

FY2020 Financial Result

March,12 2021

Ichikoh Industries, Ltd.

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FY2020 Financial Result

(January~December 2020)

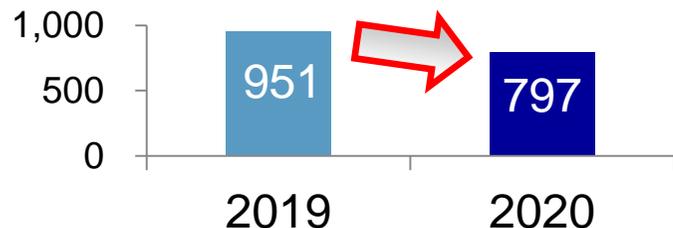
COMPARISONS OF PRODUCTION VOLUME OF THE MARKET AND SALES OF THE COMPANY WITH THE LAST YEAR

Unit: 10,000 units

Production volume of the market

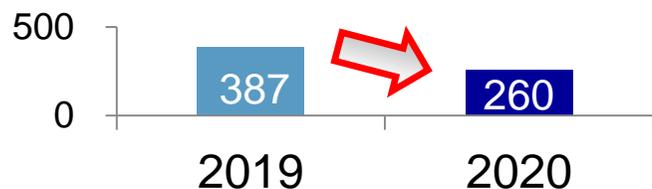
(from LMC Automotive)

Japan YoY ▲16.2%



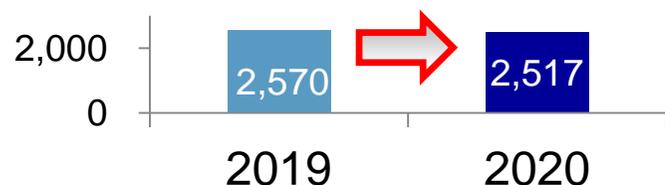
Japan does not include medium and large commercial vehicles

ASEAN YoY ▲32.8%



ASEAN: Malaysia, Indonesia, Thailand

China YoY ▲2.1%



Sales of the Company vs Production volume in the market

Year-on-year comparison

	Sales of the Company	Production volume of the market	Outperformance
Japan	▲12.7%	▲16.2%	3.5 pt.
ASEAN	▲23.3%	▲32.6%	9.3 pt.
China	▲8.7%	▲2.1%	▲6.6 pt.

(Note) The market information is based on bulletin

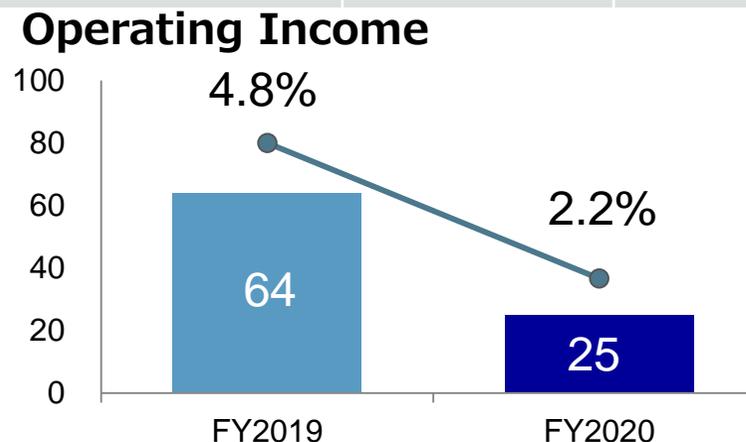
Source : MarkLines

FY2020 FINANCIAL RESULT (YEAR-ON-YEAR)

Hundreds million yen

- ◆ Significant decrease in sales and profits due to COVID-19
- ◆ Reduced fixed cost by implementation of early retirement schemes etc. Suppressed the decrease in profit by thorough cost control

	FY2019 (Jan.~Dec. 2019)	FY2020 (Jan.~Dec. 2020)	Increase /Decrease	Increase /Decrease %
Sales	1,331	1,139	① ▲ 192	▲ 14.4%
Operating Income	64	25	② ▲ 39	▲ 61.7%
Operating Margin (%)	4.8%	2.2%	②/① : 20.3%	▲ 2.6 pt.
Ordinary Income	74	50	▲ 24	▲ 31.4%
Net Income belonging to Parent company's shareholders	52	29	▲ 23	▲ 45.2%



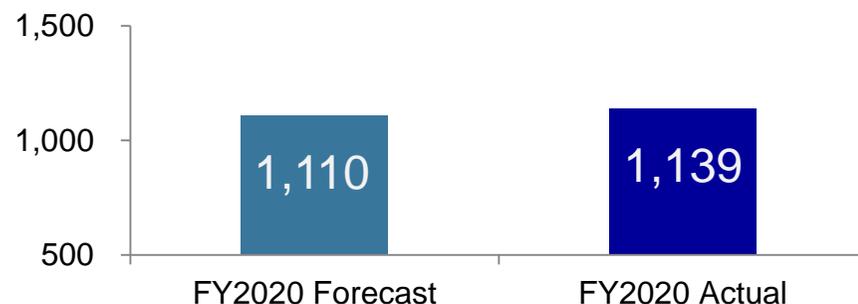
FY2020 FINANCIAL RESULT (VS. FORECAST)

Hundreds million yen

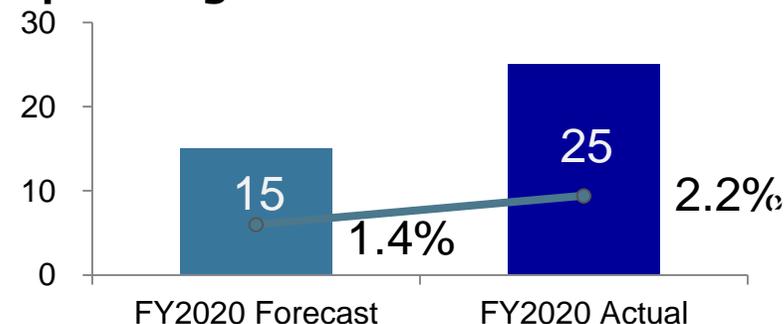
- ◆ Sales increased from the forecast mainly due to recovery of sales in Japan in the fourth quarter
- ◆ Operating income increased from the forecast thanks to sales increase and continuous cost control
- ◆ Ordinary income increased from the forecast by the record of gain on sales of investment securities in non-operating profit

	FY2020 Forecast (Jan.~Dec. 2020) <small>* Forecast announced in TSE on Nov 16, 2020</small>	FY2020 Actual (Jan.~Dec. 2020)	Increase /Decrease	Increase /Decrease %
Sales	1,110	1,139	29	2.6%
Operating Income	15	25	10	66.7%
Operating Margin (%)	1.4%	2.2%	-	0.8 pt.
Ordinary Income	24	50	26	108.3%
Net Income belonging to Parent company's shareholders	11	29	18	163.6%

Sales



Operating Income



FY2020 RESULT BY REGION (YEAR-ON-YEAR)

Hundreds million yen

- ◆ Japan: Even with decrease in sales and profits, suppressed the decrease in profit by cost control
- ◆ Overseas: Showed signs of recovery in China, Thailand and Malaysia. Significant delay in recovery in Indonesia

() : Same term result of the previous year	Japan (Ichikoh Industries)	Overseas	Others	Internal transaction elimination etc.	Total
Sales	893 (1,023)	196 (246)	100 (107)	▲ 50 (▲ 45)	1,139 (1,331)
Operating Income	30 (51)	2 (17)	2 (1)	▲ 9 (▲ 5)	25 (64)
Operating Income %	3.4% (5.0%)	1.0% (6.9%)	2.0% (1.0%)	-	2.2% (4.8%)

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

Overseas : Indonesia · Malaysia · Thailand · China

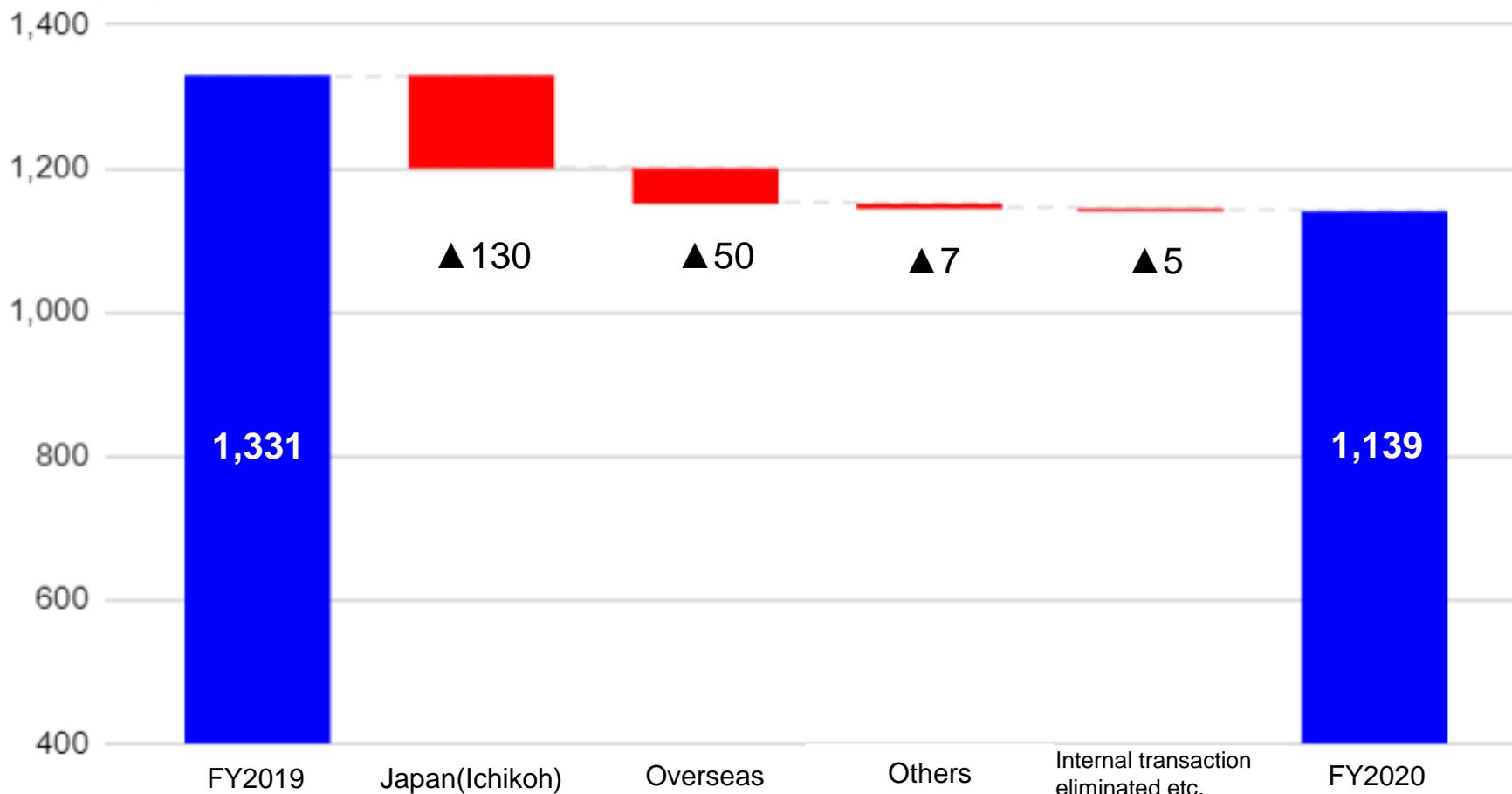
Others : Automotive aftermarket business (PIAA) · Bulb business (Life Elex)

FY2020 FINANCIAL RESULT POINTS (YEAR-ON-YEAR)

【Sales】

Hundreds million yen

- ◆ Consolidated: Sales decreased by ▲19.2 billion yen (▲14.6%) on a consolidated basis, mainly due to the decrease in domestic sales caused by COVID-19.
- ◆ Overseas: Significant decrease in sales in Indonesia (▲5.3 billion yen). Increase in sales in Thailand (800 million yen) due to the launch of new car models

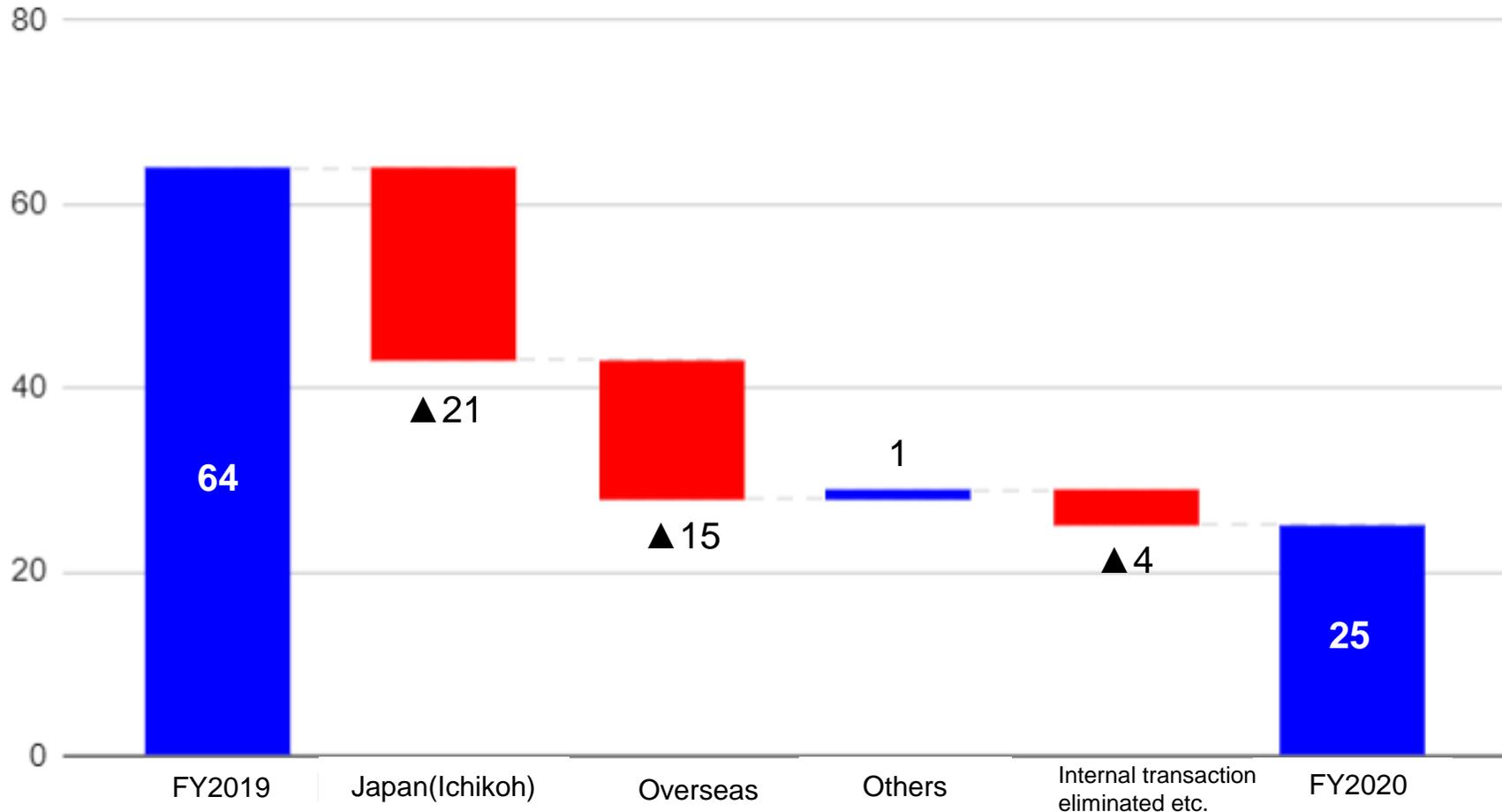


FY2020 FINANCIAL RESULT POINTS (YEAR-ON-YEAR)

【Operating Income】

Hundreds million yen

- ◆ Japan: Thorough cost control suppressed the decrease in domestic profits, which account for 80% of sales
- ◆ Overseas: Profits recovered quickly in China, Thailand and Malaysia. Significant delay in recovery in Indonesia

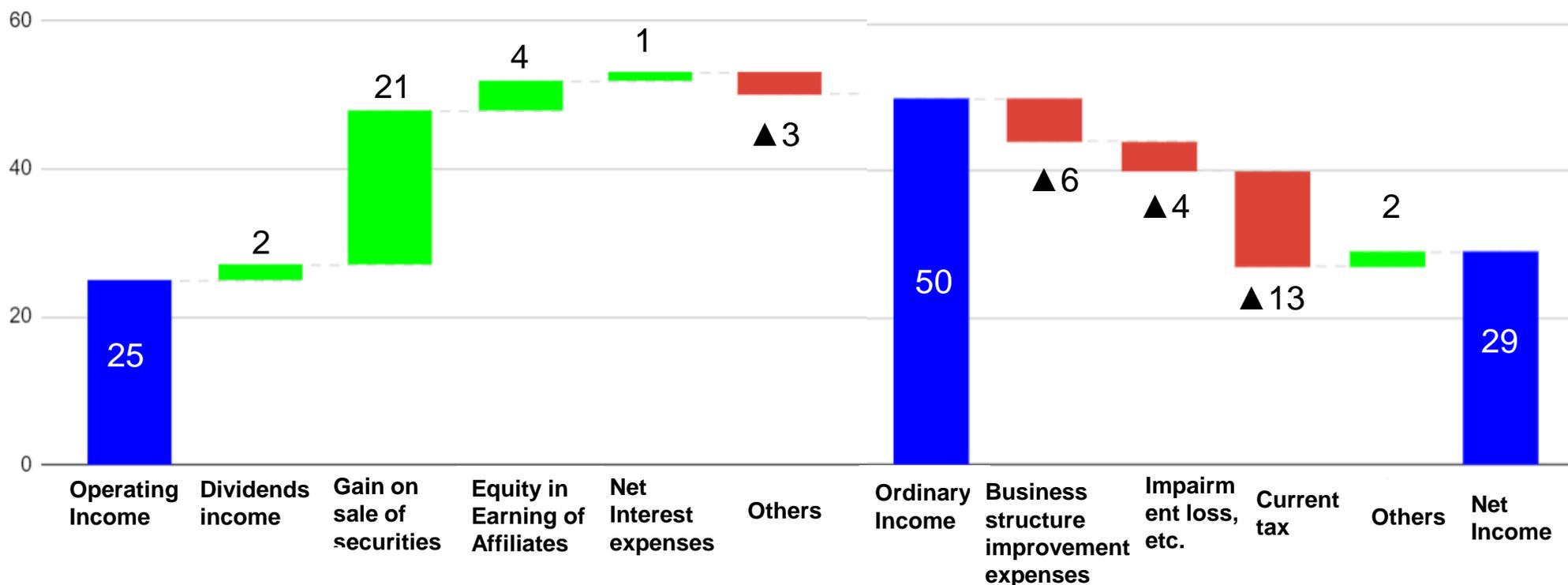


FY2020 FINANCIAL RESULT POINTS

【 Operating Income ~ Ordinary Income ~ Net Income 】

Hundreds million yen

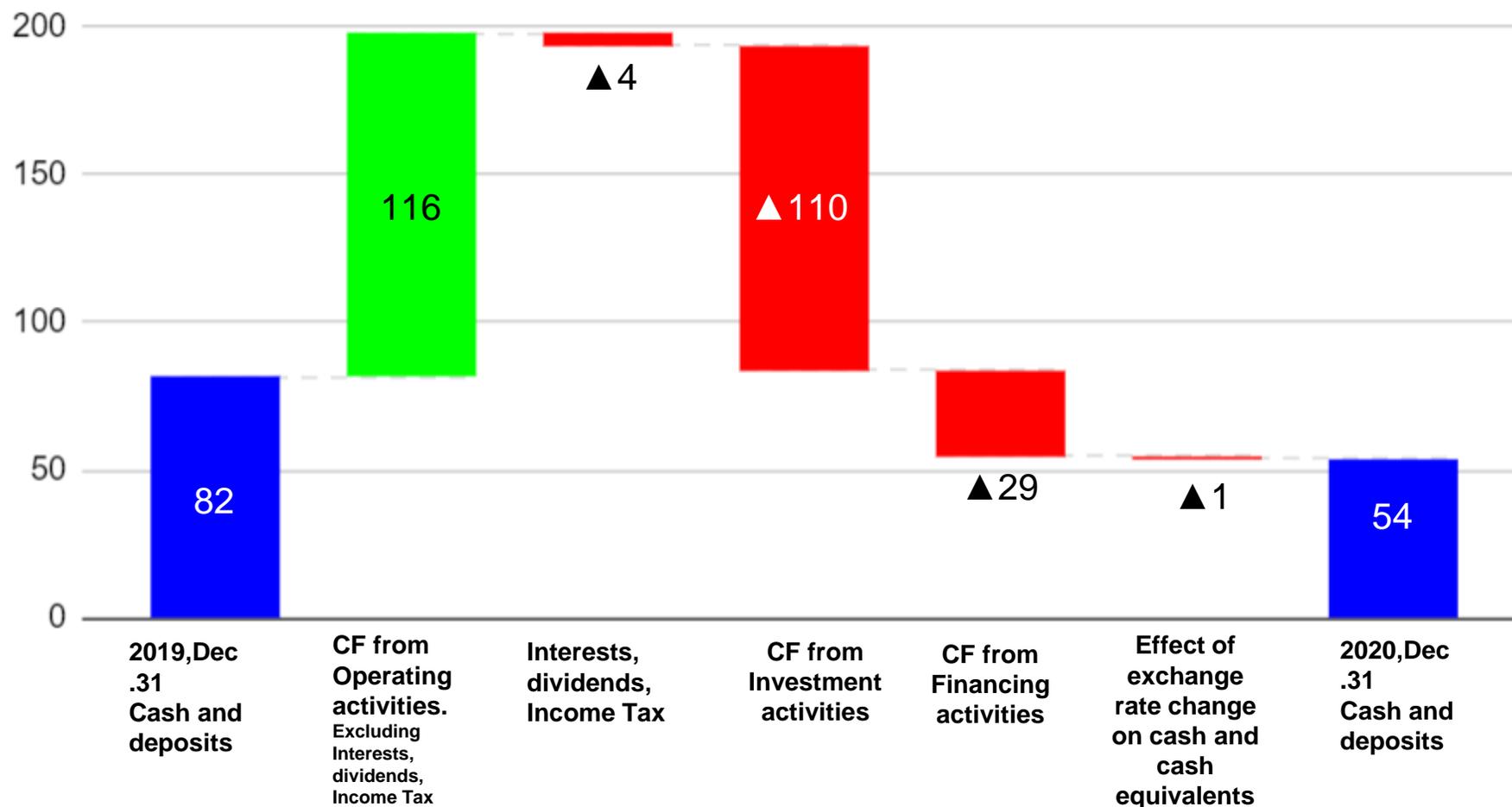
- ◆ Record of gain on sales of investment securities (2.1 billion yen) covered business structure improvement costs and impairment loss (▲ 1 billion yen)



Consolidated Statement of Cash Flow (Year-on-Year Comparison of “Changes in Cash”)

Hundreds million yen

- ◆ Small surplus in Free Cash Flow (= CF from operating activities – CF from investment activities)
 - Acquisition of tangible fixed assets included in CF from investment activities was ▲11.8 billion yen. Mostly covered by 11.6 billion yen of CF from operating activities



CONSOLIDATED BALANCE SHEET (COMPARISON WITH PREVIOUS PERIOD)

Hundreds million yen

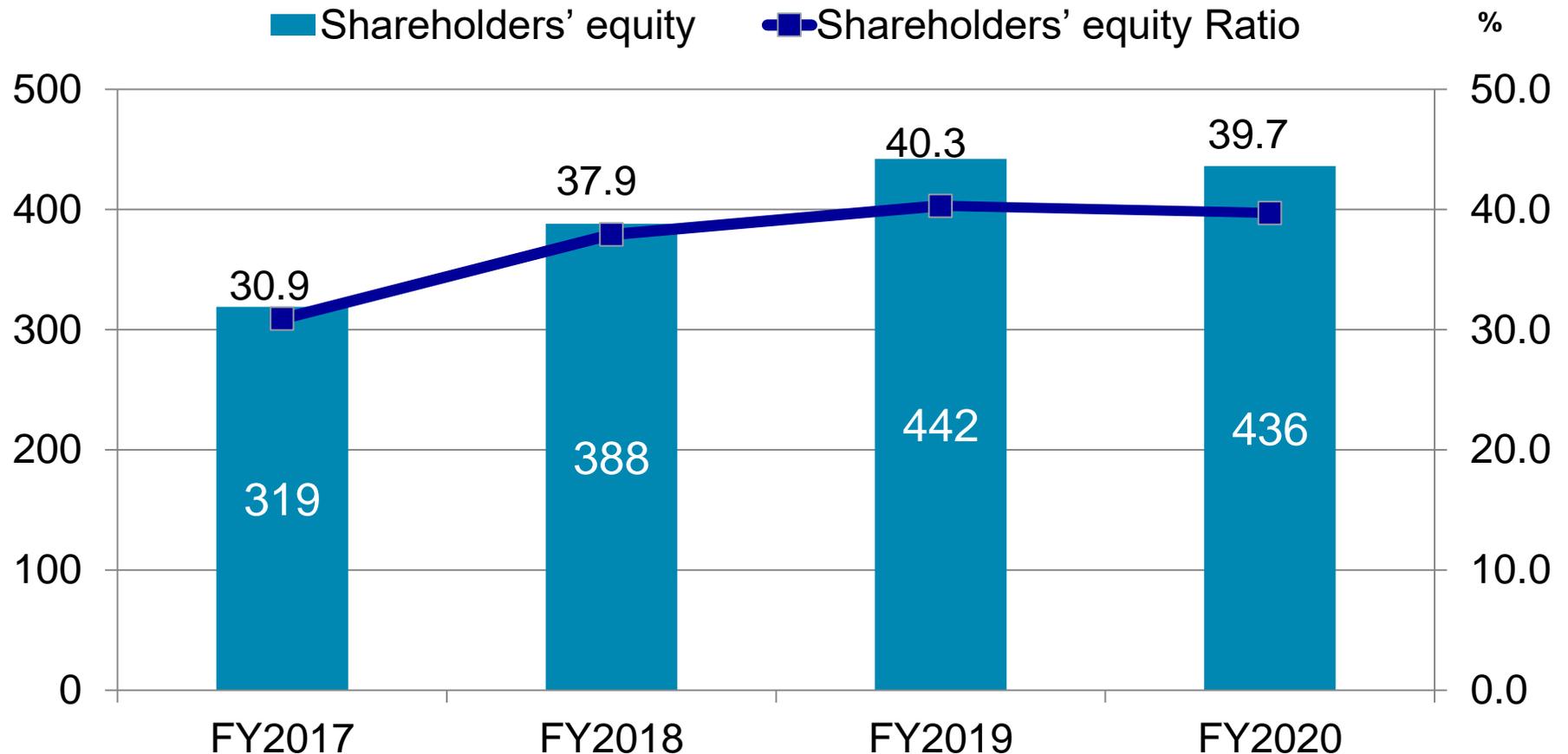
- ◆ Liquidity (= cash and equivalents + short-term loans) was almost equal to the previous period (14.1 billion yen at the previous period / 14.5 billion yen at the current period)
 - Short-term loans (very short-term loans for Valeo) were executed after comparing interest rates with bank deposits

	2019/12	2020/12	Inc/Dec
Cash and equivalents	82	54	▲28
Inventry	93	82	▲11
Short-term loans	59	91	32
Tangible and Intangible Fixed Assets	440	471	31
Others	424	398	▲26
Total Assets	1,098	1,096	▲2
Interest Bearing Debt	123	99	▲24
Other Liabilities	521	552	31
Total Liabilities	644	651	7
Shareholders' Equity	457	481	24
Accumulated other comprehensive income	▲15	▲46	▲31
Minority Interest	12	10	▲2
Net Assets	454	445	▲9
Ratio of Shareholder's Equity	40.3%	39.7%	
D/E Ratio	27.9%	22.8%	

SHAREHOLDERS' EQUITY AND EQUITY RATIO

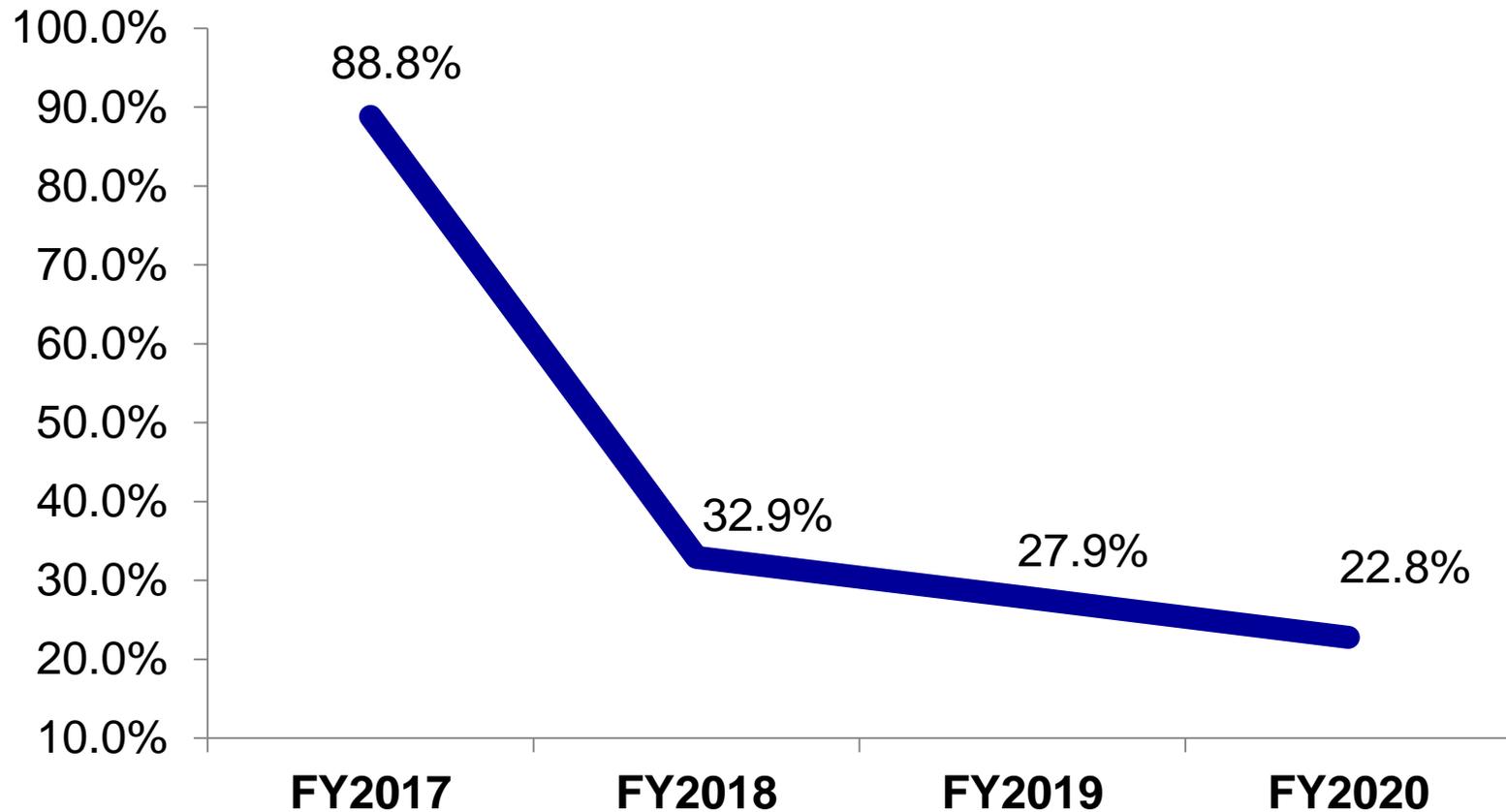
Hundreds million yen

Secured level of around 40 billion yen and 40% though Shareholders' Equity ratio decreased slightly



D/E RATIO

D/E ratio has improved steadily since the significant improvement two years ago



FY2021 Financial Forecast

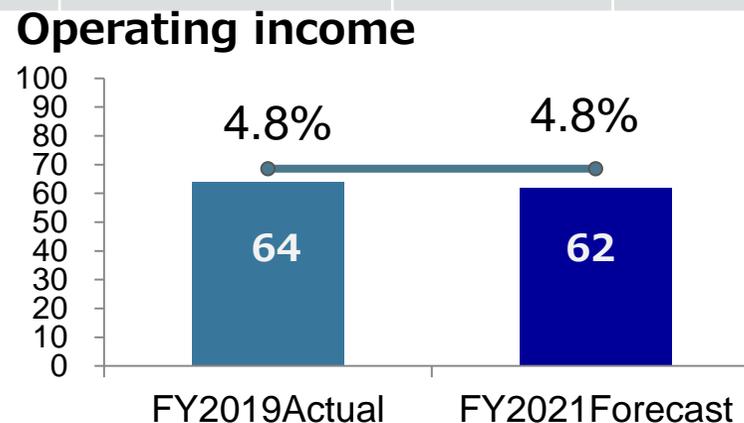
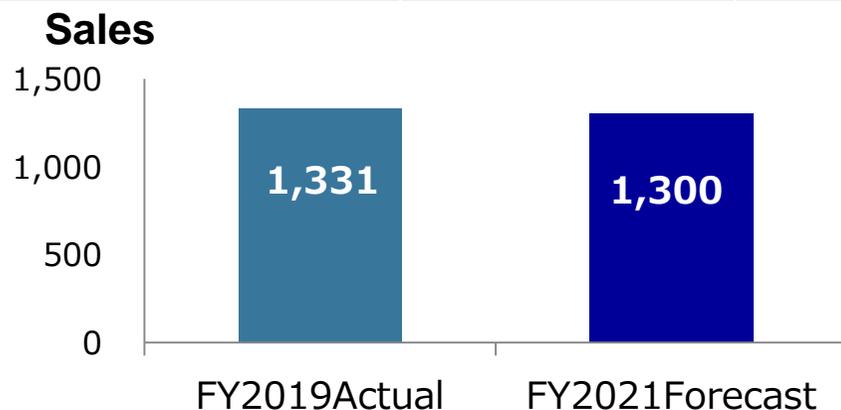
(January ~ December 2021)

FY2021 CONSOLIDATED FORECAST (VS. FY2019 & FY2020)

Hundreds million yen

- ◆ Sales: Slightly lower than the FY 2019 results which was prior to COVID-19 pandemic, considering the uncertainty of recovery in Indonesia
- ◆ Operating income: Forecast FY 2019 level to be achieved due to the effect of reducing fixed costs, etc

	FY2019 (Jan.~Dec. 2019)	FY2020 (Jan.~Dec. 2020)	FY2021 Forecast (Jan.~Dec. 2021)	vs. 19 Increase / decrease	vs. 20 Increase / decrease
Sales	1,331	1,139	1,300	▲31	161
Operating Income	64	25	62	▲2	37
Operating Margin (%)	4.8%	2.2%	4.8%	-	-
Ordinary Income	74	50	66	▲8	16
Net Income belonging to Parent company's shareholders	52	29	42	▲10	13



FY2021 FORECAST BY REGION (VS. FY2019)

Hundreds million yen

- ◆ Japan: Slightly lower than FY 2019 due to the increase in R&D expenses and depreciation expenses
- ◆ Overseas: Forecast significant improvement in operating margin although recovery in Indonesia is delayed

(): FY2019	Japan (Ichikoh Industries)	Overseas	Others	Internal transaction elimination etc.	Total
Sales	986 (1,023)	245 (246)	101 (107)	▲ 32 (▲ 45)	1,300 (1,331)
Operating Income	41 (51)	22 (17)	4 (1)	▲ 5 (▲ 5)	62 (64)
Operating Income %	4.2% (5.0%)	9.0% (6.9%)	4.0% (1.0%)	-	4.8% (4.8%)

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

Overseas : Indonesia · Malaysia · Thailand · China

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

FY2021 FORECAST BY REGION (VS. FY2020)

Hundreds million yen

- ◆ **Japan: Increase in sales and profit. Decrease in fixed costs. Recovery in profit becomes gradually because the temporary cost controls in the previous year was completed**
- ◆ **Overseas: Forecast significant improvement from the previous period in Thailand, etc. although recovery in Indonesia is delayed**

(): FY2020	Japan (Ichikoh Industries)	Overseas	Others	Internal transaction elimination etc.	Total
Sales	986 (893)	245 (196)	101 (100)	▲ 32 (▲ 50)	1,300 (1,139)
Operating Income	41 (30)	22 (2)	4 (2)	▲ 5 (▲ 9)	62 (25)
Operating Income %	4.2% (3.4%)	9.0% (1.0%)	4.0% (2.0%)	-	4.8% (2.2%)

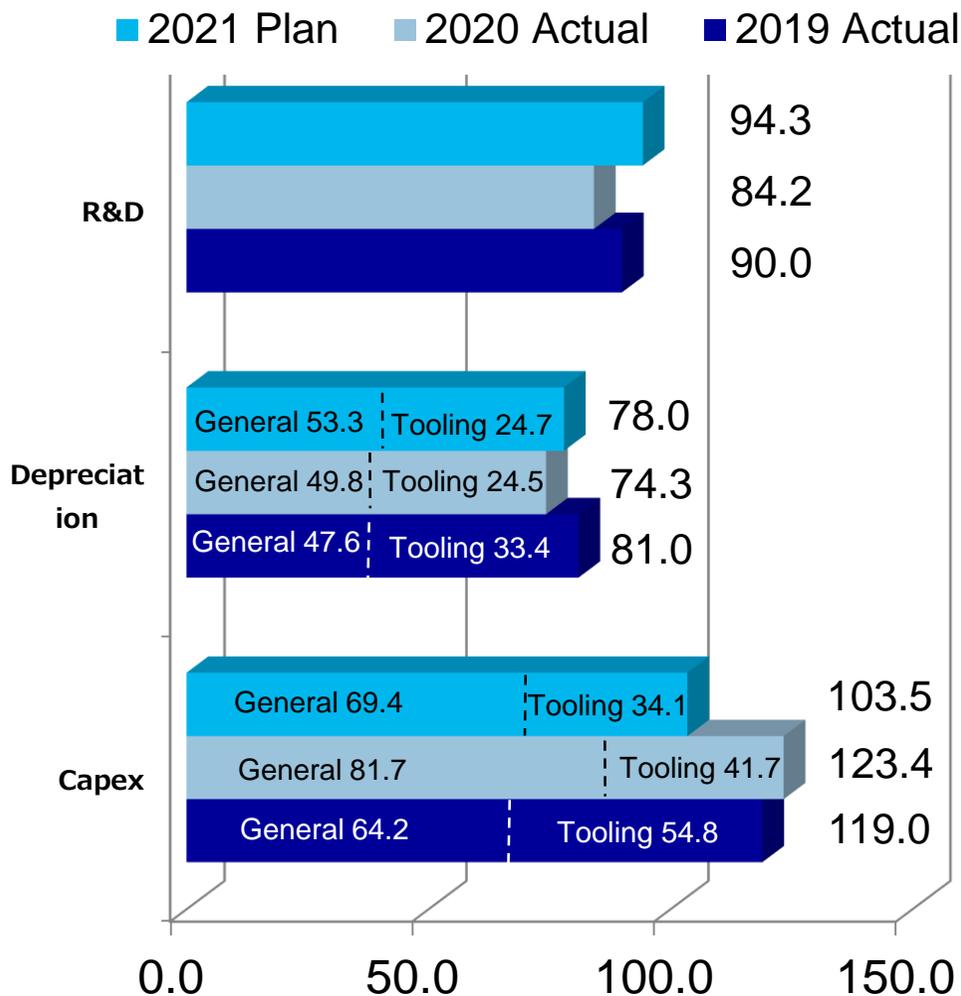
Japan : Ichikoh non-consolidated (Isehara · Fujioka · Mirror · HQ)

Overseas : Indonesia · Malaysia · Thailand · China

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

FY2021 R&D · DEPRECIATION · CAPEX EXPENSES (PLAN)

Hundreds million yen



- ✓ Temporarily decreased in 2020 due to response to COVID-19
- ✓ Increase again in 2021 through normalization of operation, increase of a number of projects and enhancement of value added products
 - Suppress increase by accelerating utilization of Valeo/Ichikoh LCC development sites

- ✓ Increase of depreciation of general investments due to continuous investment related to new Atsugi Plant
- ✓ Depreciation related to tooling is linked to changes in tooling income. The impact on profit is limited

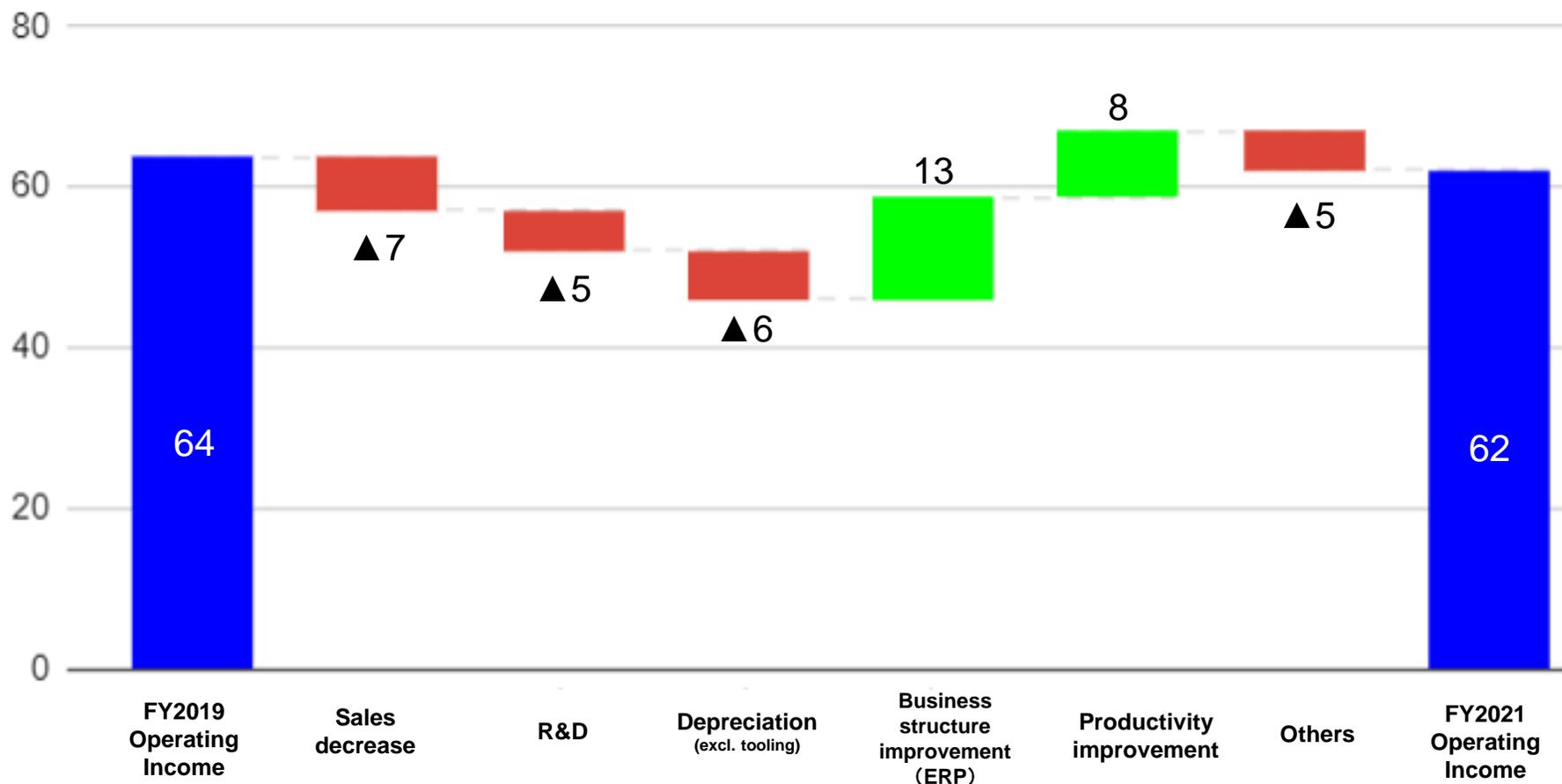
- ✓ Continue investment related to new Atsugi Plant
 - Complete the transfer of OEM line at the end of 2021 (Isehara Plant → Atsugi Plant)
 - Extend a new production line in 2022-2023 due to an increase in the volume of headlamp

※R & D includes prototype and PJ development costs
 ※Capex (2020, 2021) includes investment resulting from leases

FY2021 FORECAST (vs. FY2019) BRIDGE FOR OPERATING INCOME

Hundreds million yen

- ◆ Improvement of business structure (reduction of labor costs by early retirement) and improvement of productivity cover the decrease in profit due to lower sales, increase of R&D expenses and depreciation compared to FY2019



FY2021

POINTS TO ACHIEVE EARNINGS FORECAST AND MID-TERM PLAN

Obtaining Order Intakes

- ✓ Steady progress of Order Intakes which is in line with expectation of Mid-term Plan
- ✓ However, need to address lower volume than expected after COVID-19 and reduction of unit price resulting from the intensifying competition

Productivity Improvement

- ✓ Thorough reform of the structure of fixed costs
 - ❑ Implementation of early retirement package (annual personnel expenses reduction 1.3 billion yen)
 - ❑ Suppress increase of R&D expenses by accelerating utilization of Valeo/Ichikoh LCC development sites
- ✓ Improvement of productivity
 - ❑ Headlamp: Capacity increase and productivity improvement by completion of transfer to Atsugi Plant
 - ❑ Rear combination lamp: Investment for the renewal of Fujioka Plant completed
 - ❑ China Mirror: Improvement of productivity by starting operation of the new automated painting line

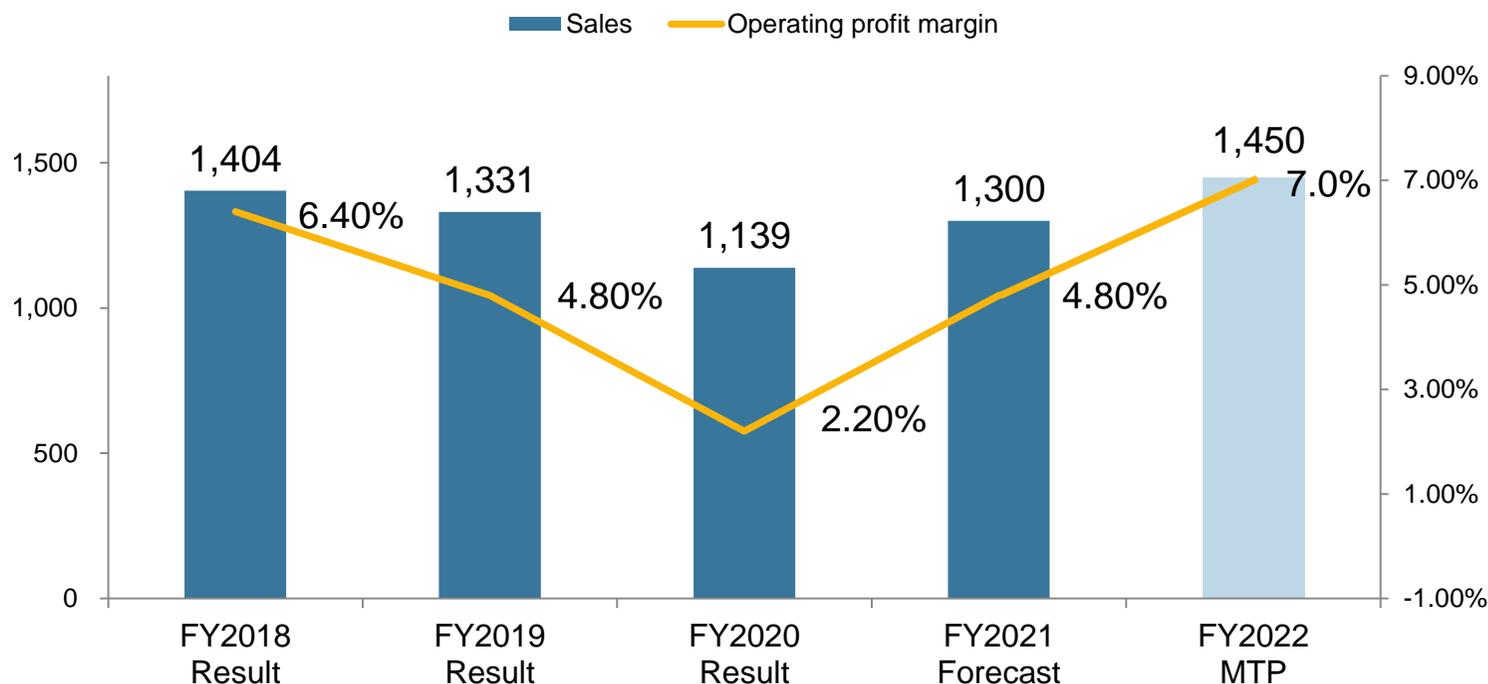
→ Aim to 0.8 to 1 billion yen / year of productivity improvement

Enhancement of Value Added Products

- ✓ Accelerate joint development and collaboration with Valeo. Provide timely and accurate product proposals to customers
 - ❑ ADB (Matrix Beam ~ Monolithics)
 - ❑ HD Lightings, etc...
- ✓ Mitigate the impact of pricing pressure by enhancing value added products

MID-TERM FORECAST (NO CHANGE)

- ◆ No change to the 2022 target of the mid-term plan revised in September 2020
 - Sales : 145 billion yen
 - Operating Margin : 7%
- ◆ Order intake progresses steadily. Offset the volume decrease due to market factor and the impact of pricing pressure resulting from the intensifying competition by:
 - 1) the cost structure improvement through fixed costs reduction and productivity improvement, and
 - 2) the enhancement of value added products

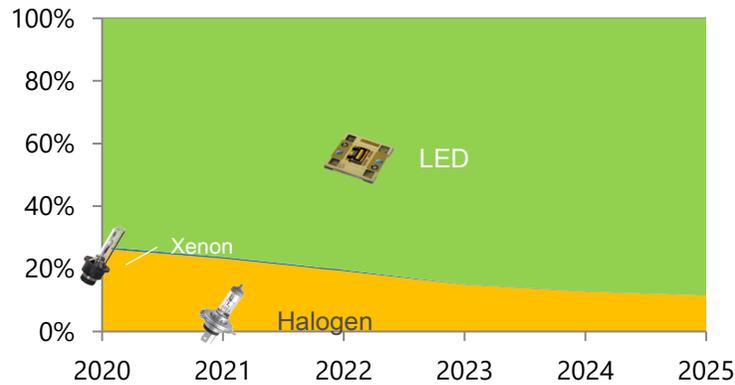


Evolution of Light Source for Headlamps and Rear combination lamps

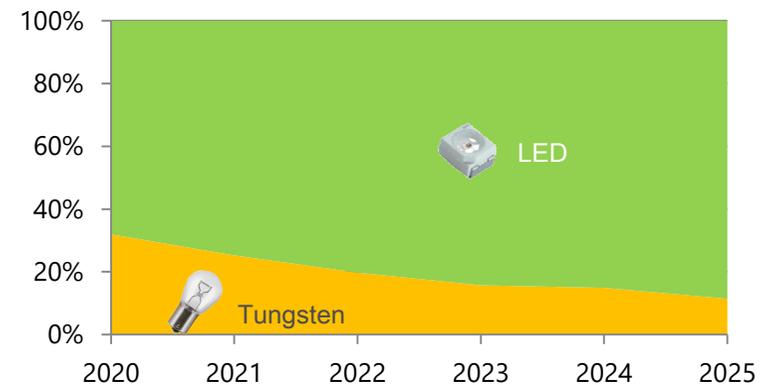
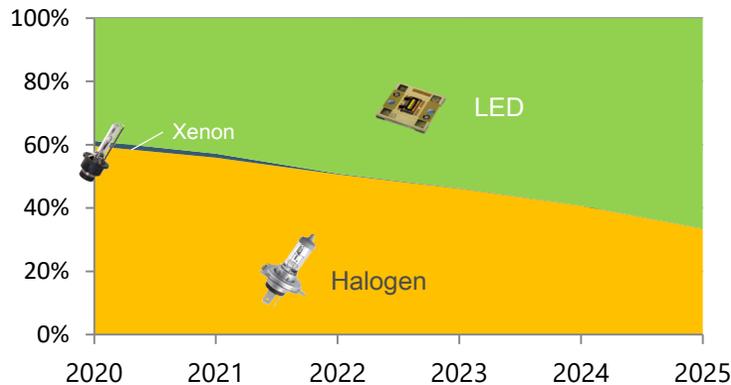
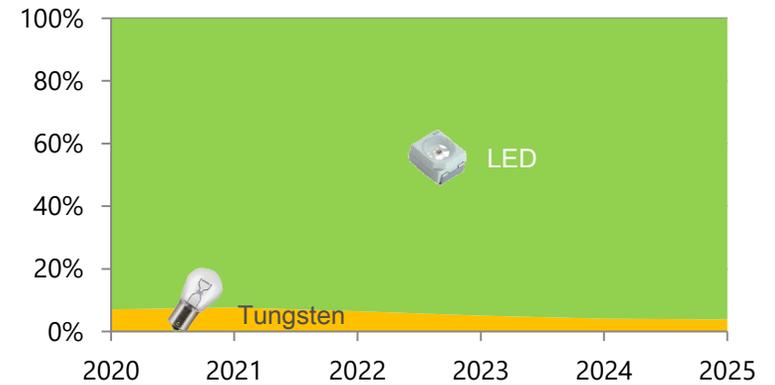
(Ichikoh estimate)



Headlamps



Rear Lamps



Example – Proposal of Headlamp Systems

Promote System Development including electronics parts

NISSAN NOTE example
2016 Model

ICHIKOH
a Valeo company



Made by
other
company



Driver for LED low beam was
supplied by OEM customer
(developed by other company)



2020 Model

ICHIKOH
a Valeo company



Valeo



**Captive development of Drivers for LED ADB unit
(developed by VALEO)**

Excerpt : Photos from HP of each company

Disclaimer regarding forecasted figures

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