054</b>
<b>Total liabilities</b>	<b>62,418</b>	<b>63,885</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,972	8,986
Capital surplus	2,491	2,505
Retained earnings	29,821	32,146
Treasury stock	(45)	(45)
<b>Total shareholders' equity</b>	<b>41,239</b>	<b>43,592</b>
Accumulated other comprehensive income		
Valuation difference on other securities.	1,423	1,474
Foreign currency translation adjustment	(2,817)	(2,973)
Adjustment retirement benefits	(1,047)	(979)
<b>Total accumulated other comprehensive income</b>	<b>(2,441)</b>	<b>(2,478)</b>
Minority interests	1,199	1,192
<b>Total net assets</b>	<b>39,997</b>	<b>42,305</b>
<b>Total liabilities and net assets</b>	<b>102,416</b>	<b>106,191</b>

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

Consolidated Statements of Income	(Millions of yen)	
	Previous 2nd Quarter (January 1, 2018 ~ June 30, 2018)	Current 2nd Quarter (January 1, 2019 ~ June 30, 2019)
Net sales	71,168	66,906
Cost of sales	56,373	52,612
Gross profit	14,794	14,294
Selling, general and administrative expenses	9,777	10,277
Operating income	5,017	4,016
Non-operating income		
Interest income	45	39
Dividends income	162	151
Equity in earnings of affiliates	1,127	122
Other	258	80
Non-operating income	1,593	394
Non-operating expenses		
Interest expenses	218	94
Commission paid	140	22
Foreign exchange losses	164	67
Other	146	53
Non-operating expenses	669	238
Ordinary income	5,941	4,172
Extraordinary income		
Gain on sales of noncurrent assets	1	0
Extraordinary income	1	0
Extraordinary loss		
Loss on disposal of noncurrent assets	128	176
Total Extraordinary loss	128	176
Income (loss) before income taxes	5,814	3,996
Income taxes	1,108	1,232
Income (loss) before minority interests	4,705	2,764
Minority interests in income	39	7
quarterly net income (loss) attributable to the shareholder parent company	4,665	2,756

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous 2nd Quarter (January 1, 2018 ~ June 30, 2018)	Current 2nd Quarter (January 1, 2019 ~ June 30, 2019)
Income (loss) before minority interests	4,705	2,764
Other comprehensive income		
Valuation difference on other securities	(346)	51
Foreign currency translation adjustment	(263)	(32)
Adjustment retirement benefits	9	68
Share of other comprehensive income of associates accounted for using equity method	(72)	(135)
Total other comprehensive income	(673)	(48)
Comprehensive income	4,031	2,715
Comprehensive income attributable to		
Owners of the parent	4,002	2,719
Minority interests	28	(3)

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I. Previous 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

II. Current Second Quarter (January 1, 2019 to June 30, 2019)

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	62,681	3,630	66,312	594	66,906
(2) Intersegment Sales or Transfers	2	560	562	271	834
TOTAL	62,683	4,191	66,875	865	67,741
Segment income	3,968	54	4,022	(23)	3,998

\* "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	4,022
Profit including "Other"	(23)
Elimination for intersegment	17
Operating income in quarterly consolidated statement	4,016

**( Reference) Summary of Non-consolidated financial results as of June 30,2019 (January 1, 2019 ~ June 30, 2019)**

(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.19	52,488	△7.8	3,276	△19.2	3,267	△17.2	2,131	△24.8
30-Jun.18	56,733	20.5	4,053	97.0	3,946	104.1	2,833	35.5

(2) Financial conditions

	Total assets	Net assets	Ratio of shareholders' equity	Net assets per share
	million yen	million yen	%	yen
30-Jun.19	86,359	35,532	41.1	369.64
31-Dec.18	82,108	33,761	41.1	351.37

(Reference) Shareholders' equity:

Jun. 30, 2019 35,532 million yen Dec. 31, 2018 33,761 million yen