

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2022

November 14, 2022

Company name: **ICHIKOH INDUSTRIES, LTD.**
 Listing: Tokyo Stock Exchange
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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, 2022 (January 1, 2022 to September 30, 2022)

(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, 2022)	98,457 5.8	2,543 Δ 45.4	3,258 Δ 42.0	2,214 Δ 42.8
3rd Quarter (ended on Sep. 30, 2021)	93,072 17.2	4,659 934.5	5,614 371.3	3,871 -

(Note) Comprehensive income:
 Sep. 30, 2022 4,679 million yen (Δ 11.7%) Sep. 30, 2021 5,296 million yen (-%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
3rd Quarter (ended on Sep. 30, 2022)	23.04	-
3rd Quarter (ended on Sep. 30, 2021)	40.28	-

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

	Total Assets	Net Assets	Equity Ratio (%)
3rd Quarter (as of Sep. 30, 2022)	120,625	54,245	44.4 %
FY2021(as of Dec. 31, 2021)	112,521	49,402	43.4

[Reference] Equity: Third Quarter as of Sep. 30, 2022 53,502 million yen
 Fiscal Year as of Dec. 31, 2021 48,799 million yen

2. Cash Dividends

(Cut-off Date)	Cash Dividends per share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Full Year
FY2021 (ended on Dec. 31, 2021)	-	3.50	-	3.50	7.00
FY2022 (ended on Dec. 31, 2022)	-	4.50	-	-	-
FY2022 (ended on Dec. 31, 2022) [plan]	-	-	-	4.50	9.00

Note: Revision to previous dividend forecast : No

3. Consolidated Performance Forecasts for the Fiscal Year 2022 (January 1, 2022 to December 31, 2022)

(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	132,900 5.9	3,700 Δ 33.5	4,500 Δ 30.8	3,100 Δ 22.2	32.25

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 : 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: Yes

② Changes in accounting policies due to other reasons: No

③ Changes in accounting estimates: Yes

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, 2022 96,292,401

As of December 31, 2021 96,292,401

② Number of shares of treasury stock at the end of period

As of September 30, 2022 179,159

As of December 31, 2021 176,543

③ Average number of shares during the period (cumulative)

FY2022 3rd quarter: 96,114,965

FY2021 3rd quarter: 96,122,668

*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

In the Japanese economy for the cumulative third quarter, domestic corporate price rose and business confidence in the manufacturing industry deteriorated due to the surge in resource prices affected by historical yen depreciation and the situation in Ukraine, but production partially recovered and corporate earnings generally improved while some weaknesses are seen. With the alleviation of activity restrictions, the crowd is growing, personal consumption is gradually improving and inbound demand is expected due to relaxation of immigration restrictions.

As for the global economy, the economy in the United States gradually recovered even in the concern over downside risks due to monetary tightening. In China, although there were concerns about trends in the real estate market and the impact of restrained economic activity, the economy showed signs of recovery. In ASEAN, although the rising price was an important concern, the activity restrictions due to the COVID-19 pandemic were alleviated and it contributed to an increase in consumption. In particular, economic stimulus packages in Thailand underpinned consumption and the demand for coal from outside the region increased in Indonesia, and the economy was generally on a recovery trend including Malaysia.

The automotive industry to which the company group belongs, due to the impact on the supply chain caused by the Chinese government's tightening of restrictions on activities, automotive production volume in Japan slightly decreased compared year-on-year in the consolidated cumulative period of the third quarter of this fiscal year. Automotive production volume in China increased year-on-year due to the rebound from production cutback of last year and in ASEAN, Thailand, Malaysia and Indonesia each had a significant year-on-year growth, resulting in a significant year-on-year increase in the total of the three countries. Automotive production volume in China increased year-on-year due to the rebound from production cutback of last year and in ASEAN, Thailand, Malaysia and Indonesia each had a year-on-year growth, resulting in a significant year-on-year increase in the total of the three countries.

Under these circumstances, the domestic sales decline rate for the Company as a non-consolidated for the cumulative third quarter was greater than that of our mainstay Japanese market. However, sales increase rate for the overseas subsidiaries mainly in ASEAN significantly exceeded the market growth rate on an automotive production volume basis and sales increased to 98,457 million yen (up 5.8% year-on-year) on a consolidated basis. Despite cost reductions and productivity improvements, the operating income was 2,543 million yen (down 45.4% year-on-year) due to the effects of the exchange rates and soaring raw material costs and energy prices, and ordinary income was 3,259 million yen (down 42.0% year-on-year) due to the allocation of investment income of 1,084 million yen by equity method, etc., and net income attributable to the parent company was 2,215 million yen (down 42.8% year-on-year).

Results by each segment are as follows:

1. Auto-Components business

Domestic sales decline rate for the Company as a non-consolidated was greater than that of our mainstay Japanese market. However, sales increase rate for the overseas mainly in ASEAN significantly exceeded the market growth rate on an automotive production volume basis and sales was 93,173 million yen (up 6.4% year-on-year). Despite cost reductions and productivity improvements, the operating income was 2,292 million yen (down 48.3% year-on-year) due to the effects of the exchange rates and soaring raw material costs and energy prices.

2. After-Market business

In the after-market business, sales was 6,426 million yen (up 6.5% year-on-year) due to strong sales of winter wipers and dealer options and internet sales, and operating income was 246 million yen (up 41.6% year-on-year) due to the termination of liquidation of a U.S. after-market sales subsidiary while expenses for sales promotion and logistics increased.

In the previous consolidated fiscal year, the automotive light bulb manufacturing and sales business, which was included in "Other," was abolished from the "Other" category from the first quarter of this fiscal year by the sale of the such business. As a result, from the consolidated cumulative period of the first quarter of this fiscal year, the segments became two segments: "Auto-Components business" and "After-Market business".

In addition, from the beginning of the consolidated accounting period for the first quarter of this fiscal year, "Accounting Standards for Revenue Recognition" (Corporate Accounting Standards No. 29, March 31, 2020, hereafter "Revenue Recognition Accounting Standard"), etc., is applied, and the figures related to the third quarter of the fiscal year ending December 31, 2022 are figures after applying such accounting standards, etc. Also, each type of increase/reduction figures and rates are also calculated by comparisons with the figures after such accounting standards, etc. is applied.

The application of the Revenue Recognition Accounting Standards, etc. is in accordance with the transitional treatment set forth in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standards, and the cumulative impact of retrospectively applying the new accounting policy before the beginning of the first quarter consolidated accounting period is adjusted to the retained earnings at the beginning of the first quarter of this fiscal year

As a result, the sales for the consolidated cumulative period of the third quarter of this fiscal year decreased by 2,156 million yen, cost of sales decreased by 1,509 million yen, and operating income, ordinary income and net income before income taxes and other adjustments decreased by 647 million yen. In addition, the retained earnings balance increased by 1,031 million yen.

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

The forecast for consolidated results for FY2022 have not been changed from the forecast announced on October 19, 2022.

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, 2021)	Third Quarter End (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	5,720	7,698
Notes and accounts receivable-trade	19,091	-
Notes and accounts receivable - trade, and contract assets	-	28,183
Electronically recorded monetary claims-operating	373	145
Merchandise and finished goods	5,475	6,115
Work in process	646	2,820
Raw materials and supplies	4,771	6,356
Other	12,099	5,891
Allowance for doubtful accounts	(19)	(23)
Total current assets	48,160	57,188
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	12,248	12,772
Machinery, equipment and vehicles, net	17,793	17,639
Tools, furniture and fixtures, net	6,607	2,522
Land	2,757	2,796
Lease assets, net	2,196	2,697
Construction in progress	3,749	3,286
Total property, plant and equipment	45,352	41,714
Intangible assets		
Other	995	1,015
Total intangible assets	995	1,015
Investments and other assets		
Investment securities	1,373	1,983
Long-term loans receivable	1,270	1,130
Deferred tax assets	4,486	4,114
Other	10,891	13,481
Allowance for doubtful accounts	(7)	(4)
Total investments and other assets	18,013	20,705
Total noncurrent assets	64,360	63,436
Total assets	112,521	120,625

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2021)	Third Quarter End (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	29,209	33,057
Short-term loans payable	300	700
Current portion of long-term loans payable	4,286	3,122
Lease obligations	249	373
Income taxes payable	800	464
Accrued expenses	4,573	5,047
Provision for bonuses	1,043	1,675
Provision for bonuses for directors	35	73
Provision for product warranties	1,475	1,855
Other	7,316	7,544
Total current liabilities	49,290	53,912
Noncurrent liabilities		
Long-term loans payable	2,942	920
Lease obligations	2,173	2,774
Deferred tax liabilities	148	162
Retirement benefits	8,341	8,417
Asset retirement obligations	95	100
Provision for environmental measures	93	23
Other	33	68
Total noncurrent liabilities	13,827	12,467
Total liabilities	63,118	66,379
Net assets		
Shareholders' equity		
Capital stock	8,986	8,986
Capital surplus	2,505	2,505
Retained earnings	39,952	42,330
Treasury stock	(54)	(54)
Total shareholders' equity	51,389	53,767
Accumulated other comprehensive income		
Valuation difference on other securities.	80	89
Foreign currency translation adjustment	(1,277)	978
Adjustment retirement benefits	(1,393)	(1,332)
Total accumulated other comprehensive income	(2,590)	(265)
Minority interests	603	742
Total net assets	49,402	54,245
Total liabilities and net assets	112,521	120,625

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

Consolidated Statements of Income

(Millions of yen)

	Previous 3rd Quarter (January 1, 2021 ~ September 30, 2021)	Current 3rd Quarter (January 1, 2022 ~ September 30, 2022)
Net sales	93,072	98,457
Cost of sales	73,846	82,390
Gross profit	19,226	16,066
Selling, general and administrative expenses	14,566	13,523
Operating income	4,659	2,543
Non-operating income		
Interest income	112	115
Dividends income	6	6
Gain on sale of investment securities	5	-
Equity in earnings of affiliates	1,098	1,084
Other	17	17
Total Non-operating income	1,240	1,223
Non-operating expenses		
Interest expenses	75	138
Commission paid	6	5
Foreign exchange losses	146	351
Other	56	12
Total Non-operating expenses	284	508
Ordinary income	5,614	3,258
Extraordinary income		
Gain on sales of noncurrent assets	10	0
Total Extraordinary income	10	0
Extraordinary loss		
Loss on disposal of noncurrent assets	143	431
Business structure improvement expenses	-	258
Impairment Loss	190	-
Loss on sale of shares of subsidiaries and affiliates	126	-
Total Extraordinary loss	459	690
Income (loss) before income taxes	5,165	2,567
Income taxes	1,232	287
Income (loss) before minority interests	3,932	2,280
Minority interests in income	60	65
quarterly net income (loss) attributable to the shareholder parent company	3,871	2,214

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous 3rd Quarter (January 1, 2021 ~ September 30, 2021)	Current 3rd Quarter (January 1, 2022 ~ September 30, 2022)
Income (loss) before minority interests	3,932	2,280
Other comprehensive income		
Valuation difference on other securities	49	9
Foreign currency translation adjustment	292	987
Adjustment retirement benefits	182	60
Share of other comprehensive income of associates accounted for using equity method	839	1,341
Total other comprehensive income	1,364	2,399
Comprehensive income	5,296	4,679
Comprehensive income attributable to		
Owners of the parent	5,214	4,540
Minority interests	82	138

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I . Previous Third Quarter (January 1, 2021 to September 30, 2021)

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	87,539	5,077	92,617	455	93,072
(2) Intersegment Sales or Transfers	11	953	965	583	1,549
TOTAL	87,550	6,031	93,582	1,039	94,622
Segment income or loss	4,434	173	4,608	44	4,653

* "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	4,608
Profit including "Other"	44
Elimination for intersegment	6
Operating income in quarterly consolidated statement	4,659

II . Current Third Quarter (January 1, 2022 to September 30, 2022)

1. Sales and profits or losses for each reportable segment and disaggregation of revenue information

	Segments		Total
	Automotive Parts	Automotive Aftermarket	
Net sales			
Domestic	65,956	4,787	70,744
Oversea	27,175	537	27,713
Revenue from contracts with customers	93,131	5,325	98,457
Other income	-	-	-
Sales to Outside Customers	93,131	5,325	98,457
Intersegment Sales or Transfers	41	1,101	1,142
TOTAL	93,173	6,426	99,600
Segment income	2,292	246	2,539

* Abolition of "Other" classification

The "Others" category was abolished from the first quarter of the current fiscal year due to the sale of "Sales and production business of electric bulb for automotive" which was included in the "Others" category in the previous fiscal year.

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	2,539
Elimination for intersegment	3
Operating income in quarterly consolidated statement	2,543