

# FY2019 First Half Financial Results Investor Relations Meeting

**September 6, 2019**  
**Ichikoh Industries, Ltd.**

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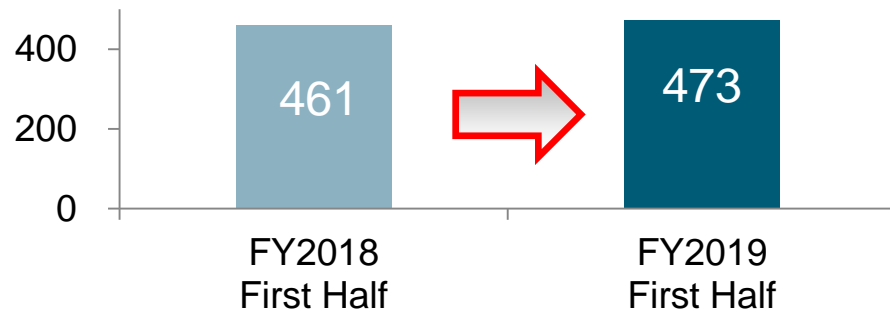
- **FY2019 First Half Financial Results (January~June 2019)**
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# FY2019 First Half Financial Results (January~June 2019)

# YEAR-OVER-YEAR COMPARISON OF CAR PRODUCTION VOLUME BY REGION (PRELIMINARY BASIS)

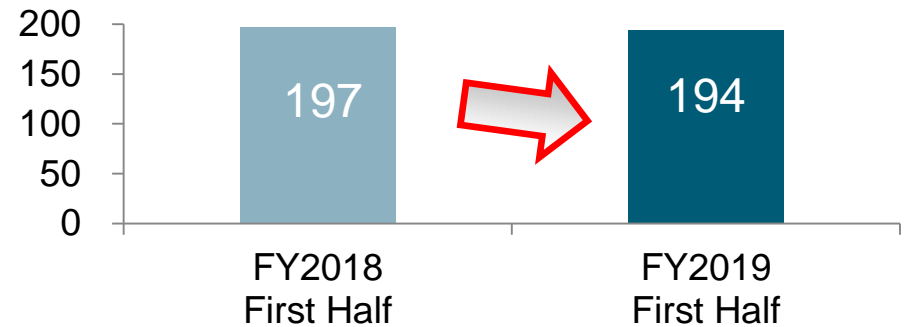
(UNIT : ten thousand)

## Japan YoY +2.5%



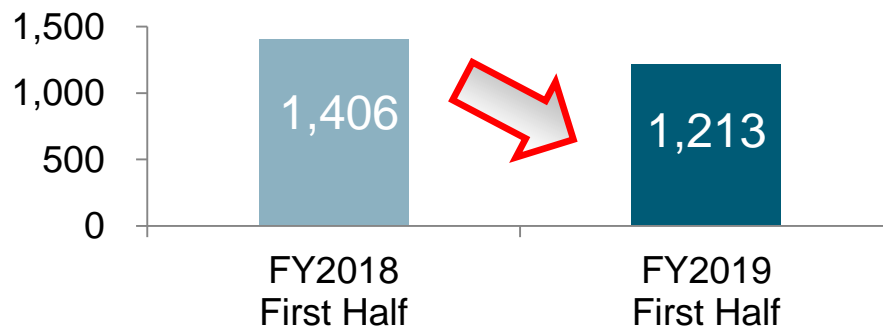
Japan: Medium and large size commercial cars not included

## ASEAN YoY ▲1.5%



ASEAN: Malaysia, Indonesia, Thailand

## China YoY ▲13.7%



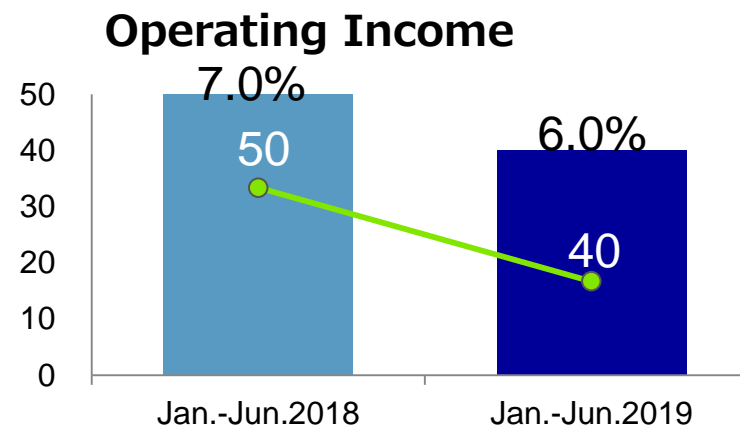
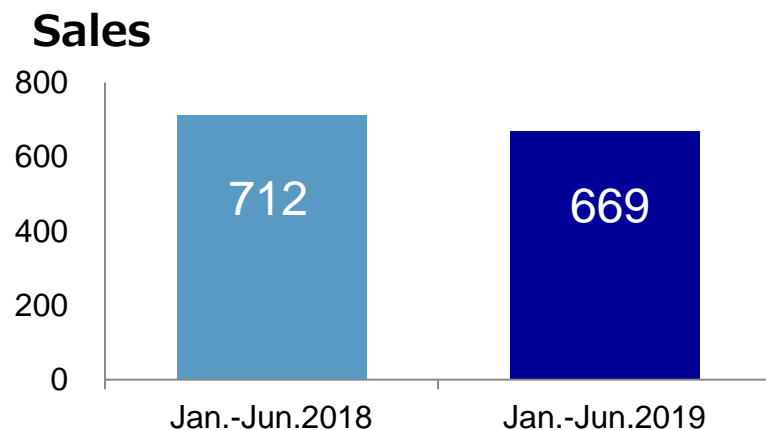
Source : MarkLines

# FY2019 FIRST HALF FINANCIAL RESULTS (VS. LAST YEAR)

Hundreds million yen

## ◆ Decrease in sales and profit as compared to last year

|  | FY2018<br>(Jan.~Jun. 2018) | FY2019<br>(Jan.~Jun. 2019) | Increase<br>/Decrease | Increase<br>/Decrease % |
|--|----------------------------|----------------------------|-----------------------|-------------------------|
| Sales  | 712                        | 669                        | ▲43                   | ▲6.0%                   |
| Operating Income   | 50                         | 40                         | ▲10                   | ▲19.9%                  |
| Operating Margin (%)                                     | 7.0%                       | 6.0%                       | -                     | ▲1.0Pts                 |
| Ordinary Income  | 59                         | 42                         | ▲17                   | ▲29.8%                  |
| Net Income belonging to Parent<br>company's shareholders | 47                         | 28                         | ▲19                   | ▲40.9%                  |

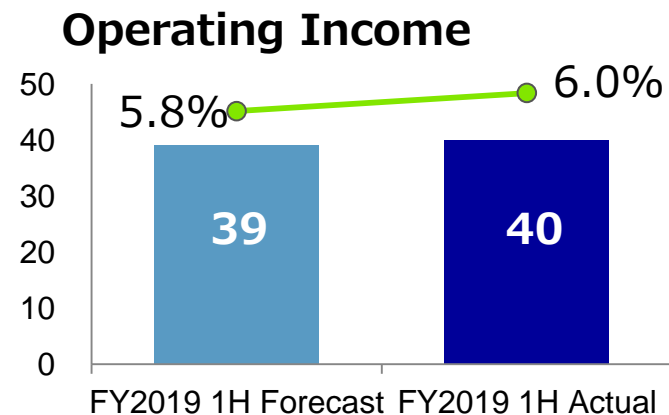
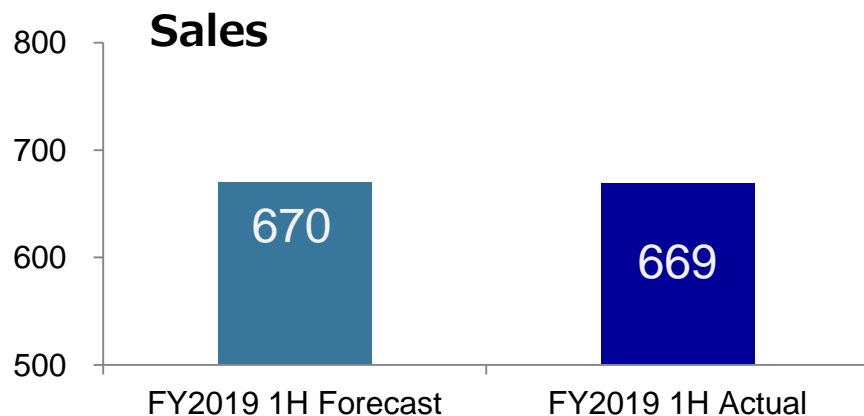


# FY2019 FIRST HALF (VS. FORECAST)

Hundreds million yen

## ◆ Almost in-line with the forecast

|   | FY2019 1H Forecast<br>(Jan-Jun. 2019) | FY2019 1H Actual<br>(Jun.-Jan. 2019) | Increase /Decrease | Increase /Decrease % |
|---|---------------------------------------|--------------------------------------|--------------------|----------------------|
| Sales   | 670                                   | 669                                  | ▲1                 | ▲0.1%                |
| Operating Income                                      | 39                                    | 40                                   | 1                  | 2.6%                 |
| Operating Margin (%)                                  | 5.8%                                  | 6.0%                                 | -                  | 0.2Pts               |
| Ordinary Income                                       | 37                                    | 42                                   | 5                  | 13.5%                |
| Net Income belonging to Parent company's shareholders | 26                                    | 28                                   | 2                  | 7.7%                 |



## FY2019 FIRST HALF RESULTS BY EACH SITE

Hundreds million yen

- ◆ **Japan** : Sales and profit decreased due to cutback in production of car models mainly for export, and increase in R&D cost
- ◆ **Overseas** : The total sales and profit of ASEAN subsidiaries increased

|                               | Japan<br>(Ichikoh<br>Industries) | Overseas                     | Others                       | Internal<br>transaction<br>elimination<br>etc. | Total                        |
|-------------------------------|----------------------------------|------------------------------|------------------------------|--|------------------------------|
| <b>Sales</b>                  | <b>525</b><br><b>(567)</b>       | <b>113</b><br><b>(116)</b>   | <b>52</b><br><b>(52)</b>     | <b>▲21</b><br><b>(▲24)</b>                     | <b>669</b><br><b>(712)</b>   |
| <b>Operating<br/>Income</b>   | <b>33</b><br><b>(41)</b>         | <b>9</b><br><b>(10)</b>      | <b>0</b><br><b>(1)</b>       | <b>▲2</b><br><b>(▲1)</b>                       | <b>40</b><br><b>(50)</b>     |
| <b>Operating<br/>Income %</b> | <b>6.2%</b><br><b>(7.2%)</b>     | <b>8.2%</b><br><b>(8.3%)</b> | <b>0.6%</b><br><b>(1.3%)</b> | -  | <b>6.0%</b><br><b>(7.0%)</b> |

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

Overseas : Indonesia ·Malaysia ·Thailand ·China

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

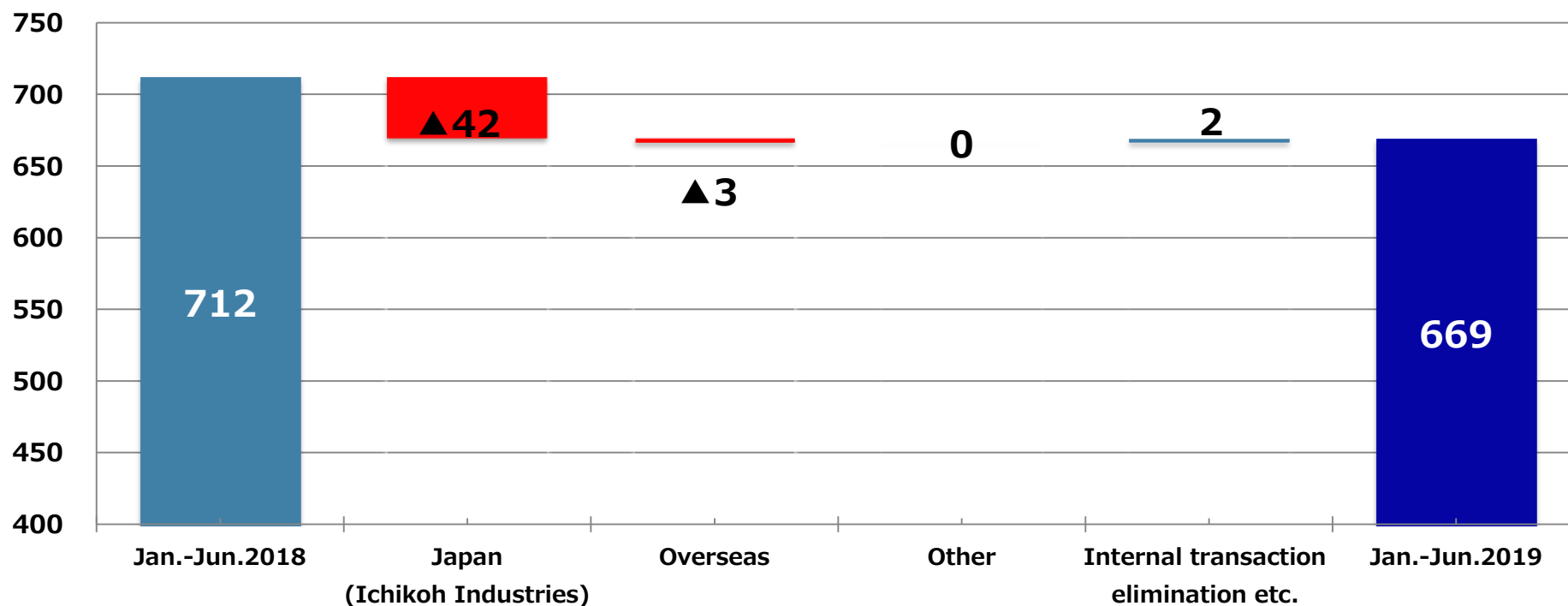
( ) : Same term result of the last year (Jan. to Jun., 2018)

# FY2019 FIRST HALF FINANCIAL RESULTS

Hundreds million yen

## Sales

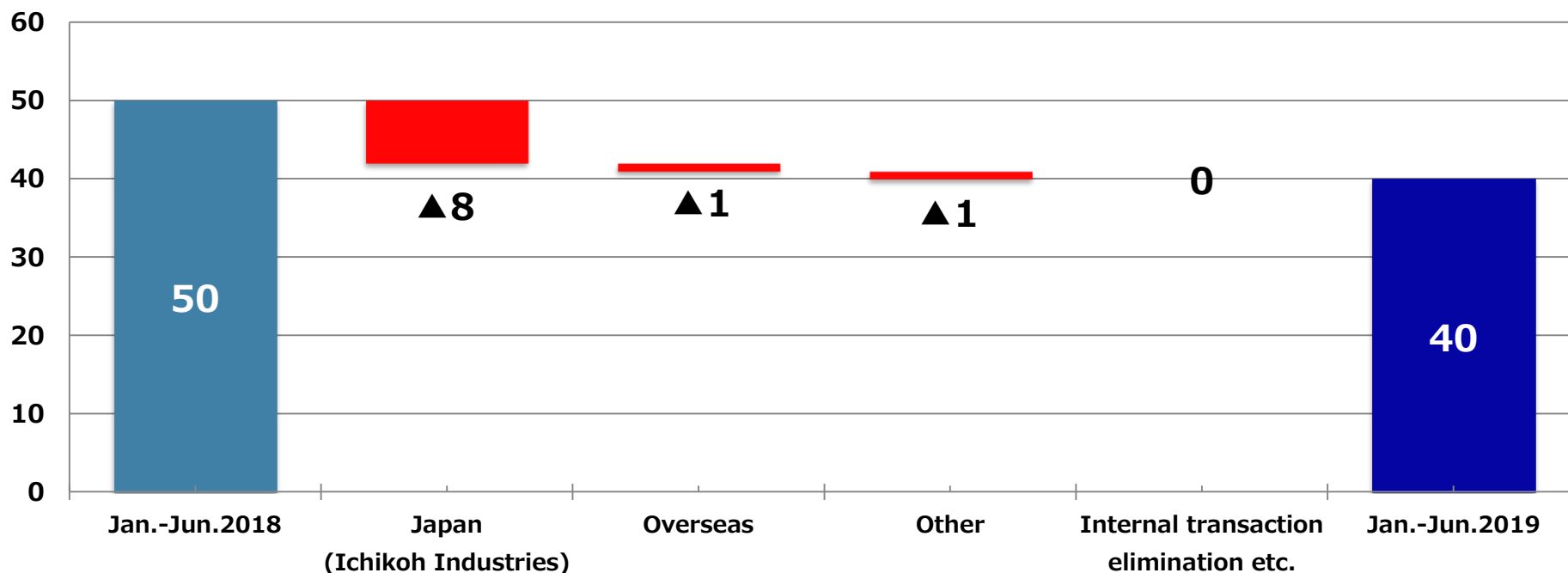
- ◆ **Japan** : Sales of high-value-added products was strong, but impacted by cutback in production of car models mainly for export and by problems of inspections misconduct by some OEMs
- ◆ **Overseas** : Sales increased in ASEAN, mainly in Indonesia, but decreased in China





## Operating Income

- ◆ **Japan** : Impacted by decrease in sales and increase in R&D cost
- ◆ **Overseas** : Increased in ASEAN, but more than offset by the decrease in China



## FIRST HALF 2019 FINANCIAL RESULT HIGHLIGHTS

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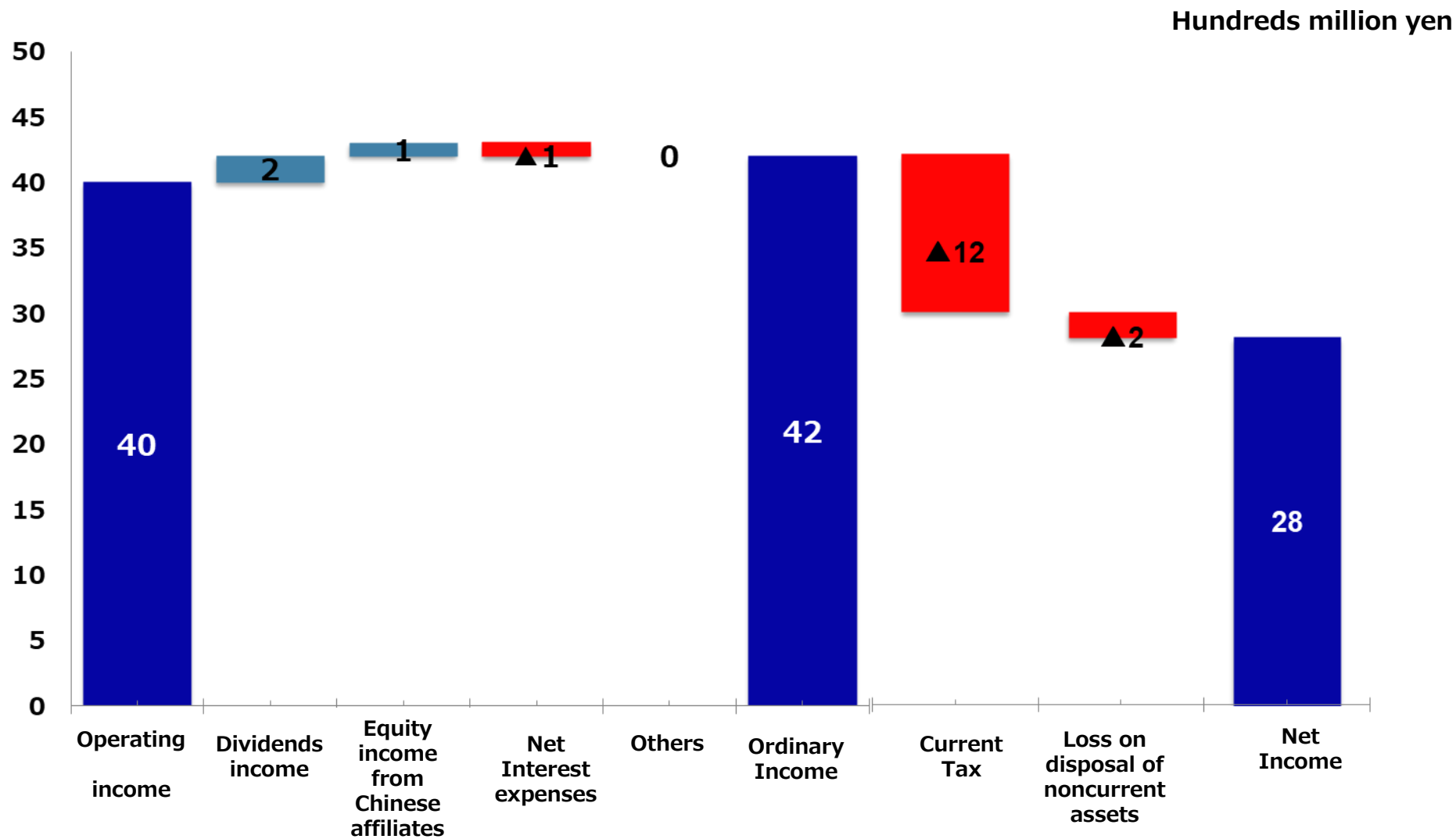
### Comparison with the same period of the last year

- ◆ As for lighting business in Japan, sales and profit decreased due to cutback in production of car models mainly for export, and cutback in production caused by problems of inspections misconduct by some OEMs
- ◆ As for mirror business, sales decreased due to cutback in production in Japan of car models for export and decrease in automotive production in China
- ◆ As for lighting business in ASEAN, sales and profit increased thanks to operational improvement in addition to increase in sales in Indonesia

### Comparison with the forecast

- ◆ Sales was almost in-line with the forecast thanks to strong sales of high-value-added products more than offsetting cutback in production of car models mainly for export
- ◆ Profits slightly exceeded initial forecast due to improvement of profitability and productivity in lighting business in Japan and ASEAN

# FY2019 FIRST HALF [OPERATING INCOME~ORDINARY INCOME~NET INCOME]



# FY2019 FIRST HALF CONSOLIDATED BALANCE SHEET (COMPARISON WITH PREVIOUS PERIOD)

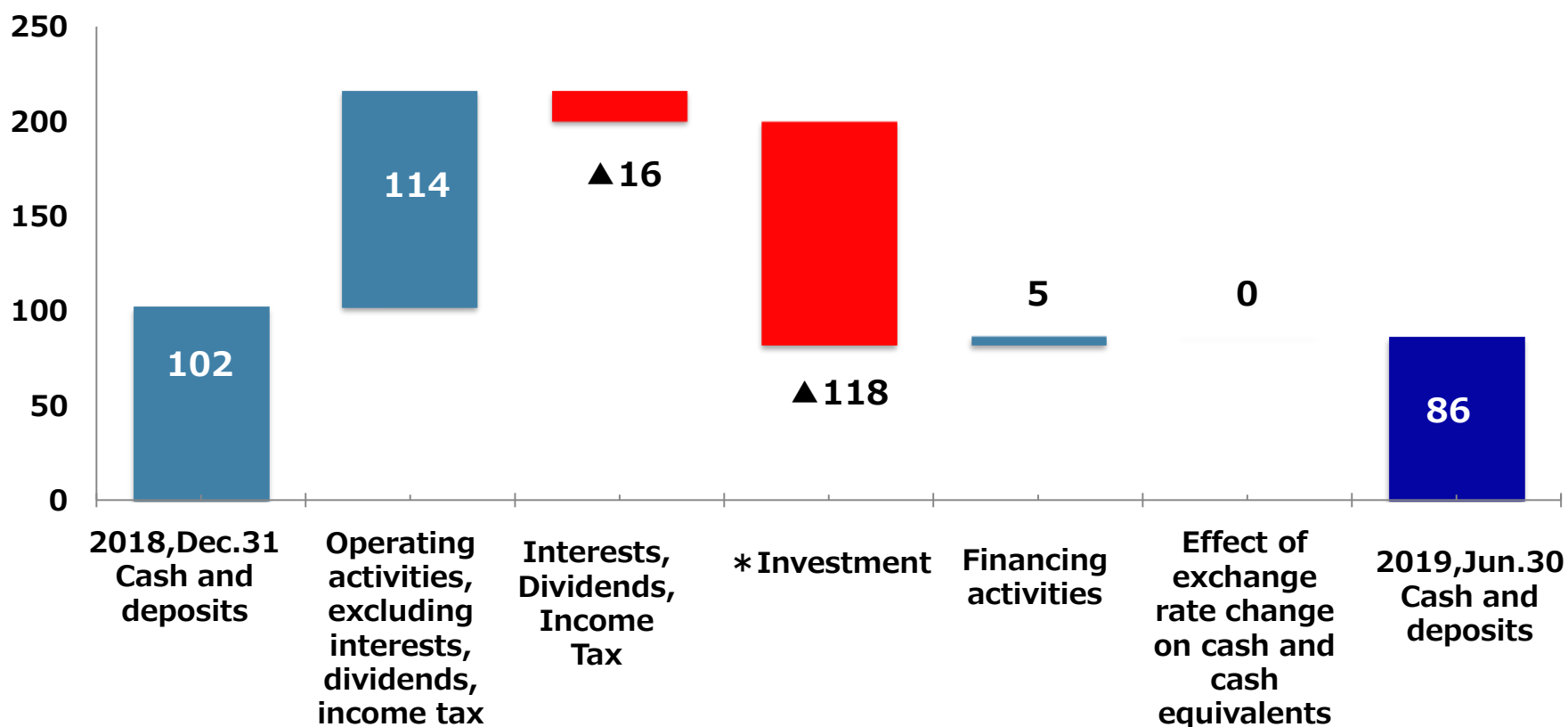
Hundreds million yen

|  | 2018/12 | 2019/6       | Inc/Dec |
|--|---------|--------------|---------|
| Cash and equivalents                   | 102     | <b>86</b>    | ▲16     |
| Inventory                              | 75      | <b>85</b>    | 10      |
| Tangible and Intangible Fixed Assets   | 404     | <b>402</b>   | ▲2      |
| Others                                 | 443     | <b>489</b>   | 46      |
| <b>Total Assets</b>                    | 1,024   | <b>1,062</b> | 38      |
| Interest Bearing Debt                  | 128     | <b>137</b>   | 9       |
| Other Liabilities                      | 496     | <b>502</b>   | 6       |
| <b>Total Liabilities</b>               | 624     | <b>639</b>   | 15      |
| Shareholders' Equity                   | 412     | <b>436</b>   | 24      |
| Accumulated other comprehensive income | ▲24     | <b>▲25</b>   | ▲1      |
| Minority Interest                      | 12      | <b>12</b>    | 0       |
| <b>Net Assets</b>                      | 400     | <b>423</b>   | 23      |
| <b>Ratio of Shareholder's Equity</b>   | 37.9%   | 38.7%        |         |
| <b>D/E Ratio</b>                       | 32.9%   | 33.4%        |         |

# FY2019 FIRST HALF CONSOLIDATED STATEMENT OF CASH FLOW

Hundreds million yen

◆ CF from the operating activity was used for capital investment etc.



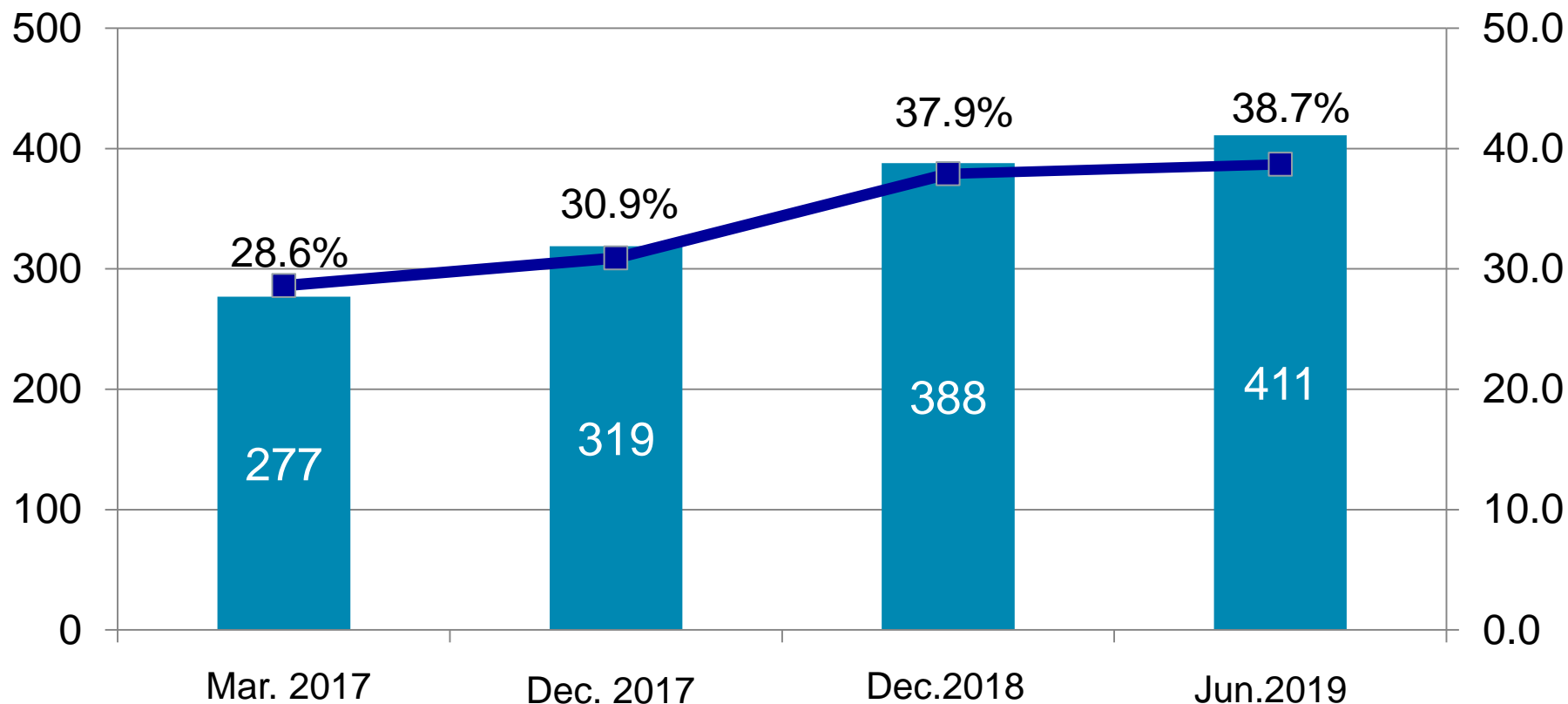
\* Investment category is including short-term loans (7.6B yen) to Valeo, in addition to capital expenditures

# SHAREHOLDERS' EQUITY AND RATIO

Hundreds million yen

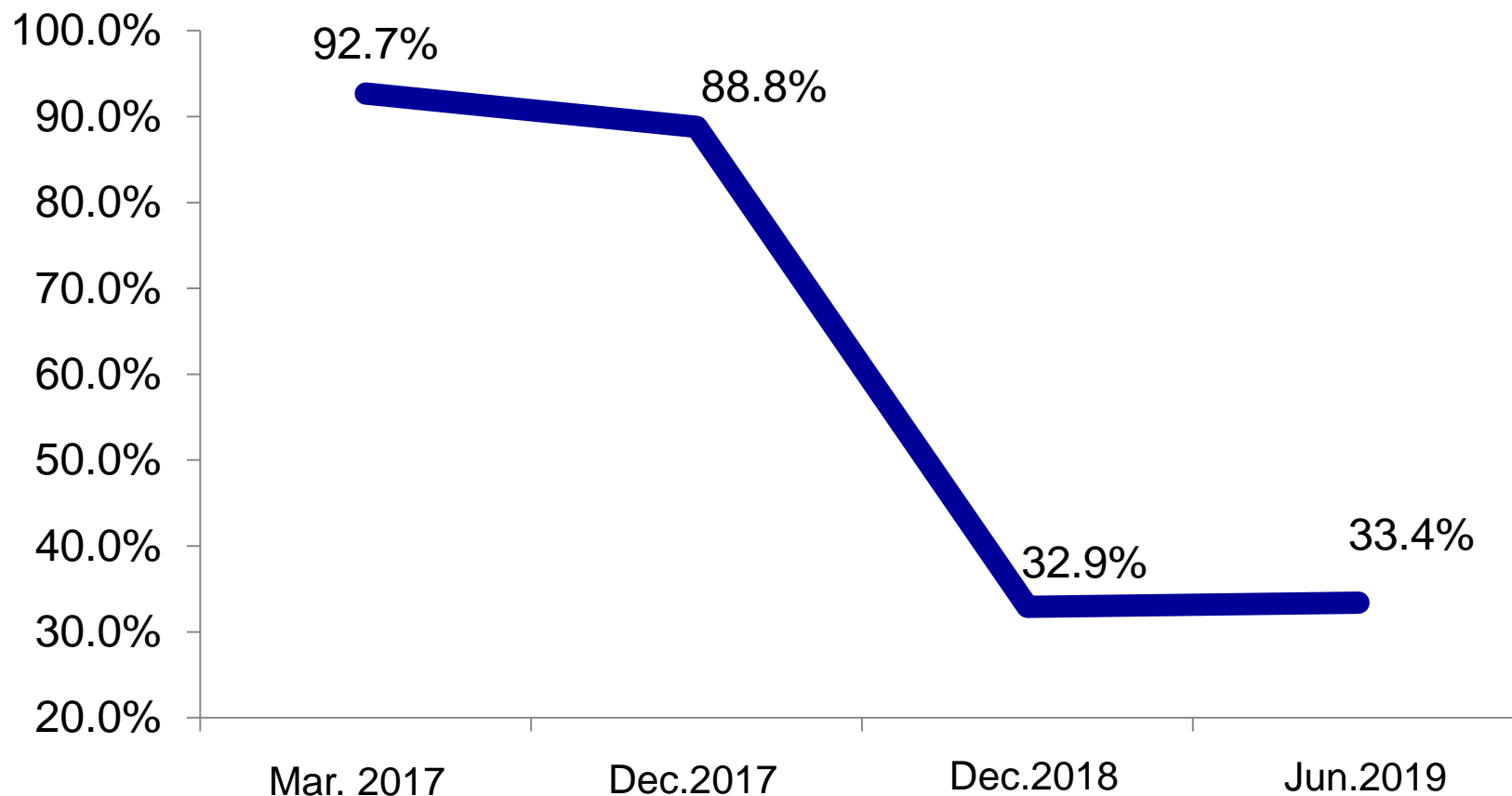
## Shareholders' Equity steadily improving

■ Shareholders' equity   ■ Shareholders' equity Ratio



## D/E RATIO

**D/E ratio maintained at a satisfactory - around 30%- level**



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# **FY2019 Financial Forecast**

## **(January ~ December 2019)**

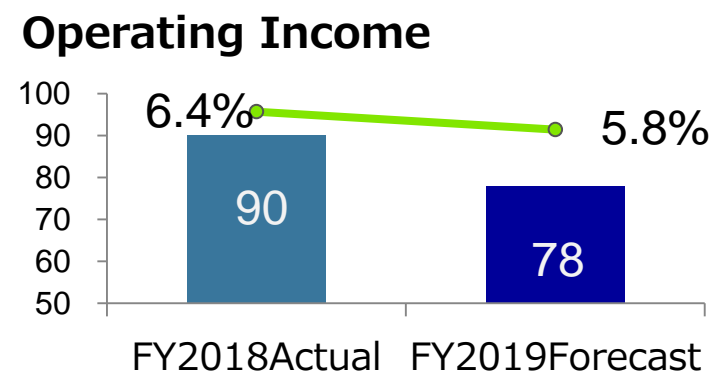
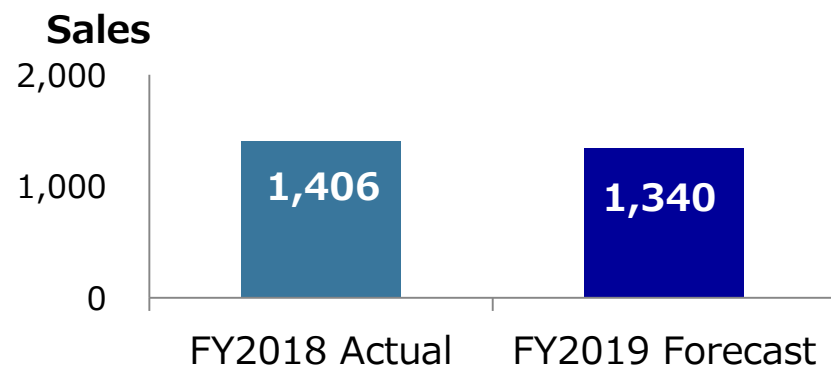


# FY2019 CONSOLIDATED FORECAST

Hundreds million yen

- ◆ No change from initial forecast (TSE Announcement)
- ◆ Second half inline with first half of FY2019

|   | FY2018 Actual | FY2019 Forecast | Inc/Dec | FY2019 TSE Announcement |
|---|---------------|-----------------|---------|-------------------------|
| Sales   | 1,406         | 1,340           | ▲66     | 1,340                   |
| Operating Income                                      | 90            | 78              | ▲12     | 78                      |
| Operating Margin(%)                                   | 6.4%          | 5.8%            | -       | 5.8%                    |
| Ordinary Income                                       | 97            | 74              | ▲23     | 74                      |
| Net Income belonging to Parent Company's Shareholders | 98            | 50              | ▲48     | 50                      |

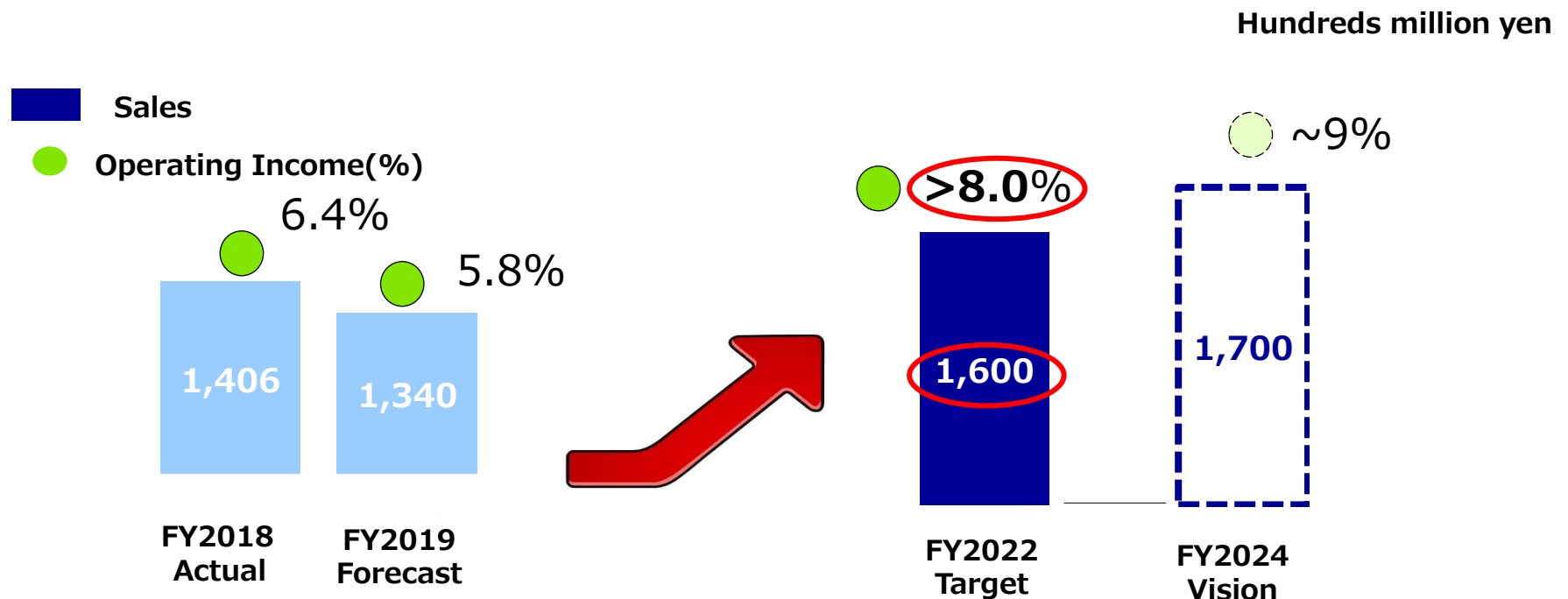


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# Update of the Medium-Term Plan

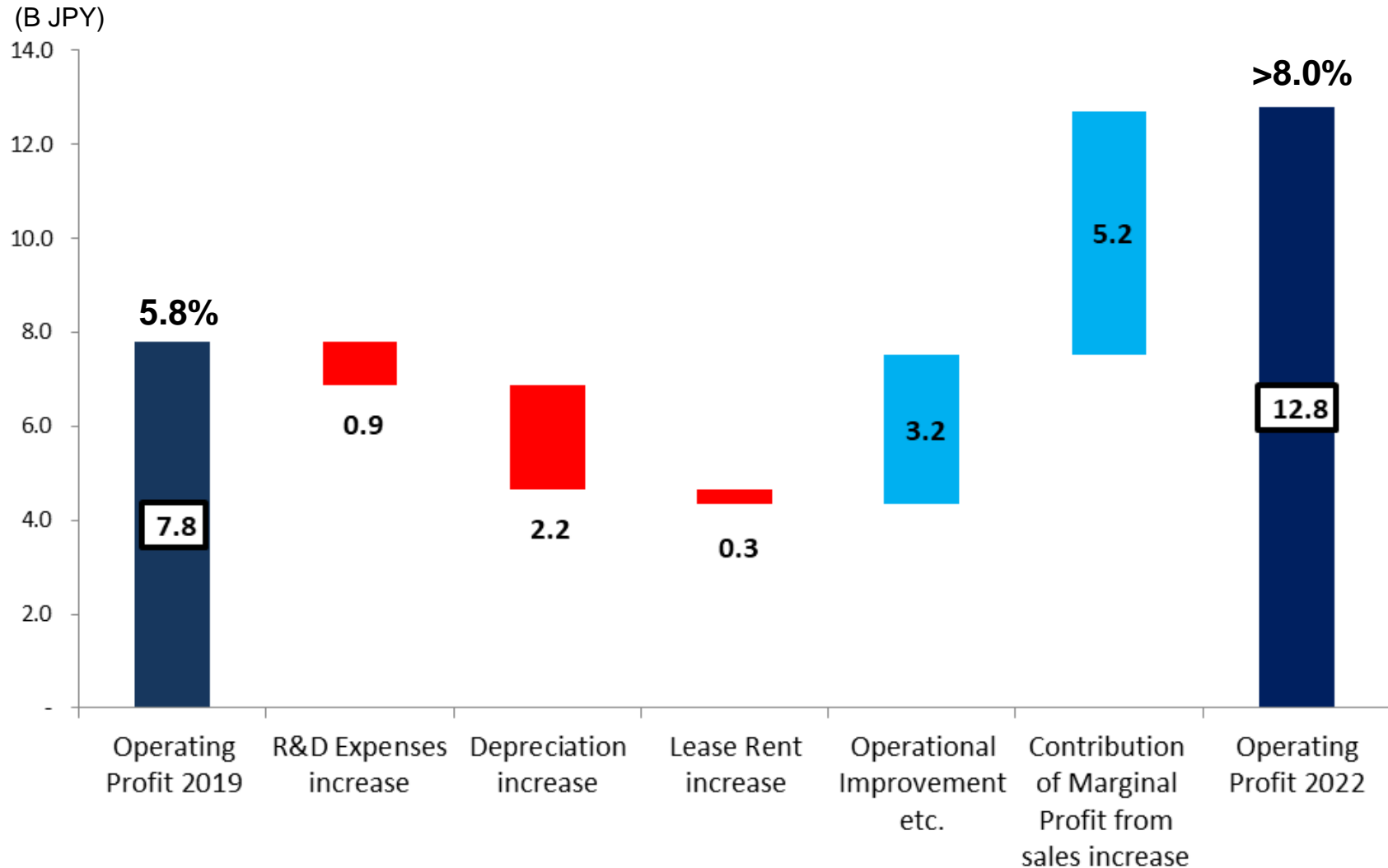
# MEDIUM-TERM PLAN– 2022 PROJECTION FOR 2022

- ◆ No change in 2022 Sales Target : 160B yen
- ◆ Still targets higher than 8% Operating Margin: > 8.0%
  - ❖ Despite increase in R&D expenses and depreciation
  - ❖ Will contribute to the further growth in sales and margin beyond 2022



# MEDIUM-TERM PLAN- 2022

## OPERATING MARGIN BRIDGE 2019 ~ 2022



# MEDIUM-TERM PLAN- 2022

## PROGRESS AND CHALLENGES

### Progress

**Order Intakes remain at a high level**

**Increasing ratio of high-value-added products**

❖ Adaptive Driving Beam for headlamp, etc.

**Increasing sales in ASEAN**

❖ Particularly in Indonesia

**Construction completion of Atsugi new plant**  
**Renovation completion of Fujioka plant etc.**

### Impact on Medium-Term Plan-2022

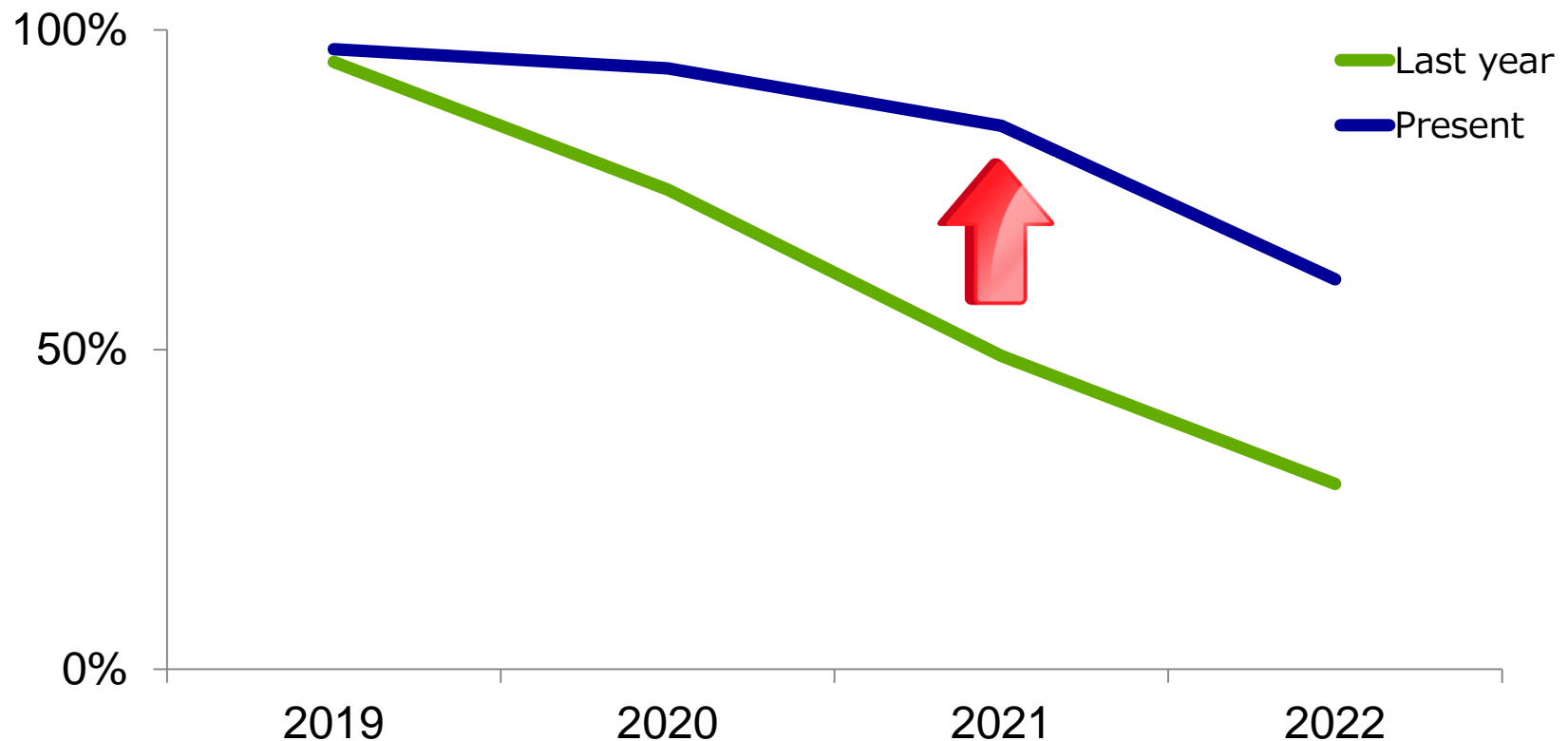
- Progress steadily to 2022 sales target of 160 billion yen
- Improve profitability by rise in unit value
- Accelerate synergies achievements with Valeo
- ✓ Increase the burden of R&D expenses
- Higher contribution of ASEAN operations to sales and profits
- ✓ Need to consider investments to expand capacities
- Dissolve bottlenecks for increase in order intakes
- Drastically enhance cost competitiveness
- ✓ Depreciation and the lease rent will remain high

# MEDIUM-TERM PLAN– 2022

## CHANGES OF THE BOOKED RATIO

**Booked Ratio\* rises steadily thanks to new order intakes – future growth secured**

\* Booked Ratio: existing or booked business over estimated sales by year



# MEDIUM-TERM PLAN– 2022

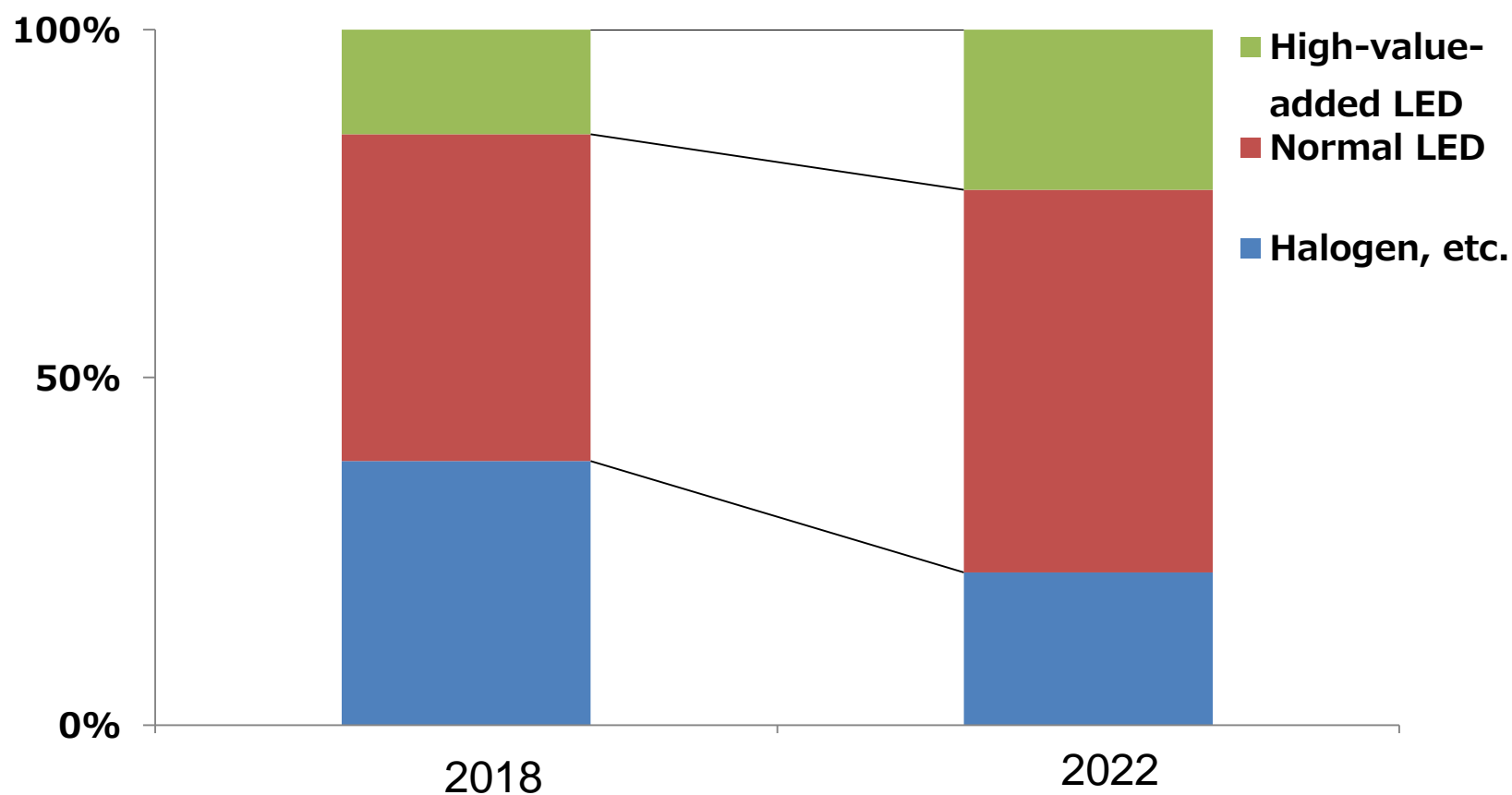
## CHANGES OF THE RATIO OF HIGH-VALUE-ADDED PRODUCTS

Improve profitability thanks to increase of high-value-added products



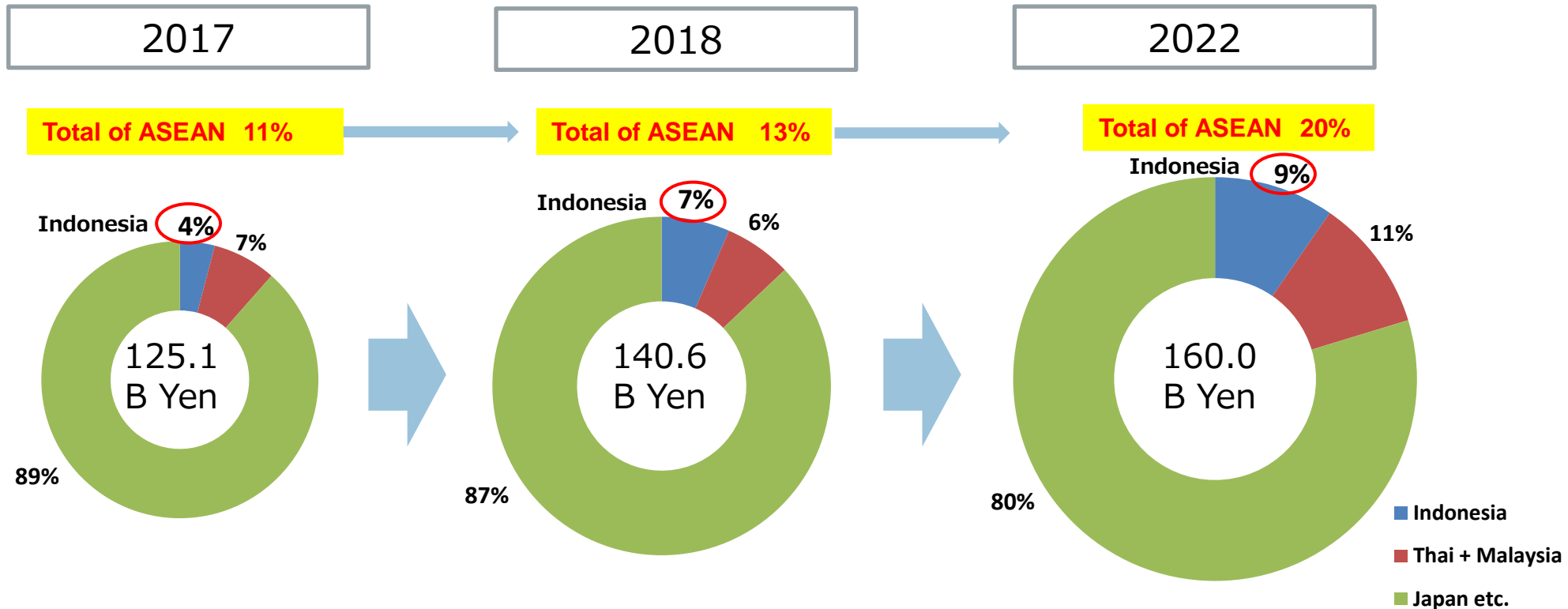
Increase the burden of R&D expenses

Ratio of high-value-added products in headlamps (Japan, volume basis)



# MEDIUM-TERM PLAN– 2022

## CHANGES OF THE SALES RATIO BY ASEAN



**Significant increase in ASEAN sales, particularly in Indonesia**

**Need to consider investment for expanding capacities**



# MEDIUM-TERM PLAN– 2022

## PRODUCTIVITY IMPROVEMENT

- ◆ Will achieve significant improvement of productivity and cost competitiveness
  - ❖ Newly opened Atsugi Plant for headlamps
  - ❖ Renovation completed in Fujioka Plant for rear combination lamps
  - ❖ Layout change completed in Indonesia



**Depreciation and the lease rent remains high**

### Atsugi Plant Completion

June 3rd, 2019 Press Release

In this new Plant, we will implement Lean Production System based on the innovative production concepts, along automation such as collaborative robots, AGV or Automated Warehouse management. We expect that all these new technologies will make this new Plant a “state-of-the-art” factory, enabling us to improve our competitiveness and our quality but also ultimately and more importantly, to maximize customer satisfaction by meeting their needs and expectations. Also this new Plant has been dimensioned to manufacture all the new projects that our customers have entrusted us. As such, it is fully in line with our mid-term plan where our lighting business continues to play a key role for our further growth.

### Outline of Atsugi plant

- ▶ Total investment : 16.4 billion yen (plan)
- ▶ Location : Atsugi, Kanagawa
- ▶ Site area : 64,000 m<sup>2</sup> (approximate)
- ▶ Start of operation : September, 2019
- ▶ Production item : Automotive Lamps



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# Appendix

# INTRODUCTION OF DEVELOPED PRODUCTS/ SENSOR INTEGRATION HEADLAMP

Integration on main sensors for ADAS/AD (RADARs, LiDARs, Cameras) into lamp



- Sensor that is protected from water and dust by lens and housing exhibits its performance
- Sensor can be mounted to four corners of a vehicle without affecting design of the vehicle
- Capable of cleaning the sensor part by headlamp cleaner
- Maintain the direction of sensor optimal by jointly using the optical-axis adjusting system
- Modularization of parts contributes to simplify a vehicle assembling process
- Facilitate the handling of a harness

## Utilization Examples

- ADAS (Advanced Driving Assistance System)
- Automated Driving System
- Free space detection
- Cross traffic alert
- Parking support / Automated parking
- Blind spot detection

# INTRODUCTION OF DEVELOPED PRODUCTS/ COMMUNICATION LIGHTING

System that a vehicle automatically communicates with drivers and pedestrians around by color and movement of the light during automated driving.



- Display the state, action and intension of the automated drive vehicle by lighting
- Smooth the traffic flow by eliminating anxiety of the vehicle drivers and pedestrians around
- Improve safety by attracting attention around to various dangerous situation with color and movement of the light
- AD(Automated Driving) Marker lamp that notifies surroundings of automated driving

## Utilization Examples

- Communication between the vehicle and its owner : Answer back, welcome scenario, etc.
- Communication between the vehicle and pedestrians: Information that pedestrians have the right of way, proximity information of dodging vehicle, etc.
- Communication between the vehicle and drivers around : Signals for right/left turn, reverse and gratitude, etc.
- Communication between the vehicle, pedestrians and drivers around: Automated driving mode, signals for start/stop and auto parking
- imply text display using alphabets and numerals



# INTRODUCTION OF DEVELOPED PRODUCTS/ MIRROR TECHNOLOGIES

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## New Architecture Door Mirror Concept

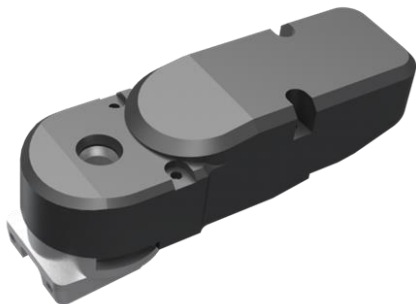


- Flameless door mirror which integrates actuators of different functions
- Improve design and aerodynamic performance by downsizing the mirror head
- Support the safety in more various situations by actuator with higher available speed than existing actuator

### Utilization Examples

- Reduction of dead angle when changing course
- Find slipping-through vehicle when getting off the vehicle

## Power Folding Actuator for Camera Monitoring System



- Implement a good performance and a design flexibility compatibly
- Adapt to sail-mount type whose required level for small and thin is high

# Disclaimer regarding forecasted figures

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