

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020

August 7, 2020

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: September 7, 2020
 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, 2020 (January 1, 2020 to June 30, 2020)

(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, 2020)	51,713 Δ 22.7	Δ 439 -	Δ 665 -	Δ 636 -
2nd Quarter (ended on Jun. 30, 2019)	66,906 Δ 6.0	4,016 Δ 19.9	4,172 Δ 29.8	2,756 Δ 40.9

(Note) Comprehensive income:
 Jun. 30, 2020 Δ 1,590 million yen (- %) Jun. 30, 2019 2,715 million yen (Δ 32.6%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
2nd Quarter (ended on Jun. 30, 2020)	Δ 6.63	-
2nd Quarter (ended on Jun. 30, 2019)	28.69	-

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

	Total Assets	Net Assets	Equity Ratio (%)
2nd Quarter (as of Jun. 30, 2020)	100,963	43,478	42.0 %
FY2019 (as of Dec. 31, 2019)	109,813	45,405	40.3

[Reference] Equity: Second Quarter as of Jun. 30, 2020 42,363 million yen
 Fiscal Year as of Dec. 31, 2019 44,240 million yen

2. Cash Dividends

(Cut-off Date)	Cash Dividends per share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Full Year
FY2019 (ended on Dec. 31, 2019)	-	3.50	-	3.50	7.00
FY2020 (ended on Dec. 31, 2020)	-	1.00	-	-	-
FY2020 (ended on Dec. 31, 2020) [plan]	-	-	-	-	-

Note: Revision to previous dividend forecast : Yes

3. Consolidated Performance Forecasts for the Fiscal Year 2020 (January 1, 2020 to December 31, 2020)

(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	110,000 Δ 17.3	1,000 Δ 84.5	800 Δ 89.1	400 Δ 92.3	4.16

Note: Revision to previous consolidated performance forecast : Yes

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, 2020	96,292,401
As of December 31, 2019	96,292,401
 - ② Number of shares of treasury stock at the end of period

As of June 30, 2020	165,198
As of December 31, 2019	164,996
 - ③ Average number of shares during the period (cumulative)

FY2020 2nd quarter:	96,127,325
FY2019 2nd quarter:	96,098,272

*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 was depressed in both domestic demand and production mainly due to the effect of spread of Coronavirus Disease (COVID-19) infection. Global economy except China of which production and investment are on a recovery trend also plunged into critical conditions such as the worst-ever GDP of USA due to the effect of restriction of movement and lockdown.

As for automotive market to which the company group belongs, the domestic car production volume, which further fell down than the first quarter due to the decrease in demand, significantly decreased compared to the same period of last year. The total car production volume of ASEAN regions (Thailand, Malaysia and Indonesia) also significantly decreased compared to the same period of last year due to the effect of operation suspension of car makers for prevention of COVID-19 infection. The car production volume of China, though it recovered in this quarter, decreased compared to the same period of last year due to substantial decrease of production especially in February.

Under those circumstances, Ichikoh Industries Group thoroughly made the expenses variable to respond to the decrease in sales, however, the effect of COVID-19 was significant, and for the cumulative second quarter of overseas affiliates (three affiliates in ASEAN and one in China), total sales of four affiliates decreased and all of them got into the red. And in Japan, which is mainstay, profit decreased due to decrease in sales and increase in cost such as cost for transfer to new Atsugi Plant. As a result, sales was 51,713 million yen (22.7% decrease compared to the same period of last year) and operating loss was 439 million yen (4,016 million yen of operating income in the same period of last year). Ordinary loss was 665 million yen (4,172 million yen of ordinary income in the same period of last year) and net loss attributable to shareholders of the parent company was 636 million yen (2,756 million yen of net income attributable to shareholders of the parent company in the same period of last year).

Results by each segment are as follows:

Auto-Components business

In Japan, which is our mainstay, sales declined only slightly compared to domestic car production volume, and the decrease in sales was better than the rate of decline in car production volume in ASEAN partially due to the launch of new car models at the affiliate in Thailand. In addition, Ichikoh Industries Group thoroughly made the expenses variable to respond to the decrease in sales, however, the effect of COVID-19 was significant and total sales of four affiliates (three affiliates in ASEAN and one in China) decreased and all of four affiliates got into the red. And in Japan, which is mainstay, profit decreased due to decrease in sales and increase in cost such as cost for transfer to new Atsugi Plant. As a result, sales was 48,346 million yen (22.9% decrease compared to the same period of last year) and operating loss was 396 million yen (3,968 million yen of operating income in the same period of last year).

After-Market business

As for after-market business, the sales was 3,527 million yen (15.9% decrease compared to the same period of last year) because of decrease in sales of after-market due to the effect of COVID-19, and operating loss was 7 million yen (54 million yen of operating income in the same period of last year) due to increase in costs related to investment in IT system.

(3) Analysis of forward-looking information such as cumulative performance forecast

As for cumulative performance forecast for the fiscal year ending December 31, 2020, disclosed on May 21, the Company remained the consolidated forecast undecided because many undetermined factors that affect results existed and it was difficult to calculate an appropriate and rational performance forecast. The Company stated it would disclose it again when the forecast becomes possible.

At present, there are many uncertain factors such as continuous expansion of COVID-19 infection worldwide and increasing number of infected people in Japan. Under these unpredictable conditions, the Company currently has a severe outlook that vehicle production in Japan and ASEAN will decrease by more than 20% in the fiscal year ending December 2020. Based on such premise, the Company forecasts sales of 110,000 million yen, operating income of 1,000 million yen, ordinary income of 800 million yen, and net income attributable to shareholders of the parent company of 400 million yen.

Distribution of midterm dividends is 1 yen per share from the perspective of continuous dividend payout to shareholders. The year-end dividend forecast has not yet been determined as the outlook for the business environment remains unclear, however, please note that it will remain unchanged that the Company considers both of the below as the important policies and goals for the management to achieve.

- (1) Increase the corporate value by Research and Development and capital investment utilizing internal reserves
- (2) Improve the profit return to shareholders

2. Consolidated Financial Statement

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2019)	Second Quarter End (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	8,196	4,803
Notes and accounts receivable-trade	20,118	13,881
Electronically recorded monetary claims-operating	1,541	1,337
Merchandise and finished goods	4,878	4,138
Work in process	647	528
Raw materials and supplies	3,795	3,755
Other	7,166	6,723
Allowance for doubtful accounts	(89)	(60)
Total current assets	46,255	35,107
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	12,351	12,823
Machinery, equipment and vehicles, net	13,823	15,211
Tools, furniture and fixtures, net	5,049	4,450
Land	3,398	3,380
Lease assets, net	1,551	981
Construction in progress	6,587	8,664
Total property, plant and equipment	42,760	45,510
Intangible assets		
goodwill	135	44
Other	1,151	1,138
Total intangible assets	1,287	1,182
Investments and other assets		
Investment securities	5,042	4,311
Long-term loans receivable	909	700
Deferred tax assets	3,956	4,294
Other	9,609	9,864
Allowance for doubtful accounts	(8)	(7)
Total investments and other assets	19,510	19,162
Total noncurrent assets	63,558	65,855
Total assets	109,813	100,963

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2019)	Second Quarter End (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	29,549	22,233
Short-term loans payable	1,012	1,307
Current portion of long-term loans payable	1,129	1,129
Lease obligations	730	171
Income taxes payable	1,080	476
Accrued expenses	3,525	3,444
Provision for bonuses	1,004	2,622
Provision for directors' bonuses	25	77
Provision for product warranties	1,739	1,489
Other	6,023	6,276
Total current liabilities	45,821	39,228
Noncurrent liabilities		
Long-term loans payable	8,974	8,409
Lease obligations	490	784
Deferred tax liabilities	182	109
Retirement benefits	8,718	8,750
Asset retirement obligations	170	151
Provision for environmental program	8	8
Other	40	41
Total noncurrent liabilities	18,586	18,255
Total liabilities	64,407	57,484
Net assets		
Shareholders' equity		
Capital stock	8,986	8,986
Capital surplus	2,505	2,505
Retained earnings	34,267	33,294
Treasury stock	(45)	(45)
Total shareholders' equity	45,713	44,740
Accumulated other comprehensive income		
Valuation difference on other securities.	1,899	1,384
Foreign currency translation adjustment	(2,905)	(3,355)
Adjustment retirement benefits	(467)	(406)
Total accumulated other comprehensive income	(1,473)	(2,377)
Minority interests	1,165	1,115
Total net assets	45,405	43,478
Total liabilities and net assets	109,813	100,963

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

Consolidated Statements of Income

(Millions of yen)

	Previous 2nd Quarter (January 1, 2019 ~ June 30, 2019)	Current 2nd Quarter (January 1, 2020 ~ June 30, 2020)
Net sales	66,906	51,713
Cost of sales	52,612	42,319
Gross profit	14,294	9,394
Selling, general and administrative expenses	10,277	9,834
Operating income	4,016	(439)
Non-operating income		
Interest income	39	41
Dividends income	151	129
Equity in earnings of affiliates	122	-
Other	80	50
Non-operating income	394	221
Non-operating expenses		
Interest expenses	94	69
Commission paid	22	0
Equity in losses of affiliates	-	161
Foreign exchange losses	67	155
Other	53	60
Non-operating expenses	238	447
Ordinary income	4,172	(665)
Extraordinary income		
Gain on sales of noncurrent assets	0	-
Extraordinary income	0	-
Extraordinary loss		
Loss on disposal of noncurrent assets	176	4
Total Extraordinary loss	176	4
Income (loss) before income taxes	3,996	(670)
Income taxes	1,232	(9)
Income (loss) before minority interests	2,764	(660)
Minority interests in income	7	(23)
quarterly net income (loss) attributable to the shareholder parent company	2,756	(636)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous 2nd Quarter (January 1, 2019 ~ June 30, 2019)	Current 2nd Quarter (January 1, 2020 ~ June 30, 2020)
Income (loss) before minority interests	2,764	(660)
Other comprehensive income		
Valuation difference on other securities	51	(515)
Foreign currency translation adjustment	(32)	(293)
Adjustment retirement benefits	68	60
Share of other comprehensive income of associates accounted for using equity method	(135)	(182)
Total other comprehensive income	(48)	(930)
Comprehensive income	2,715	(1,590)
Comprehensive income attributable to		
Owners of the parent	2,719	(1,541)
Minority interests	(3)	(49)

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I. Previous 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

II. Current Second Quarter (January 1, 2020 to June 30, 2020)

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	48,345	2,887	51,232	480	51,713
(2) Intersegment Sales or Transfers	1	639	640	431	1,072
TOTAL	48,346	3,527	51,873	912	52,785
Segment income	(396)	(7)	(403)	(57)	(461)

* "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	(403)
Profit including "Other"	(57)
Elimination for intersegment	21
Operating income in quarterly consolidated statement	(439)

(Reference) Summary of Non-consolidated financial results as of June 30,2020 (January 1, 2020 ~ June 30, 2020)

(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.20	41,139	△21.6	554	△83.1	586	△82.1	393	△81.6
30-Jun.19	52,488	△7.8	3,276	△19.2	3,267	△17.2	2,131	△24.8

(2) Financial conditions

	Total assets	Net assets	Ratio of shareholders' equity	Net assets per share
	million yen	million yen	%	yen
30-Jun.20	82,882	36,595	44.2	380.70
31-Dec.18	88,360	36,980	41.9	384.70

(Reference) Shareholders' equity:

Jun. 30, 2020 36,595 million yen Dec. 31, 2019 36,980 million yen