

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

May 12, 2022

Company name: **ICHIKOH INDUSTRIES, LTD.**
Listing: Tokyo Stock Exchange
Code number: 7 2 4 4
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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 in the First Quarter ended on March 31, 2022 (January 1, 2022 to March 31, 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
	%	%	%	%
1st Quarter (ended on Mar. 31, 2022)	31,786 Δ 8.5	895 Δ 63.2	1,461 Δ 48.3	1,315 Δ 30.7
1st Quarter (ended on Mar. 31, 2021)	34,744 8.8	2,437 74.0	2,830 132.1	1,897 117.7

(Note) Comprehensive income:

Mar. 31, 2022 2,442 million yen (Δ 18.1%) Mar. 31, 2021 2,981 million yen (-%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
1st Quarter (ended on Mar. 31, 2022)	13.68	-
1st Quarter (ended on Mar. 31, 2021)	19.74	-

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

	Total Assets	Net Assets	Equity Ratio (%)
			%
1st Quarter (as of March 31, 2022)	114,820	52,436	45.1
FY2021 (as of December 31, 2021)	112,521	49,402	43.4

[Reference] Equity: First Quarter as of March 31, 2022 51,802 million yen

Fiscal Year as of December 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 December 31, 2021)	-	3.50	-	3.50	7.00
FY2022 (ended on December 31, 2022)	-				
FY2022 (ended on Dec. 31, 2022) [plan]		4.50	-	4.50	9.00

Note: Revision to quarterly 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
First Half	63,400 Δ 3.1	1,400 Δ 65.4	2,100 Δ 55.1	1,800 Δ 40.0	18.73
Full Year	134,400 7.1	5,800 4.3	6,900 6.0	5,100 28.0	53.06

Note: Revision to consolidated performance forecast : Yes

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 March 31, 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 March 31, 2022 176,688

As of December 31, 2021 176,543

③ Average number of shares during the period (cumulative; consolidated)

FY2022 1st quarter: 96,115,761

FY2021 1st quarter: 96,127,130

*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

(1) Analysis of operating results

The pace of recovery of Japanese economy for the cumulative first quarter slowed due to the downturn of service consumption caused by the COVID-19 Omicron variant pandemic and application of Pre-emergency measures, and due to restrained production activities in the manufacturing industry caused by sharp increase of infected persons and close contacts.

As for the global economy, the economy in the USA was favorable overall thanks to increased production in the most manufacturing industries though car production volume decreased due to shortage of semiconductors. The Chinese economy slowed due to reinforcement of activity restrictions by the government because of the spread of Omicron variant infection. As for ASEAN, The Thai economy continued stagnant in the COVID-19 pandemic, however, the economy in Indonesia continuously expanded through the change of policy to the "living with COVID-19" strategy, and the economy in Malaysia gradually recovered thanks to firm demand for semiconductors.

Currently, there are concerns about the impact on the economy by Russia's invasion of Ukraine, such as the rise in resource prices.

As for the automotive market to which the Company group belongs, the volume of domestic car production significantly decreased compared to the same period of previous year from the impact on the supply chain mainly due to activity restrictions by the Chinese government. On the other hand, the car production volume in ASEAN increased steadily and total car production volume of the three countries increased compared to the same period of previous year mainly due to the sharp increase of car production volume in Indonesia.

Under those circumstances, for the cumulative first quarter, sales in Japan, which is mainstay, decreased due to the decrease in the car production volume. As for overseas, total net sales in ASEAN increased with increase in Indonesia and decrease in Thailand and Malaysia, and sales in China also increased.

As a result, sales decreased on a consolidated basis, mainly due to the decrease in sales in Japan, which is mainstay, and sales was 31,786 million yen (8.5% decrease compared to the same period of previous year) and operating income was 895 million yen (63.2% decrease compared to the same period of previous year) due to the decrease of sales, the soaring costs of raw material, and recording of temporary quality-related allowances in spite of the cost reduction and the improvement of the productivity. Ordinary income was 1,461 million yen (48.3% decrease compared to the same period of previous year) as the result of recording equity in earnings of affiliates of 614 million yen. Net income attributable to shareholders of the parent company was 1,315 million yen (30.7% decrease compared to the same period of previous year).

The business of manufacturing and sales of automotive light bulbs that was included in "Others" in the previous consolidated fiscal year was sold and the "Other business" category has been abolished from this cumulative first quarter. increase. As a result, segment categories are "Auto-Components business" and "After-Market business".

Results by each segment are as follows:

Auto-Components business

Sales decreased on a consolidated basis, mainly due to the decrease in sales in Japan, which is mainstay, and sales was 30,185 million yen (8.5% decrease compared to the same period of previous year) and operating income was 829 million yen (65.3% decrease compared to the same period of previous year) due to the decrease of sales, the soaring costs of raw material, and recording of temporary quality-related allowances in spite of the cost reduction and the improvement of the productivity.

After-Market business

Sales for the mass retailers and OEM makers remained strong and sales was 2,029 million yen (6.9% increase compared to the same period of previous year) and operating income was 64 million yen (261.9% increase compared to the same period of previous year).

From the beginning of this cumulative first quarter, "Accounting Standards for Revenue Recognition" (Corporate Accounting Standard No. 29, March 31, 2020; hereinafter referred to as "Revenue Recognition Accounting Standards") was applied. Therefore, the figures for the first quarter of the fiscal year ending December 2022 are the figures after applying the accounting standards. Each increase / decrease of amount and rates of increase / decrease were calculated by comparing with the figures after applying the accounting standards.

Application of Revenue Recognition Accounting Standards, etc. was in accordance with the transitional measures stipulated in the proviso of paragraph 84 of the Revenue Recognition Accounting Standards, and the accumulated amount of impact when the new accounting policy was retroactively applied before the beginning of this cumulative first quarter was added to or subtracted from retained earnings at the beginning of this cumulative first quarter.

As a result, net sales for the cumulative first quarter decreased by 610 million yen, cost of sales decreased by 493 million yen, and operating income, ordinary income and net income before tax adjustment decreased by 117 million yen respectively. The balance of retained earnings at the beginning of the cumulative first quarter increased by 1,031 million yen.

(2) Description of future outlooks such as consolidated performance forecast

As for the performance forecasts, the impact on the supply chain continues due to factors such as the tightening of restrictions on activities by the Chinese government, tight semiconductor supply and demand, soaring raw material prices due to the Ukrainian crisis, and the depreciation of the yen affected by interest rate differences between Japan and the United States makes the market trend of automobile production continue to be unpredictable.

In addition, in light of the fact that the results for the first quarter consolidated period were lower than expected, the Company revised the consolidated cumulative period for the second quarter of the fiscal year ending December 2022 and the full-year earnings forecast as below. There is no change in the dividend forecast.

2. Consolidated Financial Statement

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2021)	First Quarter End (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	5,720	5,533
Notes and accounts receivable - trade, and contract assets	-	24,222
Notes and accounts receivable-trade	19,091	-
Electronically recorded monetary claims-operating	373	134
Merchandise and finished goods	5,475	6,261
Work in process	646	2,005
Raw materials and supplies	4,771	5,462
Other	12,099	10,496
Allowance for doubtful accounts	(19)	(24)
Total current assets	48,160	54,091
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	12,248	12,176
Machinery, equipment and vehicles, net	17,793	17,803
Tools, furniture and fixtures, net	6,607	2,584
Land	2,757	2,776
Lease assets, net	2,196	2,372
Construction in progress	3,749	2,965
Total property, plant and equipment	45,352	40,678
Intangible assets		
Other	995	1,011
Total intangible assets	995	1,011
Investments and other assets		
Investment securities	1,373	1,695
Long-term loans receivable	1,270	1,084
Deferred tax assets	4,486	4,130
Other	10,891	12,134
Allowance for doubtful accounts	(7)	(4)
Total investments and other assets	18,013	19,039
Total noncurrent assets	64,360	60,729
Total assets	112,521	114,820

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2021)	First Quarter End (As of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	29,209	29,927
Short-term loans payable	300	-
Current portion of long-term loans payable	4,286	4,236
Lease obligations	249	231
Income taxes payable	800	393
Accrued expenses	4,573	4,248
Provision for bonuses	1,043	1,621
Provision for directors' bonuses	35	60
Provision for product warranties	1,475	1,928
Other	7,316	6,660
Total current liabilities	49,290	49,309
Noncurrent liabilities		
Long-term loans payable	2,942	1,836
Lease obligations	2,173	2,397
Deferred tax liabilities	148	148
Retirement benefits	8,341	8,382
Asset retirement obligations	95	81
Provision for environmental measures	93	63
Other	33	165
Total noncurrent liabilities	13,827	13,075
Total liabilities	63,118	62,384
Net assets		
Shareholders' equity		
Capital stock	8,986	8,986
Capital surplus	2,505	2,505
Retained earnings	39,952	41,858
Treasury stock	(54)	(54)
Total shareholders' equity	51,389	53,296
Accumulated other comprehensive income		
Valuation difference on other securities.	80	73
Foreign currency translation adjustment	(1,277)	(196)
Adjustment retirement benefits	(1,393)	(1,370)
Total accumulated other comprehensive income	(2,590)	(1,493)
Minority interests	603	633
Total net assets	49,402	52,436
Total liabilities and net assets	112,521	114,820

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

Consolidated Statements of Income

(Millions of yen)

	Previous 1st Quarter (January 1, 2021 ~ March 31, 2021)	Current 1st Quarter (January 1, 2022 ~ March 31, 2022)
Net sales	34,744	31,786
Cost of sales	27,002	25,678
Gross profit	7,742	6,108
Selling, general and administrative expenses	5,304	5,212
Operating income	2,437	895
Non-operating income		
Interest income	33	30
Dividends income	0	1
Equity in earnings of affiliates	422	614
Other	34	4
Non-operating income	490	651
Non-operating expenses		
Interest expenses	25	32
Commission paid	3	2
Foreign exchange losses	24	42
Other	44	7
Non-operating expenses	97	85
Ordinary income	2,830	1,461
Extraordinary income		
Gain on sales of noncurrent assets	0	-
Total extraordinary income	0	-
Extraordinary loss		
Loss on disposal of noncurrent assets	25	11
Impairment loss	190	-
Total Extraordinary loss	216	11
Income (loss) before income taxes	2,614	1,450
Income taxes	689	134
Income (loss) before minority interests	1,924	1,316
Minority interests in income	27	1
quarterly net income (loss) attributable to the shareholder parent company	1,897	1,315

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous 1st Quarter (January 1, 2021 ~ March 31, 2021)	Current 1st Quarter (January 1, 2022 ~ March 31, 2022)
Income (loss) before minority interests	1,924	1,316
Other comprehensive income		
Valuation difference on other securities	21	(6)
Foreign currency translation adjustment	359	455
Adjustment retirement benefits	57	22
Share of other comprehensive income of associates accounted for using equity method	617	654
Total other comprehensive income	1,056	1,125
Comprehensive income	2,981	2,442
(Details)		
Comprehensive income attributable to		
Owners of the parent	2,932	2,412
Minority interests	48	30

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I . Previous First Quarter (January 1, 2021 to March 31, 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	32,985	1,526	34,511	233	34,744
(2) Intersegment Sales or Transfers	2	370	373	310	683
TOTAL	32,987	1,897	34,884	543	35,428
Segment income	2,392	17	2,410	28	2,438

* "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	2,410
Profit including "Other"	28
Elimination for intersegment	(0)
Operating income in quarterly consolidated statement	2,437

II . Current First Quarter (January 1, 2022 to March 31, 2022)

1. Sales and profits or losses for each reportable segment

(Millions of yen)

	Segments		Total
	Automotive Parts	Automotive Aftermarket	
Net sales			
Domestic	23,229	1,488	24,718
Overseas	6,927	140	7,068
Revenue from Contracts with Customers	30,157	1,628	31,786
Other income	-	-	-
(1) Sales to Outside Customers	30,157	1,628	31,786
(2) Intersegment Sales or Transfers	27	400	428
TOTAL	30,185	2,029	32,214
Segment income	829	64	894

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	894
Elimination for intersegment	1
Operating income in quarterly consolidated statement	895