

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

August 8, 2022

Company name: **ICHIKOH INDUSTRIES, LTD.**
 Listing: Tokyo Stock Exchange
 Code number: 7 2 4 4
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Filing of Quarterly Financial Report: August 9, 2022

Date for starting dividends payment: September 6, 2022

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, 2022 (January 1, 2022 to June 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
	%	%	%	%
2nd Quarter (ended on Jun. 30, 2022)	62,935 Δ 3.8	1,121 Δ 72.3	1,613 Δ 65.5	1,266 Δ 57.8
2nd Quarter (ended on Jun. 30, 2021)	65,397 26.5	4,051 -	4,676 -	2,999 -

(Note) Comprehensive income:

Jun. 30, 2022 3,615 million yen (Δ 15.7 %) Jun. 30, 2021 4,286 million yen (- %)

	Net income per share (Yen)	Net income per share-diluted (Yen)
2nd Quarter (ended on Jun. 30, 2022)	13.18	-
2nd Quarter (ended on Jun. 30, 2021)	31.21	-

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

	Total Assets	Net Assets	Equity Ratio (%)
			%
2nd Quarter (as of Jun. 30, 2022)	117,269	53,618	45.1
FY2021 (as of Dec. 31, 2021)	112,521	49,402	43.4

[Reference] Equity: Second Quarter as of Jun. 30, 2022 52,904 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	quarterly net income (loss) attributable to the shareholder parent company	Net Income per Share (Yen)
	%	%	%	%	yen
Full Year	134,400 7.1	5,800 4.3	6,900 6.0	5,100 28.0	53.06

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 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: 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 June 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 June 30, 2022 176,839

As of December 31, 2021 176,543

③ Average number of shares during the period (cumulative)

FY2022 2nd quarter: 96,115,689

FY2021 2nd quarter: 96,125,539

*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 of the consolidated cumulative period of the second quarter of this fiscal year, the business sentiment in the manufacturing industry deteriorated due to the stagnation of supply chains due to the lockdown of cities in China, and there were also concerns about the risk of an economic recession due to inflation, such as the depreciation of the yen and the surge in resource prices affected by the situation in Ukraine. On the other hand, there are signs of recovery in private consumption due to the alleviation of activity restrictions that recovered the crowds and resulted in recovery of service consumptions.

As for the global economy, in the United States the manufacturing and housing sectors weakened, while private consumption remained firm. In China, due to the implementation of strict movement restrictions in Shanghai and other cities this spring, private consumption decreased and production activity in the manufacturing industry also declined. ASEAN continued to recover moderately amid the continuing spread of the novel coronavirus infections. Thai economy remained sluggish, while Indonesia continued to expand its economy of domestic demand and also external demand of primary commodities, etc. due to the "With Corona" policy. In Malaysia, both domestic and external demand are firm due to the recovery of flow of people from the corona situation and exports mainly for electrical/electronic products, etc.

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, the number of vehicles produced in Japan decreased significantly compared year-on-year in the consolidated cumulative period of the second quarter of this fiscal year. The production volume in China also declined year-on-year. On the other hand, automobile production in ASEAN is steady, Malaysia and Indonesia have a significant year-on-year growth, resulting in a significant year-on-year increase in the total of the three countries.

In such an environment, due to the effect of new product launches, the overseas sales increase rate exceeded the market growth rate on a vehicle production volume basis mainly in ASEAN in the consolidated cumulative period for the second quarter of this fiscal year. However, as a result of the decline in sales in the mainstay Japan domestic market and the Company's non-consolidated sales at approximately the same level, sales decreased to 62,935 million yen (down 3.8% year-on-year) on a consolidated basis. Despite cost reductions and productivity improvements, the operating income was 1,121 million yen (down 72.3% year-on-year) due to the impact of declining sales, soaring raw material costs and energy prices, etc., ordinary income was 1,613 million yen (down 65.5% year-on-year) due to the allocation of investment income of 776 million yen by equity method, etc., and net income attributable to the parent company became 1,266 million yen (down 57.8% year-on-year).

Results by each segment are as follows:

1. Auto-Components business

Due to the effect of new product launches, the overseas sales increase rate exceeded the market growth rate on a vehicle production volume basis mainly in ASEAN. However, as a result of the decline in sales in the mainstay Japan domestic market and the Company's non-consolidated sales at approximately the same level, the sales of auto-components business decreased to 59,460 million yen (down 3.3% year-on-year). Despite cost reductions and productivity improvements, the operating income was 966 million yen (down 75.3% year-on-year) due to the impact of declining sales, soaring raw material costs and energy prices, etc.

2. After-Market business

In the after-market business, sales was 4,215 million yen (up 3.2% year-on-year) due to strong sales of winter wipers and sales through the Internet, and operating income was 154 million yen (up 63.7% year-on-year), due to the termination of liquidation of a U.S. after-market sales subsidiary.

In the previous consolidated fiscal year, the automobile 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 first 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 second quarter of this fiscal year decreased by 1,794 million yen, cost of sales decreased by 1,204 million yen, and operating income, ordinary income and net income before income taxes and other adjustments decreased by 590 million yen respectively. In addition, the retained earnings balance increased by 1,031 million yen.

2. Consolidated Financial Statement

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2021)	Second Quarter End (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	5,720	5,844
Notes and accounts receivable-trade	19,091	-
Notes and accounts receivable - trade, and contract assets	-	25,290
Electronically recorded monetary claims-operating	373	212
Merchandise and finished goods	5,475	5,694
Work in process	646	2,489
Raw materials and supplies	4,771	5,869
Other	12,099	9,694
Allowance for doubtful accounts	(19)	(28)
Total current assets	48,160	55,067
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	12,248	12,336
Machinery, equipment and vehicles, net	17,793	17,923
Tools, furniture and fixtures, net	6,607	2,361
Land	2,757	2,797
Lease assets, net	2,196	2,528
Construction in progress	3,749	3,178
Total property, plant and equipment	45,352	41,124
Intangible assets		
Other	995	1,046
Total intangible assets	995	1,046
Investments and other assets		
Investment securities	1,373	1,841
Long-term loans receivable	1,270	1,135
Deferred tax assets	4,486	4,093
Other	10,891	12,965
Allowance for doubtful accounts	(7)	(4)
Total investments and other assets	18,013	20,030
Total noncurrent assets	64,360	62,201
Total assets	112,521	117,269

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2021)	Second Quarter End (As of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	29,209	29,775
Short-term loans payable	300	-
Current portion of long-term loans payable	4,286	3,312
Lease obligations	249	253
Income taxes payable	800	452
Accrued expenses	4,573	4,503
Provision for bonuses	1,043	2,449
Provision for directors' bonuses	35	146
Provision for product warranties	1,475	1,858
Other	7,316	7,287
Total current liabilities	49,290	50,039
Noncurrent liabilities		
Long-term loans payable	2,942	1,836
Lease obligations	2,173	2,550
Deferred tax liabilities	148	163
Retirement benefits	8,341	8,356
Asset retirement obligations	95	102
Provision for environmental measures	93	26
Other	33	576
Total noncurrent liabilities	13,827	13,611
Total liabilities	63,118	63,650
Net assets		
Shareholders' equity		
Capital stock	8,986	8,986
Capital surplus	2,505	2,505
Retained earnings	39,952	41,819
Treasury stock	(54)	(54)
Total shareholders' equity	51,389	53,256
Accumulated other comprehensive income		
Valuation difference on other securities.	80	83
Foreign currency translation adjustment	(1,277)	918
Adjustment retirement benefits	(1,393)	(1,354)
Total accumulated other comprehensive income	(2,590)	(352)
Minority interests	603	714
Total net assets	49,402	53,618
Total liabilities and net assets	112,521	117,269

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

Consolidated Statements of Income

(Millions of yen)

	Previous 2nd Quarter (January 1, 2021 ~ June 30, 2021)	Current 2nd Quarter (January 1, 2022 ~ June 30, 2022)
Net sales	65,397	62,935
Cost of sales	51,360	52,221
Gross profit	14,036	10,713
Selling, general and administrative expenses	9,985	9,592
Operating income	4,051	1,121
Non-operating income		
Interest income	92	87
Dividends income	6	6
Equity in earnings of affiliates	726	776
Other	7	12
Non-operating income	833	882
Non-operating expenses		
Interest expenses	45	95
Commission paid	5	3
Foreign exchange losses	93	261
Other	65	29
Non-operating expenses	208	390
Ordinary income	4,676	1,613
Extraordinary income		
Extraordinary loss		
Loss on disposal of noncurrent assets	139	179
Impairment of fixed assets	190	-
Loss on sales of shares of subsidiaries	126	-
Total Extraordinary loss	456	179
Income (loss) before income taxes	4,219	1,434
Income taxes	1,182	125
Income (loss) before minority interests	3,036	1,309
Minority interests in income	36	42
quarterly net income (loss) attributable to the shareholder parent company	2,999	1,266

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous 2nd Quarter (January 1, 2021 ~ June 30, 2021)	Current 2nd Quarter (January 1, 2022 ~ June 30, 2022)
Income (loss) before minority interests	3,036	1,309
Other comprehensive income		
Valuation difference on other securities	41	3
Foreign currency translation adjustment	351	920
Adjustment retirement benefits	121	39
Share of other comprehensive income of associates accounted for using equity method	736	1,342
Total other comprehensive income	1,250	2,305
Comprehensive income	4,286	3,615
Comprehensive income attributable to		
Owners of the parent	4,230	3,504
Minority interests	56	110

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I . Previous Second Quarter (January 1, 2021 to June 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	61,447	3,494	64,941	455	65,397
(2) Intersegment Sales or Transfers	11	590	602	583	1,186
TOTAL	61,458	4,085	65,543	1,039	66,583
Segment income	3,917	94	4,011	44	4,056

* "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	4,011
Profit including "Other"	44
Elimination for intersegment	(5)
Operating income in quarterly consolidated statement	4,051

II . Current Second Quarter (January 1, 2022 to June 30, 2022)

1. Sales and profits or losses for each reportable segment

(Millions of yen)

	Segments		Total
	Automotive Parts	Automotive Aftermarket	
Net sales			
Domestic	43,145	3,167	46,313
Oversea	16,272	348	16,621
Revenue from contracts with customers	59,418	3,516	62,935
Other income	-	-	-
Sales to Outside Customers	59,418	3,516	62,935
Intersegment Sales or Transfers	41	699	741
TOTAL	59,460	4,215	63,676
Segment income	966	154	1,120

* 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	1,120
Elimination for intersegment	0
Operating income in quarterly consolidated statement	1,211

(Reference) Summary of Non-consolidated financial results as of June 30,2022 (January 1, 2022 ~ June 30, 2022)

(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.22	44,448	△12.3	15	△99.5	597	△80.8	467	△81.3
30-Jun.21	50,656	23.1	3,015	444.1	3,115	436.6	2,501	444.7

(2) Financial conditions

	Total assets	Net assets	Ratio of shareholders' equity	Net assets per share
	million yen	million yen	%	yen
30-Jun.22	87,613	41,355	47.2	430.27
31-Dec.21	86,743	40,193	46.3	418.17

(Reference) Shareholders' equity:

Jun. 30, 2022 41,355 million yen Dec. 31, 2021 40,193 million yen