

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023

August 7, 2023

Company name: **ICHIKOH INDUSTRIES, LTD.**
 Listing: Tokyo Stock Exchange
 Code number: 7 2 4 4
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 Date for starting dividends payment: September 5, 2023
 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, 2023 (January 1, 2023 to June 30, 2023)

(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, 2023)	75,770 20.4	3,777 236.9	3,783 134.4	2,521 99.1
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

(Note) Comprehensive income:
 Jun. 30, 2023 3,782 million yen (4.6%) Jun. 30, 2022 3,615 million yen (Δ 15.7%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
2nd Quarter (ended on Jun. 30, 2023)	26.23	-
2nd Quarter (ended on Jun. 30, 2022)	13.18	-

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

	Total Assets	Net Assets	Equity Ratio (%)
2nd Quarter (as of Jun. 30, 2023)	125,133	58,378	46.1
FY2021 (as of Dec. 31, 2022)	125,915	55,007	43.2

[Reference] Equity: Second Quarter as of Jun. 30, 2023 57,645 million yen
 Fiscal Year as of Dec. 31, 2022 54,334 million yen

2. Cash Dividends

(Cut-off Date)	Cash Dividends per share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Full Year
FY2022 (ended on Dec. 31, 2022)	-	4.50	-	4.50	9.00
FY2023 (ended on Dec. 31, 2023)	-	5.50	-	-	-
FY2023 (ended on Dec. 31, 2023) [plan]	-	-	-	5.50	11.00

Note: Revision to previous dividend forecast : No

3. Consolidated Performance Forecasts for the Fiscal Year 2023 (January 1, 2023 to December 31, 2023)

(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	143,500 5.9	6,400 62.5	7,200 34.5	5,300 19.8	55.14

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: 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 June 30, 2023	96,334,226
As of December 31, 2022	96,292,401
 - ② Number of shares of treasury stock at the end of period

As of June 30, 2023	180,073
As of December 31, 2022	179,414
 - ③ Average number of shares during the period (cumulative)

FY2023 2nd quarter:	96,130,698
FY2022 2nd quarter:	96,115,689

*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, personal consumption improved including gradual expansion in service consumption caused by downgrade of the legal status of the COVID-19 and the economy gradually recovered due to strong capital investment and inbound demand. On the other hand, there were also concerns about the risk of downward pressure on the Japanese economy by deteriorating overseas economies in ongoing inflation due to yen depreciation, sharp price increase of resource and global monetary tightening. In the U.S., personal consumption remained strong and inflation rate declined, and the economy showed gradual recovery. The Chinese economy recovered rapidly through to early spring following the termination of the Zero-Covid Policy, but the recovery after the economic restart was delayed due to slowdown in personal consumption, deterioration of the real estate market, and sluggish growth in exports. As for ASEAN, consumer sentiment continued to improve and strong consumption drove economic recovery in Indonesia. In Malaysia, active consumption and inbound demand drove continuous recovery of economy, meanwhile, exports tended to be weak due to a slump in external demand. In Thailand, the backdrop of sluggish global demand led to decline of exports and the pace of economic recovery weakened.

Under these circumstances, sales increased year-on-year in Japan as a mainstay and ASEAN and exceeded the market growth on an automotive production volume basis for the cumulative second quarter because of the sales situation in recovery trend. Consequently, the sales increase rate exceeded the market growth rate in Japan and ASEAN.

As a result, for the cumulative second quarter, the sales was 75,770 million yen (up 20.4% year-on-year). The operating income was 3,777 million yen (up 236.9% year-on-year) due to favorable impact of sales increase and progress in pass-through on the sharp rise in raw materials costs, etc. The ordinary income was 3,783 million yen (up 134.4% year-on-year), and the net income attributable to the parent company was 2,521 million yen (up 99.1% year-on-year).

Results by each segment are as follows:

1. Auto-Components business

Supply constraints of semiconductors was almost resolved, and automotive production, which reduced plant operation days, has been recovering in two regions, Japan and ASEAN. As a result, the sales was 71,832 million yen (up 20.8% year-on-year) and achieved a level higher than the automotive production market growth affected by the pass-through, and the operating income was 3,623 million yen (up 274.8% year-on-year).

2. After-Market business

As for the after-market business, sales for automotive accessory stores and for the dealer options remained strong, and the sales was 4,758 million yen (up 12.9% year-on-year), and the operating income was 167 million yen (up 8.6% year-on-year).

(3) Description of future outlooks such as consolidated earnings forecast

There is no revision to the earnings forecast for the FY2023 announced on May 11.

As for the future statements of performance forecast, etc. contained in this material, the statements are based on the information currently available to the company and certain information that the company deems reasonable. Please note that actual results may differ due to various factors.

Distribution of midterm dividends is 5.5 yen per share in line with the dividend forecast announced on May 11, 2023, which increased by one yen from last year.

Year-end dividend forecast has not been changed from the forecast announced on May 11, 2023.

2. Consolidated Financial Statement

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2022)	Second Quarter End (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	8,631	9,718
Notes and accounts receivable-trade	27,121	26,652
Electronically recorded monetary claims-operating	388	159
Merchandise and finished goods	5,438	5,729
Work in process	2,776	2,353
Raw materials and supplies	5,284	5,581
Other	13,698	10,285
Allowance for doubtful accounts	(60)	(48)
Total current assets	63,280	60,432
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	12,332	12,250
Machinery, equipment and vehicles, net	17,753	18,708
Tools, furniture and fixtures, net	2,633	2,851
Land	2,788	2,815
Lease assets, net	2,983	3,739
Construction in progress	3,164	2,540
Total property, plant and equipment	41,656	42,906
Intangible assets		
Other	859	825
Total intangible assets	859	825
Investments and other assets		
Investment securities	2,268	2,784
Long-term loans receivable	1,128	741
Deferred tax assets	5,569	5,583
Other	11,155	11,861
Allowance for doubtful accounts	(3)	(2)
Total investments and other assets	20,118	20,969
Total noncurrent assets	62,634	64,701
Total assets	125,915	125,133

(Millions of yen)

	Previous Fiscal Year End (As of December 31, 2022)	Second Quarter End (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	36,982	33,951
Short-term loans payable	1,400	1,000
Current portion of long-term loans payable	2,022	1,836
Lease obligations	541	540
Income taxes payable	453	1,002
Accrued expenses	5,112	4,866
Provision for bonuses	1,113	2,274
Provision for directors' bonuses	36	86
Provision for product warranties	1,983	2,061
Other	8,840	6,834
Total current liabilities	58,485	54,454
Noncurrent liabilities		
Long-term loans payable	920	-
Lease obligations	2,892	3,694
Deferred tax liabilities	153	170
Retirement benefits	8,182	8,218
Asset retirement obligations	172	164
Provision for environmental measures	23	23
Other	76	29
Total noncurrent liabilities	12,421	12,300
Total liabilities	70,907	66,755
Net assets		
Shareholders' equity		
Capital stock	8,986	8,996
Capital surplus	2,505	2,515
Retained earnings	44,660	46,749
Treasury stock	(55)	(55)
Total shareholders' equity	56,096	58,206
Accumulated other comprehensive income		
Valuation difference on other securities.	91	95
Foreign currency translation adjustment	41	1,167
Adjustment retirement benefits	(1,895)	(1,824)
Total accumulated other comprehensive income	(1,762)	(560)
Minority interests	673	732
Total net assets	55,007	58,378
Total liabilities and net assets	125,915	125,133

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

Consolidated Statements of Income

(Millions of yen)

	Previous 2nd Quarter (January 1, 2022 ~ June 30, 2022)	Current 2nd Quarter (January 1, 2023 ~ June 30, 2023)
Net sales	62,935	75,770
Cost of sales	52,221	61,192
Gross profit	10,713	14,578
Selling, general and administrative expenses	9,592	10,800
Operating income	1,121	3,777
Non-operating income		
Interest income	87	101
Dividends income	6	5
Equity in earnings of affiliates	776	235
Other	12	16
Non-operating income	882	359
Non-operating expenses		
Interest expenses	95	56
Commission paid	3	3
Foreign exchange losses	261	249
Other	29	44
Non-operating expenses	390	353
Ordinary income	1,613	3,783
Extraordinary income		
Gain on disposal of noncurrent assets	-	5
Total Extraordinary income	-	5
Extraordinary loss		
Loss on disposal of noncurrent assets	179	280
Business restructuring expenses	-	198
Total Extraordinary loss	179	478
Income (loss) before income taxes	1,434	3,310
Income taxes	125	756
Income (loss) before minority interests	1,309	2,553
Minority interests in income	42	32
quarterly net income (loss) attributable to the shareholder parent company	1,266	2,521

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous 2nd Quarter (January 1, 2022 ~ June 30, 2022)	Current 2nd Quarter (January 1, 2023 ~ June 30, 2023)
Income (loss) before minority interests	1,309	2,553
Other comprehensive income		
Valuation difference on other securities	3	3
Foreign currency translation adjustment	920	553
Adjustment retirement benefits	39	71
Share of other comprehensive income of associates accounted for using equity method	1,342	598
Total other comprehensive income	2,305	1,228
Comprehensive income	3,615	3,782
Comprehensive income attributable to		
Owners of the parent	3,504	3,723
Minority interests	110	58

(3) Note on assumptions for going concern

There is no item to be reported.

(4) Segment Information

I . Previous 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

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	1,121

II . Current Second Quarter (January 1, 2023 to June 30, 2023)

1. Sales and profits or losses for each reportable segment

(Millions of yen)

	Segments		Total
	Automotive Parts	Automotive Aftermarket	
Net sales			
Domestic	52,064	3,538	55,602
Oversea	19,767	400	20,168
Revenue from contracts with customers	71,831	3,938	75,770
Other income	-	-	-
Sales to Outside Customers	71,831	3,938	75,770
Intersegment Sales or Transfers	1	819	820
TOTAL	71,832	4,758	76,590
Segment income	3,623	167	3,790

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	3,790
Elimination for intersegment	△ 12
Operating income in quarterly consolidated statement	3,777

(Important Subsequent Events)

(Sale of Shares of Subsidiary)

At the Board of Directors held on September 26, 2022, the Company resolved the sale of the shares of its wholly owned domestic mirror business subsidiary, Misato Industries Co., Ltd. (hereinafter referred to the "Misato") to SMR Automotive Mirrors UK Limited after absorption-type split of the Company's business related to the design, development, manufacture and sale of automotive mirrors and the equity interests of Ichikoh(Wuxi) Automotive Parts Co., Ltd., a specified subsidiary that operates mirror business in China (hereinafter referred to the "Business") to Misato, and executed share transfer agreement for this sale of shares. The absorption-type company split was completed as of March 1, 2023 and all shares of Misato were transferred on August 1, 2023. With this share transfer, Misato will be excluded from the scope of consolidation of the Company in the consolidated cumulative period of the third quarter.

1. Purpose of the Transaction

As described above, by splitting the Business with a company split (absorption-type company split) method and transferring it to Misato, the Company spun-off the Business. After that, the Company realized the sale of the Business by selling all the shares of Misato to SMR Automotive Mirrors UK Limited.

The Company considers that Misato, which operates the Business, will enhance its global capability and ability to develop new products such as next-generation electronic mirrors, and will build a foundation for mid- to long-term development by selling the Business. In addition, the Company group will secure even stronger competitiveness by promoting selection and concentration on the remaining Lighting Businesses, etc. and the prioritized allocation of limited management resources.

2. Name of Transferee of Shares

SMR Automotive Mirrors UK Limited

3. Date of Share Transfer

August 1, 2023

4. Name and Business of the Referenced Subsidiary

Name: Misato Industries Co., Ltd.

Business: Business related to the design, development, manufacture and sale of automotive mirrors, etc.

Transaction details with the Company: The referenced company and the Company have a business relationship for the manufacture of mirror products.

5. Number of Shares Transferred, Transfer Value, Gain from Transfer and Shareholding Ratio after the Transfer

Number of Shares Transferred: 610,000

Transfer Value: About 4 billion yen

The above share transfer value is provisional because of the price adjustment clause included in the said share transfer agreement, so the above amount is provisional. As the price is expected to be adjusted in the future, the final share transfer price is expected to change. As the price adjustment is expected in the future, the final share transfer value will fluctuate.

Gain from Transfer: Gain is currently under close examination and has not yet been determined.

Transfer and Shareholding Ratio after the Transfer: 0%

(Reference) Summary of Non-consolidated financial results as of June 30,2023 (January 1, 2023 ~ June 30, 2023)

(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.23	53,448	20.2	2,101	-	2,062	245.0	1,120	139.5
30-Jun.22	44,448	△12.3	15	△99.5	597	△80.8	467	△81.3

(2) Financial conditions

	Total assets	Net assets	Ratio of shareholders' equity	Net assets per share
	million yen	million yen	%	yen
30-Jun.23	89,683	43,208	48.2	449.31
31-Dec.22	91,215	42,494	46.1	442.14

(Reference) Shareholders' equity:

Jun. 30, 2023 43,208 million yen Dec. 31, 2022 42,494 million yen