

# 2020 First Half Financial Results Investor Relations Meeting

**September 7, 2020**  
**Ichikoh Industries, Ltd.**

# Table of Contents

---

- **FY2020 First Half Financial Results (January~June 2020)**
- **FY2020 Financial Forecast (January ~ December 2020)**
- **Our Strategy and Forecast in the Post COVID-19**

# FY2020 First Half Financial Results (January~June 2020)

# JANUARY ~ JUNE 2020

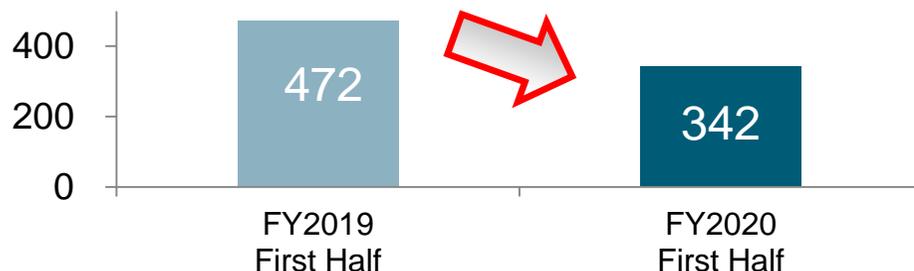
## COMPARISONS OF PRODUCTION VOLUME OF THE MARKET AND SALES OF THE COMPANY WITH THE SAME PERIOD OF LAST YEAR (MARKET IS IN PRELIMINARY BASE)

### Production volume of the market

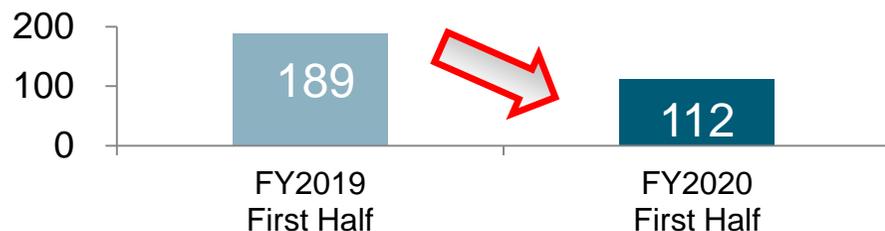
(from LMC Automotive)

(Unit:10K)

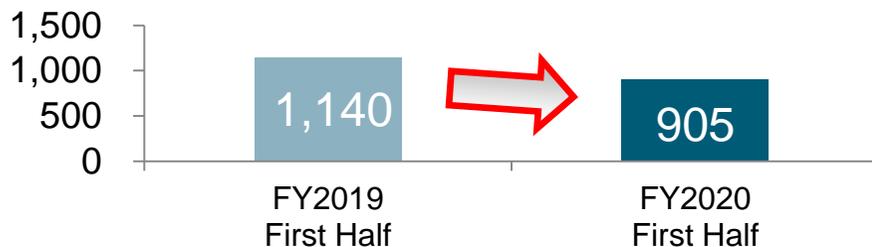
**Japan YoY ▲27.5%**



**ASEAN YoY ▲40.6%**



**China YoY ▲20.6%**



### Sales of the Company vs Production volume in the market

Comparison with the same period of last year

	Sales of the Company	Production volume of the market	Outperformance
Japan	▲21.6%	▲27.5%	5.9 pt.
ASEAN	▲24.6%	▲40.6%	16.0pt.
China	▲28.3%	▲20.6%	▲7.7 pt.

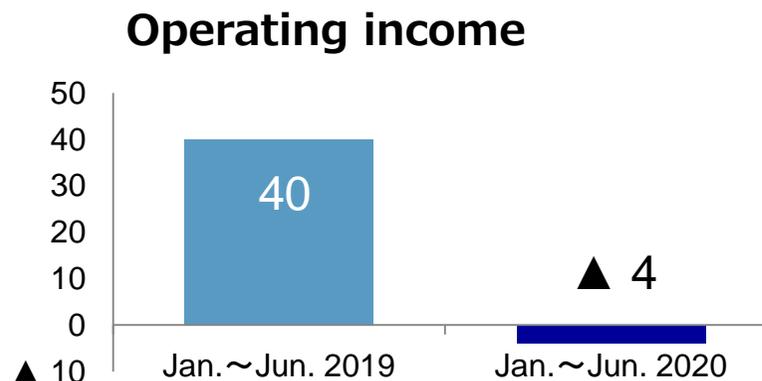
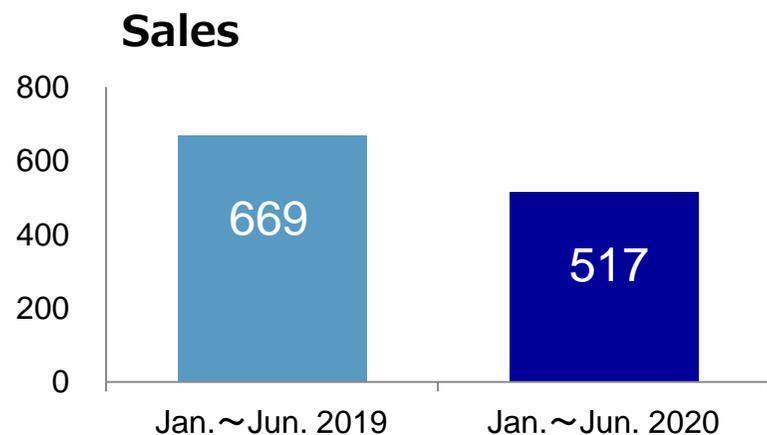
ASEAN: Malaysia, Indonesia, Thailand

# FY2020 FIRST HALF FINANCIAL RESULTS (VS. LAST YEAR)

Hundreds million yen

## ◆ Significant decrease in sales and profits due to COVID-19

	FY2019 (Jan.~Jun. 2019)	FY2020 (Jan.~Jun. 2020)	Increase /Decrease	Increase /Decrease %
Sales	669	517	▲152	▲22.7%
Operating Income	40	▲4	▲44	-
Operating Margin (%)	6.0%	▲0.8%	-	▲6.8Pts
Ordinary Income	42	▲7	▲49	-
Net Income belonging to Parent company's shareholders	28	▲6	▲34	-



## FY2020 FIRST HALF RESULTS BY EACH REGION Hundreds million yen

- ◆ Japan : Even with decrease in sales and profits, secured positive operating income by thorough cost reduction
- ◆ Overseas : Decrease in sales except for Thailand which launched new car models. Decrease in profits in all the affiliates

	Japan (Ichikoh Industries)	Overseas	Others	Internal transaction elimination etc.	Total
<b>Sales</b>	<b>411 (525)</b>	<b>84 (113)</b>	<b>46 (52)</b>	<b>▲24 (▲21)</b>	<b>517 (669)</b>
<b>Operating Income</b>	<b>6 (33)</b>	<b>▲4 (9)</b>	<b>▲1 (0)</b>	<b>▲5 (▲2)</b>	<b>▲4 (40)</b>
<b>Operating Income %</b>	<b>1.4% (6.2%)</b>	<b>▲4.3% (8.2%)</b>	<b>▲1.1% (0.6%)</b>	<b>-</b>	<b>▲0.8% (6.0%)</b>

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

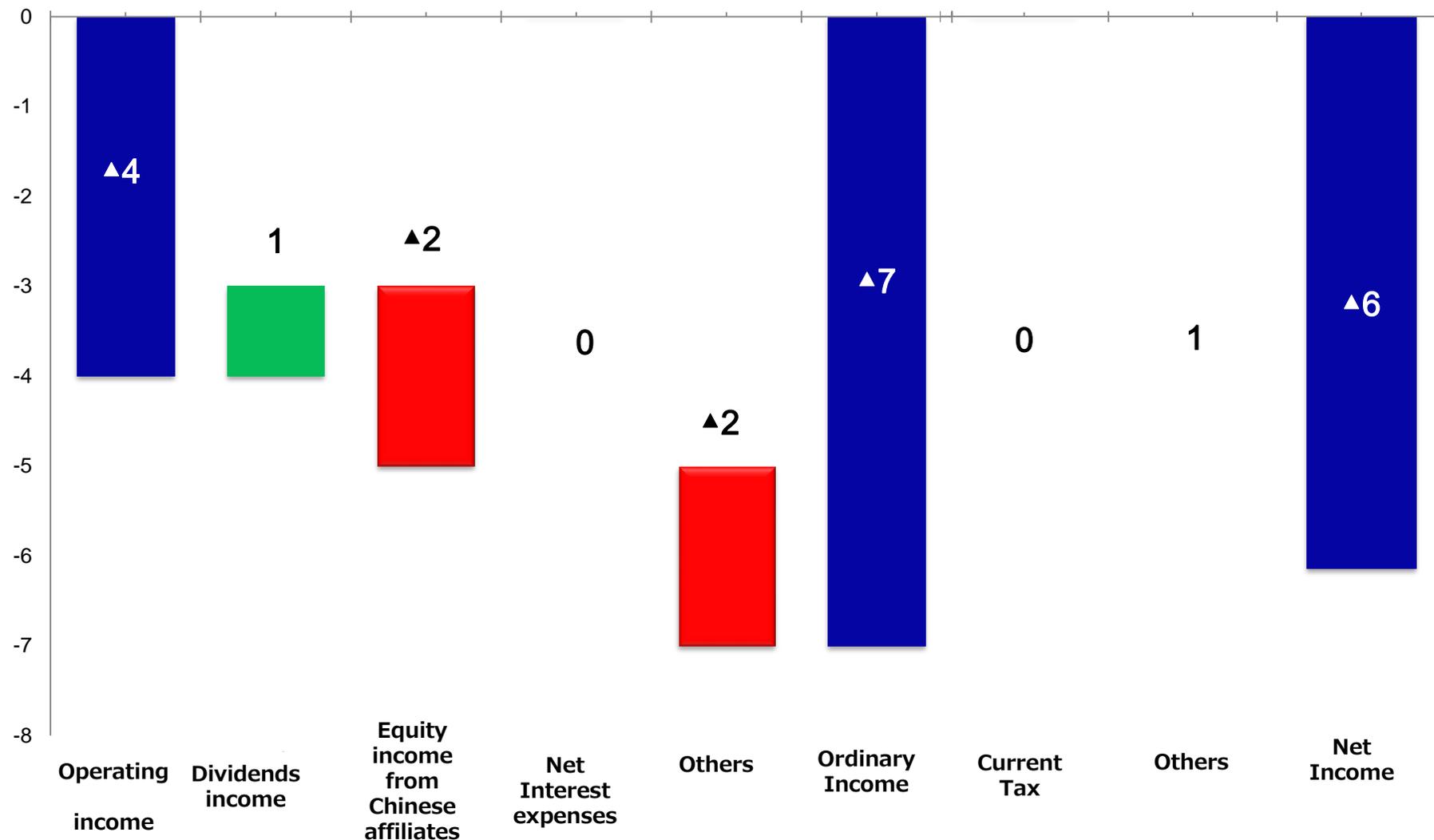
Overseas : Indonesia · Malaysia · Thailand · China

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

( ) : Same term result of the last year (Jan. ~ Jun. 2019)

# FY2020 FIRST HALF [OPERATING INCOME~ORDINARY INCOME~NET INCOME]

Hundreds million yen



# FIRST HALF 2020 FINANCIAL RESULT HIGHLIGHTS

---

## Comparison with the same period of the last year

- ◆ Domestic and overseas sales significantly decreased due to COVID-19, however, decrease in revenue was lower than range of decrease of production volume in the market, except for China.
- ◆ In Japan, operating income remained positive thanks to variabilization and thorough cost reduction plan.
- ◆ In overseas, sales decreased except for Thailand which launched new car models. And all the overseas affiliates reported losses because variabilization was more difficult to implement than in Japan.

# FY2020 FIRST HALF CONSOLIDATED BALANCE SHEET (COMPARISON WITH PREVIOUS YEAR=END)

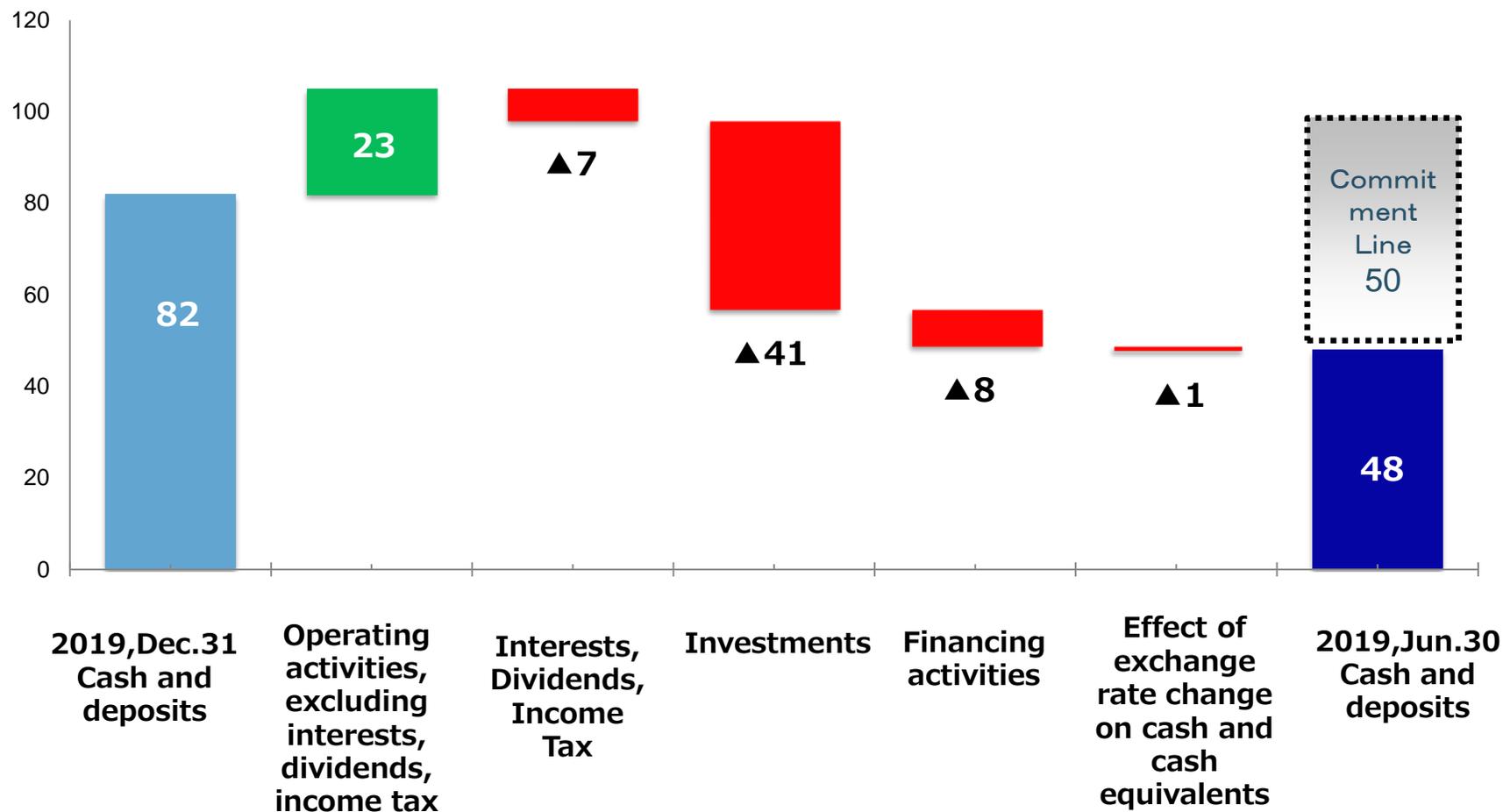
Hundreds million yen

	2019/12	2020/6	Inc/Dec
Cash and equivalents	82	<b>48</b>	▲34
Inventory	93	<b>84</b>	▲9
Tangible and Intangible Fixed Assets	440	<b>467</b>	27
Others	483	<b>411</b>	▲72
<b>Total Assets</b>	<b>1,098</b>	<b>1,010</b>	▲88
Interest Bearing Debt	123	<b>118</b>	▲5
Other Liabilities	521	<b>457</b>	▲64
<b>Total Liabilities</b>	<b>644</b>	<b>575</b>	▲69
Shareholders' Equity	457	<b>447</b>	▲10
Accumulated other comprehensive income	▲15	▲ <b>23</b>	▲8
Minority Interest	12	<b>11</b>	▲1
<b>Net Assets</b>	<b>454</b>	<b>435</b>	▲19
<b>Ratio of Shareholder's Equity</b>	40.3%	42.0%	
<b>D/E Ratio</b>	27.9%	27.9%	

# FY2020 FIRST HALF CONSOLIDATED STATEMENT OF CASH FLOW

Hundreds million yen

- ◆ Cash decreased by 3.4 billion yen, but new commitment lines of 5 billion yen from banks were established to strengthen liquidity position



# **FY2020 Financial Forecast**

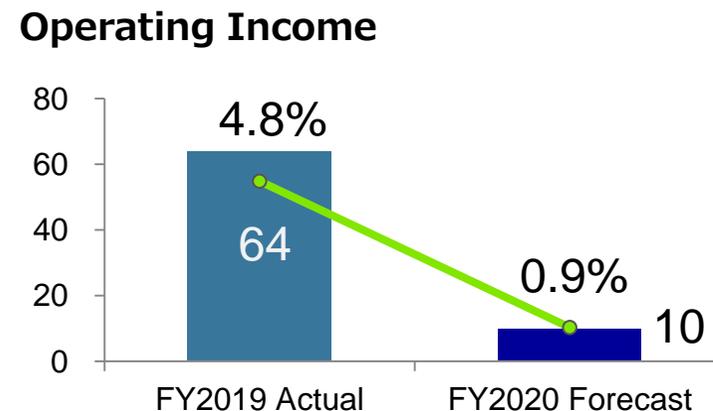
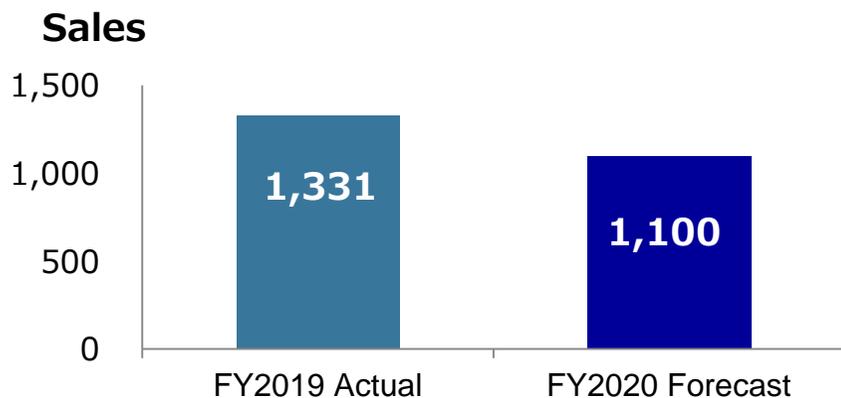
**(January ~ December 2020)**

# FY2020 CONSOLIDATED FORECAST

Hundreds million yen

## ◆ Forecast to be profitable for FY 2020

	FY2019 Actual	FY2020 Forecast	Inc/Dec	Increase/Decrease %
Sales	1,331	1,100	▲231	▲17.3%
Operating Income	64	10	▲54	-
Operating Margin(%)	4.8%	0.9%	-	▲3.9Pts
Ordinary Income	74	8	▲66	-
Net Income belonging to Parent Company's Shareholders	52	4	▲48	-



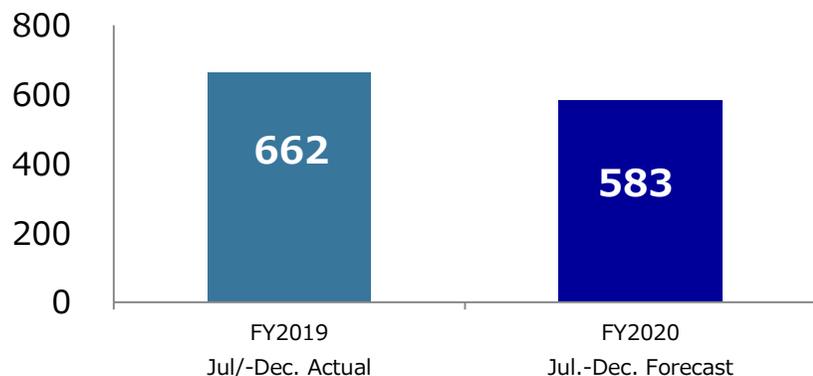
# FY2020 JUL.~DEC. CONSOLIDATED FORECAST

Hundreds million yen

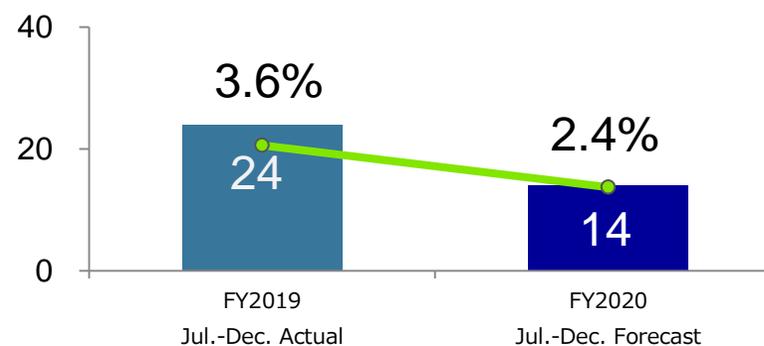
- ◆ Despite the effect of launching new car models in the second half, conservatively forecast decrease in sales at the same level as market
- ◆ Continuously strive to reduce costs by variabilization, etc.

	FY2019 Actual Jul.-Dec.	FY2020 Forecast Jul.-Dec.	Inc/ Dec	Inc/Dec %
Sales	662	583	▲79	▲11.9%
Operating Income	24	14	▲10	▲41.7%
Operating Margin(%)	3.6%	2.4%	-	▲1.2Pts
Ordinary Income	32	15	▲17	▲53.1%
Net Income belonging to Parent Company's Shareholders	24	10	▲14	▲41.7%

Sales



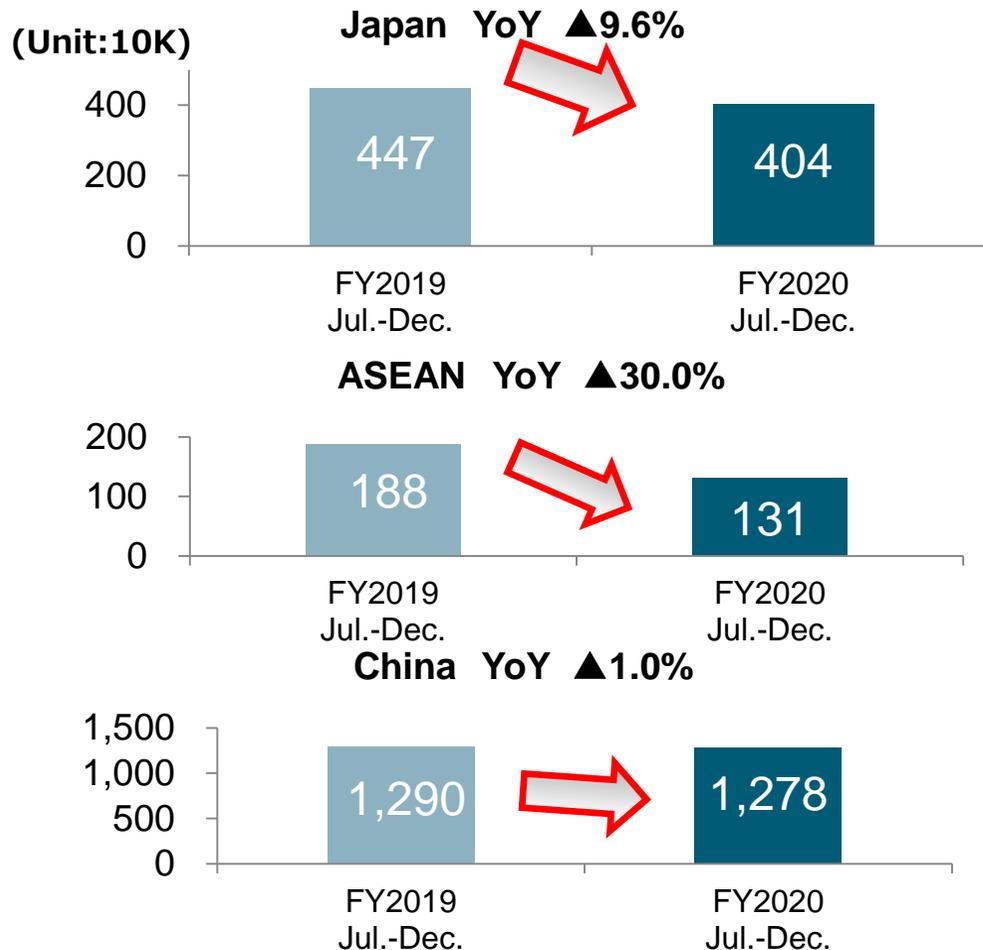
Operating Income



# JULY ~ DECEMBER 2020 FORECAST

## COMPARISONS OF PRODUCTION VOLUME OF THE MARKET AND SALES OF THE COMPANY WITH THE SAME PERIOD OF LAST YEAR (MARKET IS IN PRELIMINARY BASE)

### Forecast of production volume of the market (from LMC Automotive)



### Forecast of sales of the Company vs Production volume in the market

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

	Sales of the Company	Production volume of the market	Outperformance
Japan	▲7.0%	▲9.6%	2.6 pt.
ASEAN	▲28.0%	▲30.0%	2.0 pt.
China	▲1.1%	▲1.0%	▲0.1 pt.

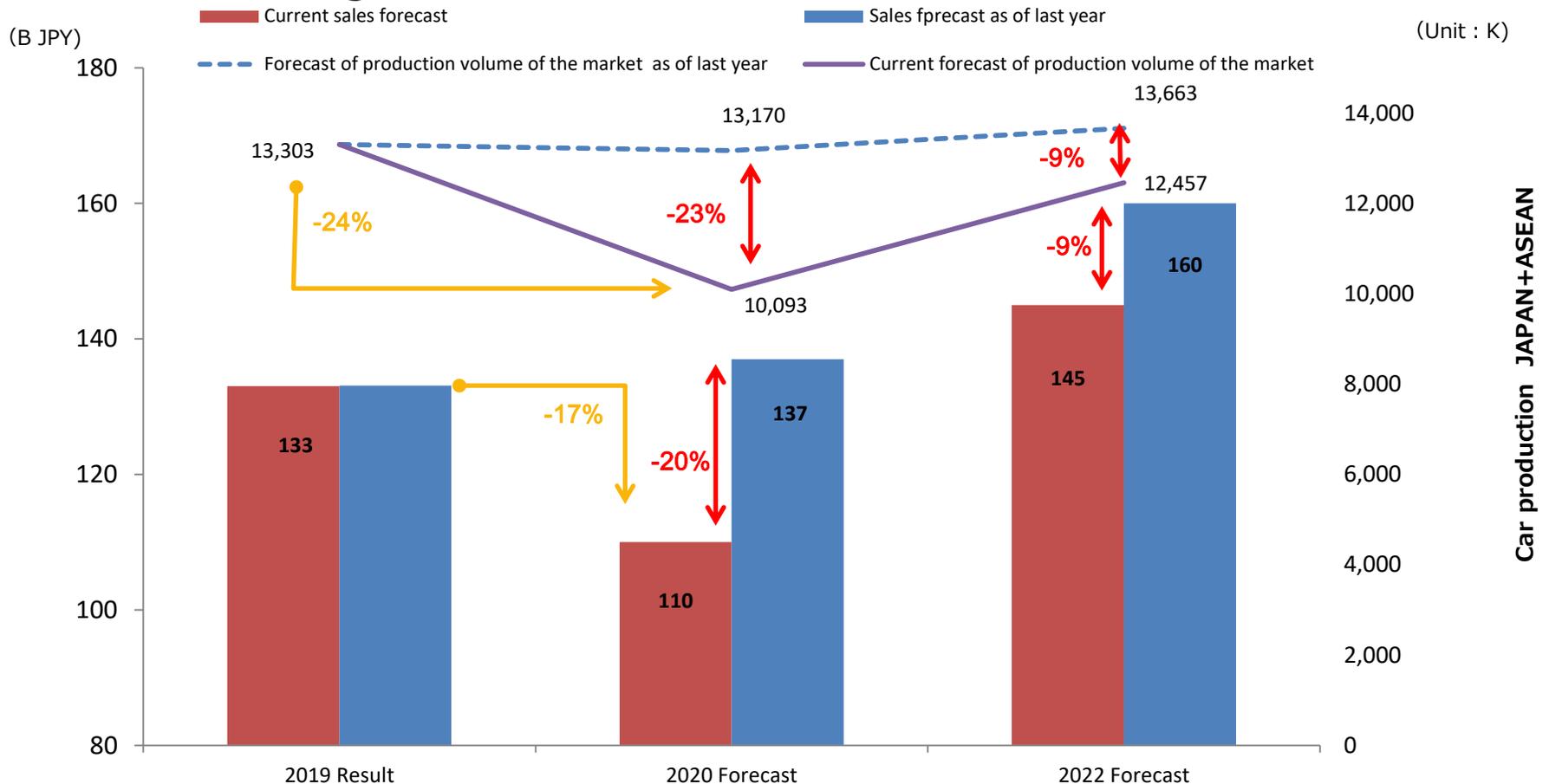
ASEAN: Malaysia, Indonesia, Thailand

---

# Our Strategy and Forecast in the Post COVID-19

# FORECAST OF PRODUCTION VOLUME OF THE MARKET (FROM LMC AUTOMOTIVE) AND SALES OF THE COMPANY

- ◆ Assuming significant drop in production volume in Japan and ASEAN market compared to the previous forecast
- ◆ Assuming drop in sales of the Company compared to the previous forecast at the same level with the range of decrease of the market



# POINTS OF OUR MEASURES IN THE POST-COVID-19

## Productivity Improvement

- ✓ **Headlamp** : Continue productivity improvement by the establishment of Atsugi Plant, etc.
- ✓ **Rear combination lamp** : Investment for the renewal of Fujioka Plant completed
- ✓ **ASEAN** : Strengthen control of loss at SOP
- ✓ **China Mirror** : Started operations of the new automated painting line

➔ Aim to reach 0.8~1 billion yen /year of productivity improvement

## Cost Structure Reforms

- ✓ **Thoroughly reform the structure of fixed costs in order to respond to the drop in sales forecast**
  - Solicitation of early retirement
  - Further promotion of shared services with Valeo
- ✓ **Continue control of R&D expenses**
  - Accelerate utilization Valeo / Ichikoh LCC development sites

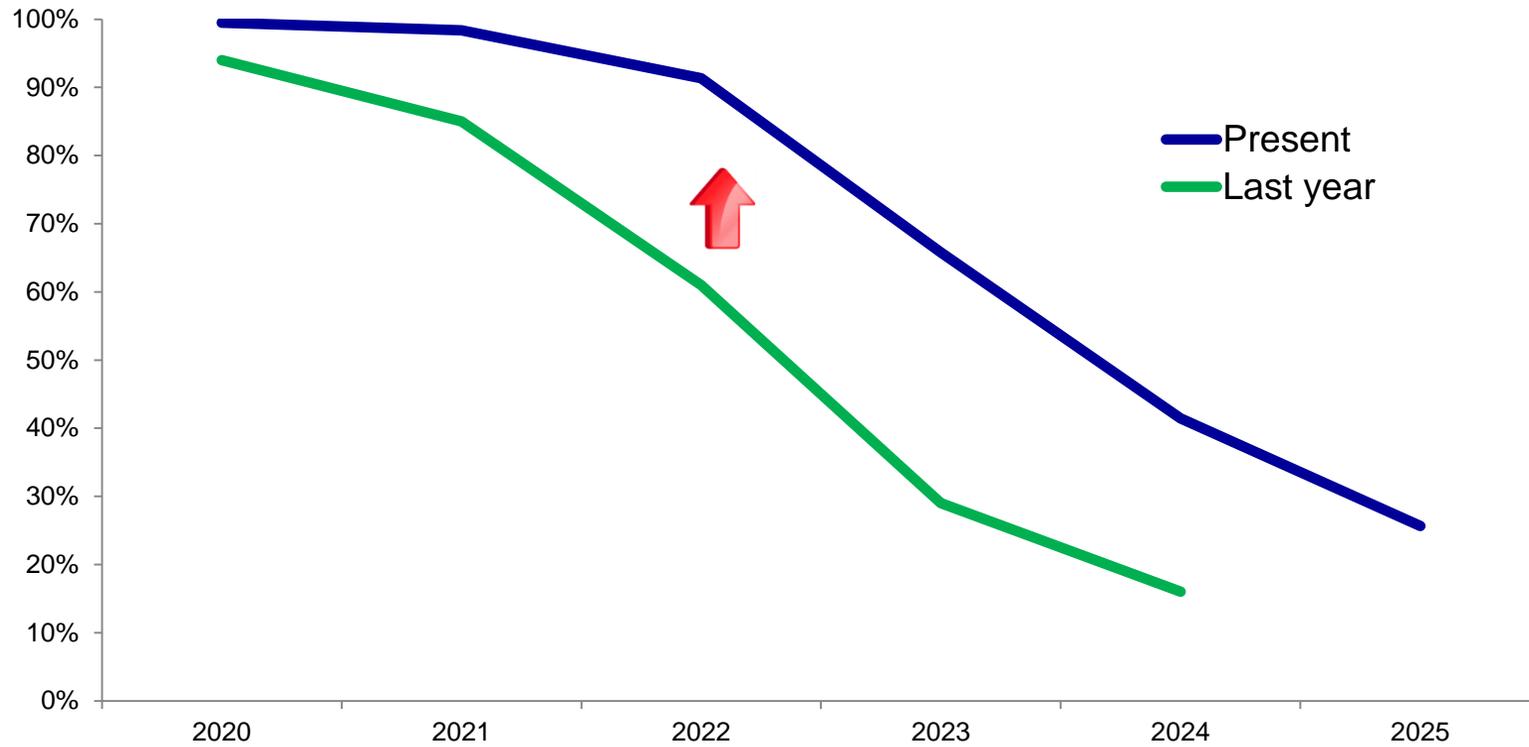
## Enhancement of Value Added Products

- ✓ **Essential to**
  - Increase market share in a weaker and uncertain market environment
  - Mitigate the impact of pricing pressure by enhancing high value products
- ✓ **Accelerate joint development and collaboration with Valeo. Provide timely and accurate product proposals to customers**

# PROGRESS OF BOOKED RATIO

**Booked Ratio\* for each year steadily increases thanks to steady progress of order intakes**

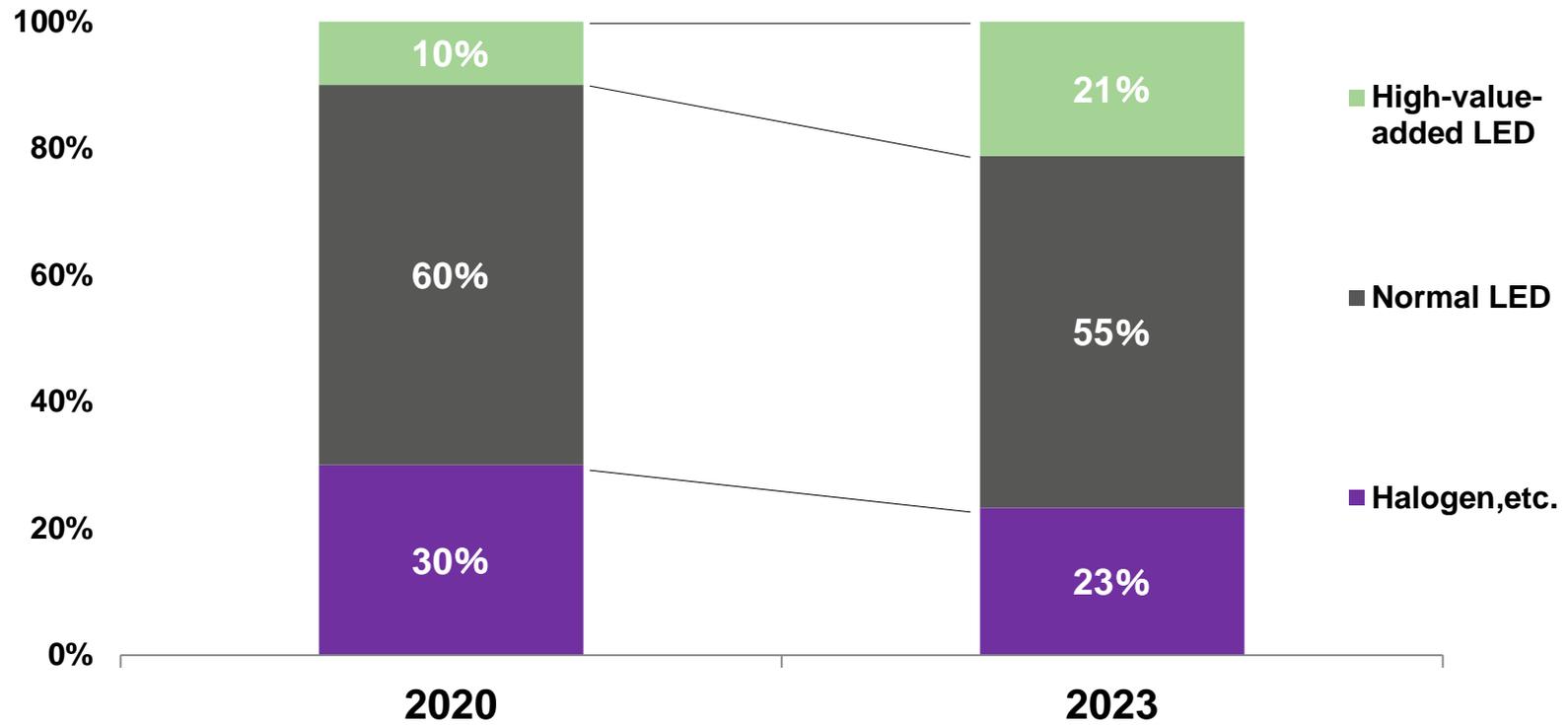
\* Booked Ratio: existing or booked business over estimated sales for the respective year



# FORECAST OF RATIO OF HIGH-VALUE-ADDED PRODUCTS

## Expect steady increase of ratio of LED and high-value-added products

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



# EXAMPLES OF ADVANCED TECHNOLOGY UNDER DEVELOPMENT

---

## High Resolution Head Lamp "Monolithic"

Technology to support drivers by controlling the light in pixels, with the micro LED array light source and the electronic devices



Signs displayed on road that supports the driver

## Next-generation Signal Lamp "Communication Lighting"

Lighting technology which plays a new role in automated driving era by communicating using lightings



Image of the vehicle mounting the technology

# SOLICITATION OF EARLY RETIREMENT

---

***Subsequent event disclosed in Second Quarter Financial Report for FY 2020 (Issued on August 17, 2020)***

At the Board of Directors meeting held on August 7, 2020, the Company resolved to solicit voluntary early retirement.

Due to a decline in demand for automobiles mainly due to the spread of COVID-19 infections, production volume of automobiles has decreased. Under such circumstances, the Company group is thoroughly implementing variabilization of the costs. However, the Company decided to solicit voluntary early retirement based on the judgment that it will be necessary to further reform the cost structure in order to promote a growth strategy that is in accordance with future demand forecasts.

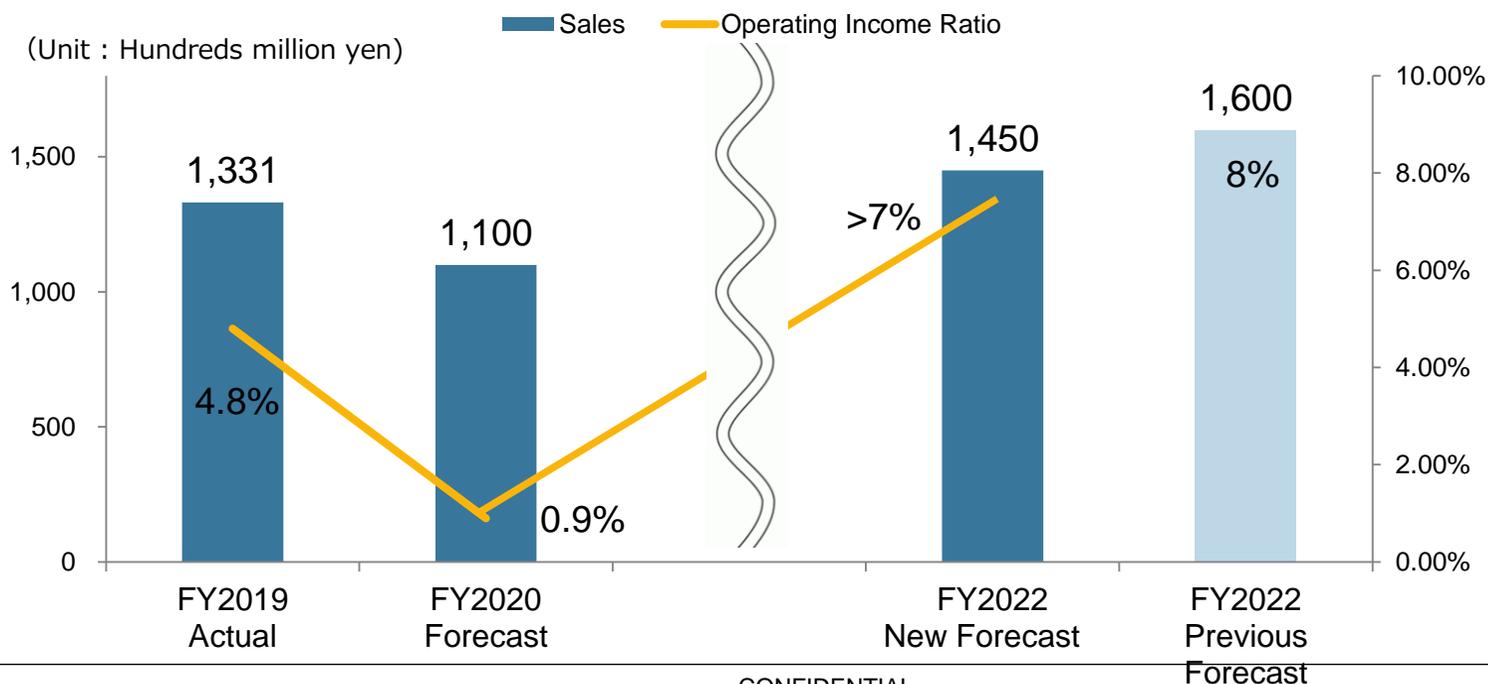
Outline of the Early Retirement Plan is as below.

1. Eligible person : Permanent employees of the Company
2. The number to be accepted : Around 100 employees
3. Application period : September 7, 2020 – October 9, 2020
4. Planned retirement date : October 31 or November
5. Detail of support: Additional benefit will be added on retirement allowance and re-employment support service will be provided for employees who wish to use the service.

**ASSUME ANNUAL LABOR COST REDUCTION OF ABOUT 1.3 BILLION YEN  
(RETIREMENT ADDITIONAL BENEFIT OF ABOUT 400 MILLION YEN IS NOT REFLECTED  
IN FY2020 FORECAST IN P12)**

# MID-TERM FORECAST

- ◆ Lower sales forecast for FY2022 compared to the previous forecast reflecting decrease of market : 145 billion yen
- ◆ Operating income target for 2022 exceeding 7%, even with a decrease in sales forecast, thanks to primarily:
  - ❖ Cost structure reforms by productivity improvement and fixed cost reduction
  - ❖ Absorbing the increase in R&D and depreciation expenses



---

## **DISCLAIMER REGARDING FORECASTED FIGURES**

**Material contained in this presentation such as financial projections that are predictive in nature are based on information available at the current date and assumptions judged to be reasonable; and therefore, actual performance may differ due to numerous factors.**

**Please use your own judgement when using this information. Ichikoh Industries cannot be held responsible for any losses incurred resulting from investment decisions made based on these forward looking statements.**

**Copyrights for the contents in this presentation belong to Ichikoh Industries, Ltd. None of the contents may be copied or distributed without the expressed consent of the company.**

**ICHIKOH**  
a Valeo company