

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

November 16, 2020

Company name **ICHIKOH INDUSTRIES, LTD.**
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 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, 2020 (January 1, 2020 to September 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 |
|--------------------------------------|----------------------|---------------------|---------------------|--|
| | % | % | % | % |
| 3rd Quarter (ended on Sep. 30, 2020) | 79,388 Δ 20.8 | 450 Δ 91.8 | 1,191 Δ 78.9 | 325 Δ 91.5 |
| 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 |

(Note) Comprehensive income:

Sep. 30, 2020 Δ 941 million yen (-%) Sep. 30, 2019 3,769 million yen (Δ 30.4%)

| | Net income per share (Yen) | Net income per share-diluted (Yen) |
|--------------------------------------|----------------------------|------------------------------------|
| 3rd Quarter (ended on Sep. 30, 2020) | 3.39 | - |
| 3rd Quarter (ended on Sep. 30, 2019) | 39.87 | - |

(2) Consolidated Financial Position

(Millions of yen; except for per share figures)

| | Total Assets | Net Assets | Equity Ratio (%) |
|-----------------------------------|--------------|------------|------------------|
| 3rd Quarter (as of Sep. 30, 2020) | 105,572 | 44,031 | 40.6 |
| FY2019 (as of Dec. 31, 2019) | 109,813 | 45,405 | 40.3 |

[Reference] Equity Third Quarter as of Sep. 30, 2020 42,906 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 : No

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 | net income (loss) attributable to the shareholder parent company | Net Income per Share (Yen) |
|-----------|-----------------------|------------------|---------------------|--|----------------------------|
| | % | % | % | % | yen |
| Full Year | 111,000 Δ 16.6 | 1,500 76.7 | 2,400 Δ 67.4 | 1,100 Δ 78.9 | 11.44 |

Note: Revision to previous consolidated performance forecast : Applied

4. Other

- (1) Principal affiliates' transfer in this fiscal term (in accordance with the change of consolidation) 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, 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 September 30, 2020 | 165,198 |
| As of December 31, 2019 | 164,996 |
- ③ Average number of shares during the period (cumulative)
- | | |
|---------------------|------------|
| FY2020 3rd quarter: | 96,127,289 |
| FY2019 3rd quarter: | 96,107,289 |

*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 estimates 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 showed some signs of a recovery though it continued to be stagnant due to the effect of spread of Coronavirus Disease (COVID-19) infection. Global economy, however, remained unpredictable due to the effect of restriction of movement and lockdown, except China of which production and investment are on a recovery trend.

As for automotive market to which the company group belongs, the domestic car production volume on cumulative basis to the third quarter decreased by more than 20% compared to the same period of last year, but decrease of the third quarter got smaller than the second quarter. Though the total car production volume of ASEAN regions (Thailand, Malaysia and Indonesia) on cumulative basis to the third quarter also decreased by more than 40% compared to the same period of last year and the car production volume of Indonesia continued to decrease by more than 60% in the third quarter, signs of recovery were shown in Malaysia and Thailand. The car production volume of China has been recovering since the second quarter, and increased in the third quarter compared to the same period of last year.

Under those circumstances, the profit level significantly improved in the third quarter compared to the second quarter. For the cumulative third quarter of overseas affiliates (three affiliates in ASEAN and one in China), total sales of four affiliates decreased and they posted an operating deficit. But in Japan, which is mainstay, operating profit increased because decrease of sales got smaller and variabilization of costs worked effectively. As a result, operating balance for the cumulative third quarter turned to profitable on a consolidated basis, and sales was 79,388 million yen(20.8% decrease compared to the same period of last year), operating income was 450 million yen(91.8% decrease compared to the same period of last year) and ordinary income was 1,191 million yen (78.9% decrease compared to the same period of last year). Net income attributable to shareholders of the parent company was 325 million yen (91.5% decrease compared to the same period of last year) because of introduction of the Early Retirement Systems in Japan and overseas and record of an extraordinary loss of 568 million yen for the business structure improvement.

Results by each segment are as follows:

Auto-Components business

In Japan, which is our mainstay, decrease in sales was smaller compared to decrease in domestic car production volume, and the decrease in sales was better than the rate of decrease in car production volume in ASEAN partially due to the launch of new car models at the affiliate in Thailand.

As for overseas affiliates (three affiliates in ASEAN and one in China), though total sales of four affiliates decreased and they posted an operating deficit, the deficit has been improving. As for Japan, which is mainstay, cost increased due to transfer to new Atsugi Plant, but operating profit increased because decrease of sales got smaller and variabilization of costs worked effectively. As a result, sales was 74,060 million yen(21.2% decrease compared to the same period of last year) and operating income was 411 million yen(92.5% decrease compared to the same period of last year). And operating balance turned to profitable.

After-Market business

As for after-market business, the sales was 5,536 million yen (12.2% decrease compared to the same period of last year) because of decrease in sales of after-market due to the effect of COVID-19, but balance turned to profitable by cost reduction and effect of the record of temporary gain in the first quarter, and operating income was 103 million yen(31.8% increase compared to the same period of last year).

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

At present, on a global scale, there are many uncertain factors such as the second spread of COVID-19 infection in Europe; on the other hand, the Japanese economy is gradually recovering. The Company revised upward the performance forecast of consolidated fiscal year ending December, 2020 as follows considering the present status of the Company's balance and that the decrease of domestic car production volume is getting smaller and ceasing to decrease.

| | Net Sales | Operating Income | Ordinary Income | Net Income Attributable to Shareholders of the Parent Company | Net Income per Share |
|--|-------------|------------------|-----------------|---|----------------------|
| | million yen | million yen | million yen | million yen | yen |
| Previous Forecast (A) | 110,000 | 1,000 | 800 | 400 | 4.16 |
| Revised Forecast (B) | 111,000 | 1,500 | 2,400 | 1,100 | 11.44 |
| Difference (B—A) | 1,000 | 500 | 1,600 | 700 | |
| Ratio (%) | 0.9 | 50.0 | 200.0 | 175.0 | |
| ((Ref) Consolidated Result of Previous Period(ending December, 2019) | 133,053 | 6,440 | 7,363 | 5,214 | 54.26 |

The forecasted statements such as performance forecast shown in these materials are based on information currently available that the Company regards as reasonable; and therefore, actual performance may differ due to numerous factors.

2. Consolidated Financial Statement

(1) Consolidated Balance Sheets

(Millions of yen)

| | Previous Fiscal Year End (As of December 31, 2019) | Third Quarter End (As of September 30, 2020) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,196 | 5,240 |
| Notes and accounts receivable-trade | 20,118 | 18,672 |
| Electronically recorded monetary claims-operating | 1,541 | 1,675 |
| Merchandise and finished goods | 4,878 | 4,722 |
| Work in process | 647 | 611 |
| Raw materials and supplies | 3,795 | 3,211 |
| Other | 7,166 | 5,770 |
| Allowance for doubtful accounts | (89) | (69) |
| Total current assets | 46,255 | 39,834 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 12,351 | 12,796 |
| Machinery, equipment and vehicles, net | 13,823 | 15,421 |
| Tools, furniture and fixtures, net | 5,049 | 4,858 |
| Land | 3,398 | 3,366 |
| Lease assets, net | 1,551 | 936 |
| Construction in progress | 6,587 | 8,383 |
| Total property, plant and equipment | 42,760 | 45,762 |
| Intangible assets | | |
| Goodwill | 135 | - |
| Other | 1,151 | 1,125 |
| Total intangible assets | 1,287 | 1,125 |
| Investments and other assets | | |
| Investment securities | 5,042 | 3,122 |
| Long-term loans receivable | 909 | 834 |
| Deferred tax assets | 3,956 | 4,520 |
| Other | 9,609 | 10,380 |
| Allowance for doubtful accounts | (8) | (7) |
| Total investments and other assets | 19,510 | 18,849 |
| Total noncurrent assets | 63,558 | 65,737 |
| Total assets | 109,813 | 105,572 |

(Millions of yen)

| | Previous Fiscal Year End (As of December 31, 2019) | Third Quarter End (As of September 30, 2020) |
|--|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 29,549 | 22,971 |
| Short-term loans payable | 1,012 | 4,274 |
| Current portion of long-term loans payable | 1,129 | 2,045 |
| Lease obligations | 730 | 163 |
| Income taxes payable | 1,080 | 825 |
| Accrued expenses | 3,525 | 3,987 |
| Allowance for bonuses | 1,004 | 1,205 |
| Allowance for directors' bonuses | 25 | 60 |
| Allowance for product warranties | 1,739 | 1,511 |
| Allowance for business structure improvement | - | 510 |
| Other | 6,023 | 6,903 |
| Total current liabilities | 45,821 | 44,459 |
| Noncurrent liabilities | | |
| Long-term loans payable | 8,974 | 7,303 |
| Lease obligations | 490 | 757 |
| Deferred tax liabilities | 182 | 129 |
| Retirement benefits | 8,718 | 8,668 |
| Asset retirement obligations | 170 | 151 |
| Provision for environmental program | 8 | 8 |
| Other | 40 | 61 |
| Total noncurrent liabilities | 18,586 | 17,081 |
| Total liabilities | 64,407 | 61,540 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 8,986 | 8,986 |
| Capital surplus | 2,505 | 2,505 |
| Retained earnings | 34,267 | 34,160 |
| Treasury stock | (45) | (45) |
| Total shareholders' equity | 45,713 | 45,606 |
| Accumulated other comprehensive income | | |
| Valuation difference on other securities. | 1,899 | 965 |
| Foreign currency translation adjustment | (2,905) | (3,290) |
| Adjustment retirement benefits | (467) | (375) |
| Total accumulated other comprehensive income | (1,473) | (2,700) |
| Minority interests | 1,165 | 1,125 |
| Total net assets | 45,405 | 44,031 |
| Total liabilities and net assets | 109,813 | 105,572 |

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

| Consolidated Statements of Income | (Millions of yen) | |
|--|---|--|
| | Previous 3rd Quarter (January 1, 2019 ~ September 30, 2019) | Current 3rd Quarter (January 1, 2020 ~ September 30, 2020) |
| Net sales | 100,296 | 79,388 |
| Cost of sales | 79,105 | 64,411 |
| Gross profit | 21,191 | 14,977 |
| Selling, general and administrative expenses | 15,670 | 14,527 |
| Operating income | 5,520 | 450 |
| Non-operating income | | |
| Interest income | 59 | 43 |
| Dividends income | 147 | 128 |
| Gain on sale of investment securities | - | 675 |
| Equity in earnings of affiliates | 282 | 177 |
| Other | 88 | 53 |
| Non-operating income | 578 | 1,078 |
| Non-operating expenses | | |
| Interest expenses | 126 | 96 |
| Commission paid | 22 | 1 |
| Foreign exchange losses | 252 | 182 |
| Other | 56 | 55 |
| Non-operating expenses | 458 | 337 |
| Ordinary income | 5,640 | 1,191 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 0 | - |
| Extraordinary income | 0 | - |
| Extraordinary loss | | |
| Loss on disposal of noncurrent assets | 176 | 48 |
| Business structure improvement expenses | - | 568 |
| Total Extraordinary loss | 176 | 616 |
| Income (loss) before income taxes | 5,464 | 574 |
| Income taxes | 1,601 | 268 |
| Income (loss) before minority interests | 3,862 | 306 |
| Minority interests in income | 30 | (19) |
| quarterly net income (loss) attributable to the shareholder parent company | 3,832 | 325 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Previous 3rd Quarter (January 1, 2019 ~ September 30, 2019) | Current 3rd Quarter (January 1, 2020 ~ September 30, 2020) |
|--|---|--|
| Income (loss) before minority interests | 3,862 | 306 |
| Other comprehensive income | | |
| Valuation difference on other securities | 339 | (934) |
| Foreign currency translation adjustment | (151) | (367) |
| Adjustment retirement benefits | 102 | 91 |
| Share of other comprehensive income of associates accounted for using equity method | (384) | (37) |
| Total other comprehensive income | (93) | (1,247) |
| Comprehensive income | 3,769 | (941) |
| Comprehensive income attributable to | | |
| Owners of the parent | 3,754 | (901) |
| Minority interests | 14 | (39) |

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I. Previous 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 or loss | 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 |

II. Current Third Quarter (January 1, 2020 to September 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 | 74,058 | 4,701 | 78,760 | 628 | 79,388 |
| (2) Intersegment Sales or Transfers | 1 | 835 | 836 | 643 | 1,479 |
| TOTAL | 74,060 | 5,536 | 79,597 | 1,271 | 80,868 |
| Segment income or loss | 411 | 103 | 514 | (90) | 423 |

* "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 | 514 |
| Loss including "Other" | (90) |
| Elimination for intersegment | 26 |
| Operating income in quarterly consolidated statement | 450 |