

# Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2019

May 9, 2019

Company name: **ICHIKOH INDUSTRIES, LTD.**  
 Listing: Tokyo Stock Exchange, First Section  
 Code number: 7 2 4 4  
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Filing date of Quarterly Financial Report: May 14, 2019

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, 2019 (January 1, 2019 to March 31, 2019)

(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, 2019)	34,764 $\Delta$ 8.0	2,750 $\Delta$ 27.8	2,664 $\Delta$ 37.6	1,703 $\Delta$ 48.4
1st Quarter (ended on Mar. 31, 2018)	37,802 -	3,810 -	4,266 -	3,299 -

(Note) Comprehensive income:

Mar. 31, 2019 2,291 million yen (-18.9%) Mar. 31, 2018 2,824 million yen (325.0%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
1st Quarter (ended on Mar. 31, 2019)	17.73	-
1st Quarter (ended on Mar. 31, 2018)	34.35	-

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

	Total Assets	Net Assets	Equity Ratio (%)
1st Quarter (as of March 31, 2019)	104,821	41,853	38.8%
FY2018 (as of December 31, 2018)	102,416	39,997	37.9%

[Reference] Equity: First Quarter as of March 31, 2019 40,621 million yen

Fiscal Year as of December 31, 2018 38,798 million yen

## 2. Cash Dividends

(Cut-off Date)	Cash Dividends per share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Full Year
FY2018 (ended on December 31, 2018)	-	2.50	-	4.50	7.00
FY2019 (ended on December 31, 2019)	-	-	-	-	-
FY2019 (ended on Dec. 31, 2019) [plan]	-	-	-	-	-

Note: Revision to quarterly dividend forecast : No

Forecast of dividends in FY2019 has not decided for the moment

## 3. Consolidated Performance Forecasts for the Fiscal Year 2019 (January 1, 2019 to December 31, 2019)

(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	67,000 $\Delta$ 5.9	3,900 $\Delta$ 22.3	3,700 $\Delta$ 37.7	2,600 $\Delta$ 44.3	27.06
Full Year	134,000 $\Delta$ 4.7	7,800 $\Delta$ 13.4	7,400 $\Delta$ 23.7	5,000 $\Delta$ 48.8	52.04

Note: Revision to consolidated performance forecast : Yes

Ichikoh Industries changed its fiscal year-end from the fiscal year of 2017, then the full term of 2017 is 9 months which is started from April 1 and ended on December 31, 2017. It is the reason why the differences between the 1 Q of 2018 and the previous quarter have not been written in the above.

#### 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: 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 March 31, 2019	96,250,001
As of December 31, 2018	96,250,001
  - ② Number of shares of treasury stock at the end of period

As of March 31, 2019	163,764
As of December 31, 2018	163,749
  - ③ Average number of shares during the period (cumulative; consolidated)

FY2019 1st quarter:	96,086,247
FY2018 1st quarter:	96,063,501

\*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

(Financial Results)

The Japanese economy for the first quarter downturned because of weak exports due to USA-China trade war and slowdown in overseas economies while domestic demand such as the individual consumption and the capital investment continuously increased. As for global economy, the employment index and the market indicators in USA maintained steady in general, and downward trend in Chinese economy from last year seemed to stop due to the monetary easing and the acceleration of infrastructure improvement. The economy of the developing countries in ASEAN showed signs of weakening like a drop in export affected by the economic slowdown in China.

As for automotive market to which the company group belongs, the domestic car production volume remained almost unchanged compared to the same period of last year. The total car production volume of the three countries in ASEAN regions almost unchanged compared to the same period of last year, as the production in Malaysia and Indonesia decreased but the production in Thailand increased mainly due to the strong domestic demand. In China, car production volume was decreased compared to the same period of last year due to decrease of the passenger car production affected by the economic slowdown.

Under those circumstances, in spite of the increase both in the sales and profits on a combined base of ASEAN affiliates, both the domestic sales and profits decreased compared to the same period of last year because of the decrease in sales due to time lag by the change of sold products and lower sales of the tooling and increase in the R&D expenses and the temporary expenses. As a result, sales was 34,764 million yen (8.0% decrease compared to the same period of last year) and operating income was 2,750 million yen (27.8% decrease compared to the same period of last year). Ordinary income was 2,664 million yen (37.6% decrease compared to the same period of last year) due to a decrease in equity in earnings of joint company in China and net income attributable to shareholders of the parent company was 1,703 million yen (48.4% decrease compared to the same period of last year).

Results by each segment are as follows:

#### 1. Auto-Components business

As for auto-components business, in spite of the increase both in the sales and profits on a combined base of ASEAN affiliates, both domestic sales and profits decreased compared to the same period of last year because of the decrease in sales due to time lag by the change of sold products and lower sales of the tooling and increase in the R&D expenses and the temporary expenses. As a result, sales was 32,766 million yen (8.2% decrease compared to the same period of last year) and operating income was 2,740 million yen (26.5% decrease compared to the same period of last year).

#### 2. After-Market business

As for after-market business, sales was 1,978 million yen (4.0% increase compared to the same period of last year) due to the increase of sales to the company group but operating income was 0 million yen (99.2% decrease compared to the same period of last year) because of the increase in the temporary expenses.

#### 3. Other business

Due to the decrease in the sales of electric valve to China, sales was 462 million yen (14.5% decrease compared to the same period of last year) and operating income was 0 million yen (97.9% decrease compared to the same period of last year).

## 2. Consolidated Financial Statement

### (1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2018)	First Quarter End (As of March 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	10,215	7,839
Notes and accounts receivable-trade	23,590	22,155
Electronically recorded monetary claims-operating	1,049	1,032
Merchandise and finished goods	3,463	3,990
Work in process	712	715
Raw materials and supplies	3,357	3,441
Other	1,277	7,250
Allowance for doubtful accounts	(75)	(70)
<b>Total current assets</b>	<b>43,589</b>	<b>46,355</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	11,432	11,355
Machinery, equipment and vehicles, net	11,842	11,626
Tools, furniture and fixtures, net	4,561	4,310
Land	3,379	3,387
Lease assets, net	3,767	2,910
Construction in progress	4,064	4,541
<b>Total property, plant and equipment</b>	<b>39,048</b>	<b>38,132</b>
Intangible assets		
goodwill	324	287
Other	985	1,206
<b>Total intangible assets</b>	<b>1,309</b>	<b>1,493</b>
Investments and other assets		
Investment securities	5,167	5,256
Long-term loans receivable	519	386
Deferred tax assets	4,084	4,210
Other	8,704	8,993
Allowance for doubtful accounts	(8)	(8)
<b>Total investments and other assets</b>	<b>18,467</b>	<b>18,839</b>
<b>Total noncurrent assets</b>	<b>58,826</b>	<b>58,465</b>
<b>Total assets</b>	<b>102,416</b>	<b>104,821</b>

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2018)	First Quarter End (As of March 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	25,831	25,717
Short-term loans payable	2,100	100
Current portion of long-term loans payable	1,329	1,329
Lease obligations	3,072	2,550
Income taxes payable	1,549	1,012
Accrued expenses	3,476	4,143
Provision for bonuses	921	1,960
Provision for directors' bonuses	23	43
Provision for product warranties	1,552	1,638
Other	6,995	4,919
Total current liabilities	46,853	43,415
Noncurrent liabilities		
Long-term loans payable	4,604	9,914
Lease obligations	1,654	612
Deferred tax liabilities	190	181
Retirement benefits	8,858	8,613
Asset retirement obligations	202	173
Provision for environmental program	8	8
Other	45	46
Total noncurrent liabilities	15,565	19,552
Total liabilities	62,418	62,967
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,972	8,972
Capital surplus	2,491	2,491
Retained earnings	29,821	31,092
Treasury stock	(45)	(45)
Total shareholders' equity	41,239	42,510
Accumulated other comprehensive income		
Valuation difference on other securities.	1,423	1,484
Foreign currency translation adjustment	(2,817)	(2,359)
Adjustment retirement benefits	(1,047)	(1,013)
Total accumulated other comprehensive income	(2,441)	(1,888)
Minority interests	1,199	1,231
Total net assets	39,997	41,853
Total liabilities and net assets	102,416	104,821

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

Consolidated Statements of Income	(Millions of yen)	
	Previous 1st Quarter (January 1, 2018 ~ March 31, 2018)	Current 1st Quarter (January 1, 2019 ~ March 31, 2019)
Net sales	37,802	34,764
Cost of sales	29,408	26,638
Gross profit	8,394	8,125
Selling, general and administrative expenses	4,583	5,375
Operating income	3,810	2,750
Non-operating income		
Interest income	22	18
Dividends income	51	48
Equity in earnings of affiliates	803	—
Foreign exchange gain	—	22
Other	50	10
Non-operating income	928	99
Non-operating expenses		
Interest expenses	140	58
Commission paid	140	22
Equity in losses of affiliates	—	79
Foreign exchange losses	180	—
Other	10	24
Non-operating expenses	472	186
Ordinary income	4,266	2,664
Extraordinary income		
Gain on sales of noncurrent assets	1	—
Extraordinary income	1	—
Extraordinary loss		
Loss on disposal of noncurrent assets	123	189
Total Extraordinary loss	123	189
Income (loss) before income taxes	4,144	2,474
Income taxes	822	746
Income (loss) before minority interests	3,321	1,728
Minority interests in income	22	25
quarterly net income (loss) attributable to the shareholder parent company	3,299	1,703

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous 1st Quarter (January 1, 2018 ~ March 31, 2018)	Current 1st Quarter (January 1, 2019 ~ March 31, 2019)
Income (loss) before minority interests	3,321	1,728
Other comprehensive income		
Valuation difference on other securities	(335)	61
Foreign currency translation adjustment	(170)	226
Adjustment retirement benefits	4	33
Share of other comprehensive income of associates accounted for using equity method	4	241
Total other comprehensive income	(497)	563
Comprehensive income	2,824	2,291
(Details)		
Comprehensive income attributable to		
Owners of the parent	2,810	2,255
Minority interests	13	36

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I. Previous First Quarter (January 1, 2018 to March 31, 2018)

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	35,709	1,733	37,442	359	37,802
(2) Intersegment Sales or Transfers	1	168	170	181	351
TOTAL	35,710	1,902	37,612	541	38,154
Segment income	3,731	52	3,783	17	3,801

\* "Other" shows business segments which is not included in reportable segment. It shows "Realestate business 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	3,783
Profit including "Other"	17
Elimination for intersegment	8
Operating income in quarterly consolidated statement	3,810

II. Current First Quarter (January 1, 2019 to March 31, 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	32,765	1,678	34,443	320	34,764
(2) Intersegment Sales or Transfers	1	300	301	142	444
TOTAL	32,766	1,978	34,745	462	35,208
Segment income	2,740	0	2,740	0	2,741

\* "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	2,740
Profit including "Other"	0
Elimination for intersegment	9
Operating income in quarterly consolidated statement	2,750



(Important subsequent events)

At a meeting of the Board of Directors on April 26, 2019, the Company resolved to issue new shares as restricted stock compensation to 11 directors and executive officers of the Company. The contents of the issue are as follows:

- |                                                 |                                                                                                                                                                                             |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Payment date                                | May, 24 2019                                                                                                                                                                                |
| (2) Class and number of shares to be issued     | 42,400 of common stocks of the Company                                                                                                                                                      |
| (3) Issue price                                 | 675 yen per share                                                                                                                                                                           |
| (4) Total issuance amount                       | 28,620,000 yen                                                                                                                                                                              |
| (5) Method of subscription /allocation          | Allotment of special restricted stock /3rd party allotment                                                                                                                                  |
| (6) Method to pay in capital                    | In-kind contribution of all monetary compensation receivables                                                                                                                               |
| (7) Persons to whom the shares will be allotted | Eight Directors of the Company (including two Independent Outside Directors but excluding other Outside Directors) 26,900 shares<br>Three Executive Officers (shikkou yakuin) 15,500 shares |
| (8) Others                                      | A notice to the Ministry of Finance is issued based on Financial Instruments and Exchange Act                                                                                               |