

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

November 7, 2019

Company name: **ICHIKOH INDUSTRIES, LTD.**
 Listing: Tokyo Stock Exchange, First Section
 Code number: 7 2 4 4
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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 at the end of the Third Quarter as of September 30, 2019 (January 1, 2019 to September 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
	%	%	%	%
3rd Quarter (ended on Sep. 30, 2019)	100,296 Δ 4.7	5,520 Δ 23.1	5,640 Δ 28.6	3,832 Δ 36.8
3rd Quarter (ended on Sep. 30, 2018)	105,188 -	7,182 -	7,901 -	6,066 -

(Note) Comprehensive income:

Sep. 30, 2019 3,769 million yen (Δ 30.4%) Sep. 30, 2018 5,416 million yen (-%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
3rd Quarter (ended on Sep. 30, 2019)	39.87	-
3rd Quarter (ended on Sep. 30, 2018)	63.15	-

(2) Consolidated Financial Position

(Millions of yen; except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)
			%
3rd Quarter (as of Sep. 30, 2019)	106,865	43,022	39.1
FY2018 (as of Dec. 31, 2018)	102,416	39,997	37.9

[Reference] Equity: Third Quarter as of Sep. 30, 2019 41,812 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 : No

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 Δ 4.7	7,800 Δ 13.4	7,400 Δ 23.7	5,000 Δ 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 September 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 September 30, 2019 164,093

As of December 31, 2018 163,749

③ Average number of shares during the period (cumulative)

FY2019 3rd quarter: 96,107,289

FY2018 3rd quarter: 96,075,293

*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 third quarter downturned such as weak exports to Asia including China due to USA-China trade war and successive downward revision of corporate results in the manufacturing industry due to slowdown in global economies while domestic demand such as individual consumption stayed positive thanks to the consecutive holidays for the change of the name of era and the rush demand before the consumption tax increase. As for the global economy, the consumption and employment index and the market indicators in USA maintained steady in general, and in China, domestic demand was partially improved due to infrastructure investment by government while economy slowed down due to a drop in export. 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 remained strong in both domestic demand and export and increased compared to the same period of last year. The total car production volume of the three countries in ASEAN regions decreased compared to the same period of last year, as the production in Malaysia increased but the production in Thailand decreased because export decreased in spite of domestic sales increase, and the production in Indonesia also decreased.

Under those circumstances, for the cumulative third quarter on a combined base of ASEAN affiliates, both the sales and profits increased. On the other hand, in addition to the decrease in sales and profits of an affiliate in China which manufactures mirrors, 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 100,296 million yen (4.7% decrease compared to the same period of last year) and operating income was 5,520 million yen (23.1% decrease compared to the same period of last year). Ordinary income was 5,640 million yen (28.6% 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 3,832 million yen (36.8% 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, both the sales and profits increased on a combined base of ASEAN affiliates. On the other hand, in addition to the decrease in sales and profits of an affiliate in China which manufactures mirrors, 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 94,037 million yen (4.8% decrease compared to the same period of last year) and operating income was 5,476 million yen (22.3% decrease compared to the same period of last year).

2. After-Market business

As for after-market business, the sales was 6,305 million yen (1.2% increase compared to the same period of last year) due to the increase of sales to the company group but operating income was 78 million yen (45.4% decrease compared to the same period of last year) because of the increase in the expenses for new system introduction.

3. Other business

Due to the decrease in the sales of electric valve to China, sales was 1,269 million yen (14.3% decrease compared to the same period of last year) and operating loss was 52 million yen (Operating income was one 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)	Third Quarter End (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	10,215	8,433
Notes and accounts receivable-trade	23,590	21,443
Electronically recorded monetary claims-operating	1,049	871
Merchandise and finished goods	3,463	4,505
Work in process	712	674
Raw materials and supplies	3,357	3,495
Other	1,277	6,635
Allowance for doubtful accounts	(75)	(72)
Total current assets	43,589	45,987
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	11,432	12,439
Machinery, equipment and vehicles, net	11,842	13,393
Tools, furniture and fixtures, net	4,561	4,034
Land	3,379	3,387
Lease assets, net	3,767	1,831
Construction in progress	4,064	5,941
Total property, plant and equipment	39,048	41,027
Intangible assets		
goodwill	324	175
Other	985	1,118
Total intangible assets	1,309	1,293
Investments and other assets		
Investment securities	5,167	5,656
Long-term loans receivable	519	512
Deferred tax assets	4,084	4,118
Other	8,704	8,277
Allowance for doubtful accounts	(8)	(8)
Total investments and other assets	18,467	18,556
Total noncurrent assets	58,826	60,878
Total assets	102,416	106,865

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2018)	Third Quarter End (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	25,831	27,670
Short-term loans payable	2,100	1,506
Current portion of long-term loans payable	1,329	1,129
Lease obligations	3,072	519
Income taxes payable	1,549	769
Accrued expenses	3,476	4,290
Provision for bonuses	921	2,013
Provision for directors' bonuses	23	61
Provision for product warranties	1,552	1,558
Other	6,995	4,896
Total current liabilities	46,853	44,415
Noncurrent liabilities		
Long-term loans payable	4,604	9,349
Lease obligations	1,654	1,155
Deferred tax liabilities	190	169
Retirement benefits	8,858	8,529
Asset retirement obligations	202	170
Provision for environmental program	8	8
Other	45	42
Total noncurrent liabilities	15,565	19,426
Total liabilities	62,418	63,842
Net assets		
Shareholders' equity		
Capital stock	8,972	8,986
Capital surplus	2,491	2,505
Retained earnings	29,821	32,885
Treasury stock	(45)	(45)
Total shareholders' equity	41,239	44,331
Accumulated other comprehensive income		
Valuation difference on other securities.	1,423	1,763
Foreign currency translation adjustment	(2,817)	(3,336)
Adjustment retirement benefits	(1,047)	(945)
Total accumulated other comprehensive income	(2,441)	(2,519)
Minority interests	1,199	1,210
Total net assets	39,997	43,022
Total liabilities and net assets	102,416	106,865

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

Consolidated Statements of Income

(Millions of yen)

	Previous 3rd Quarter (January 1, 2018 ~ September 30, 2018)	Current 3rd Quarter (January 1, 2019 ~ September 30, 2019)
Net sales	105,188	100,296
Cost of sales	83,246	79,105
Gross profit	21,942	21,191
Selling, general and administrative expenses	14,760	15,670
Operating income	7,182	5,520
Non-operating income		
Interest income	68	59
Dividends income	163	147
Equity in earnings of affiliates	993	282
Other	267	88
Non-operating income	1,492	578
Non-operating expenses		
Interest expenses	306	126
Commission paid	140	22
Foreign exchange losses	183	252
Other	142	56
Non-operating expenses	773	458
Ordinary income	7,901	5,640
Extraordinary income		
Gain on sales of noncurrent assets	4	0
Extraordinary income	4	0
Extraordinary loss		
Loss on disposal of noncurrent assets	160	176
Total Extraordinary loss	160	176
Income (loss) before income taxes	7,745	5,464
Income taxes	1,646	1,601
Income (loss) before minority interests	6,099	3,862
Minority interests in income	32	30
quarterly net income (loss) attributable to the shareholder parent company	6,066	3,832

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous 3rd Quarter (January 1, 2018 ~ September 30, 2018)	Current 3rd Quarter (January 1, 2019 ~ September 30, 2019)
Income (loss) before minority interests	6,099	3,862
Other comprehensive income		
Valuation difference on other securities	(240)	339
Foreign currency translation adjustment	(286)	(151)
Adjustment retirement benefits	13	102
Share of other comprehensive income of associates accounted for using equity method	(169)	(384)
Total other comprehensive income	(682)	(93)
Comprehensive income	5,416	3,769
Comprehensive income attributable to		
Owners of the parent	5,398	3,754
Minority interests	17	14

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I . Previous Third Quarter (January 1, 2018 to September 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	98,725	5,463	104,188	999	105,188
(2) Intersegment Sales or Transfers	3	769	772	481	1,254
TOTAL	98,729	6,232	104,961	1,480	106,442
Segment income	7,047	143	7,191	1	7,192

* "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	7,191
Profit including "Other"	1
Elimination for intersegment	(10)
Operating income in quarterly consolidated statement	7,182

II . Current Third Quarter (January 1, 2019 to September 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	94,034	5,404	99,438	857	100,296
(2) Intersegment Sales or Transfers	3	900	903	412	1,315
TOTAL	94,037	6,305	100,342	1,269	101,612
Segment income	5,476	78	5,554	(52)	5,502

* "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	5,554
Profit including "Other"	(52)
Elimination for intersegment	17
Operating income in quarterly consolidated statement	5,520

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

(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-Sep.19	77,810	△6.1	4,577	△22.3	4,384	△35.6	2,893	△44.4
30-Sep.18	82,894	15.4	5,888	78.6	6,807	109.0	5,203	64.4

(2) Financial conditions

	Total assets	Net assets	Ratio of shareholders' equity	Net assets per share
	million yen	million yen	%	yen
30-Sep.19	86,676	36,236	41.8	376.96
31-Dec.18	82,108	33,761	41.1	351.37

(Reference) Shareholders' equity:

Sep. 30, 2019 36,236 million yen Dec. 31, 2018 33,761 million yen