

# FY2020 First Half Financial Results

**Ken Shido, President & COO**

This is an internal English translation of the YOROZU FY2020 First-half Financial Report issued in the Japanese language and is provided solely for the convenience of English speaking readers. In case of discrepancy the Japanese version prevails.

YOROZU

株式会社 ヨロズ

The first section of the Tokyo Stock Exchange (Securities Code: 7294)

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## I . FY2020 First Half Performance

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## Consolidated Financial Summary for 1H FY2020 (Year on Year)

Millions of yen

	1H FY19	1H FY20	Difference (Year on Year)	Old Forecast for 1H FY20 *2	Difference from Old Forecast (against forecast)
<b>Sales</b>	78,204	43,930	(-43.8%) - 34,274	44,000	(-0.2%) - 70
<b>Operating Income</b>	264	- 4,160	- 4,424	- 4,700	+ 540
<b>Ordinary Income</b>	- 432	- 3,615	- 3,183	- 4,200	+ 585
<b>Net Income *1</b>	- 832	- 3,234	- 2,402	- 4,000	+ 766

	1H FY19 A	1H FY20 B	Difference B - A	Percentage of Change
<b>Net Income per Share</b>	- 35.04 yen	- 135.40 yen	- 100.36 yen	—%
<b>Exchange Rate Applied to Consolidated Statements</b>	110.06 yen/\$	108.23 yen/\$	- 1.83 yen/\$	- 1.7%

\*1 Net income attributable to parent company shareholders

\*2 Estimated figures disclosed on August 7, 2020 (1Q)

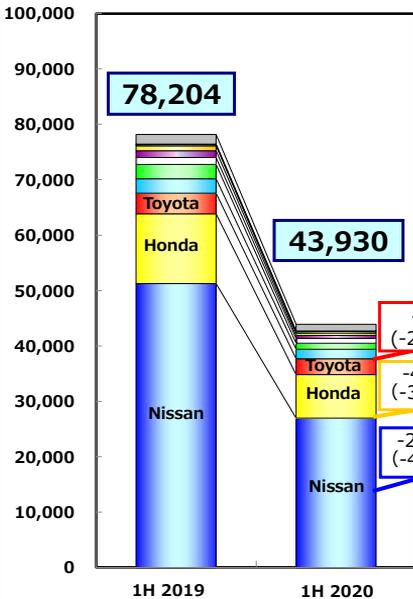
Sales: Significant decline due to impact of the novel corona virus outbreak (COVID-19)  
 Operating income: Our continuous efforts to improve profits could not completely cover the production losses arising from the pandemic, resulting in operating loss  
 Ordinary income: Loss eased by employment adjustment subsidies and exchange loss turning to gains  
 Net income: Loss reduced despite extraordinary loss\*3 from COVID-19 thanks to negative corporate tax (tax effect) and non-controlling loss

\*3 COVID-19 related loss

## Consolidated Sales by Customer (1H FY19 vs. 1H FY20)

**YOROZU**

Millions of yen



Millions of yen

Customer	1H 2019	(%)	1H 2020	(%)
Nissan Gr*	51,284	65.6%	26,996	61.5%
Honda Gr	12,593	16.1%	7,857	17.9%
Toyota Gr	3,723	4.8%	2,856	6.5%
Isuzu	2,605	3.3%	1,710	3.9%
Mazda	2,587	3.3%	1,091	2.5%
Kubota	1,248	1.6%	873	2.0%
VW	1,224	1.6%	530	1.2%
Suzuki	883	1.1%	417	0.9%
Daimler	275	0.4%	361	0.8%
GM Gr	30	0.0%	26	0.1%
Others	1,752	2.2%	1,213	2.7%
<b>Total</b>	<b>78,204</b>	<b>100.0%</b>	<b>43,930</b>	<b>100.0%</b>

\* Includes sales to Renault

COVID-19 Impact: Significant decline in sales because of production reduced at all customer plants

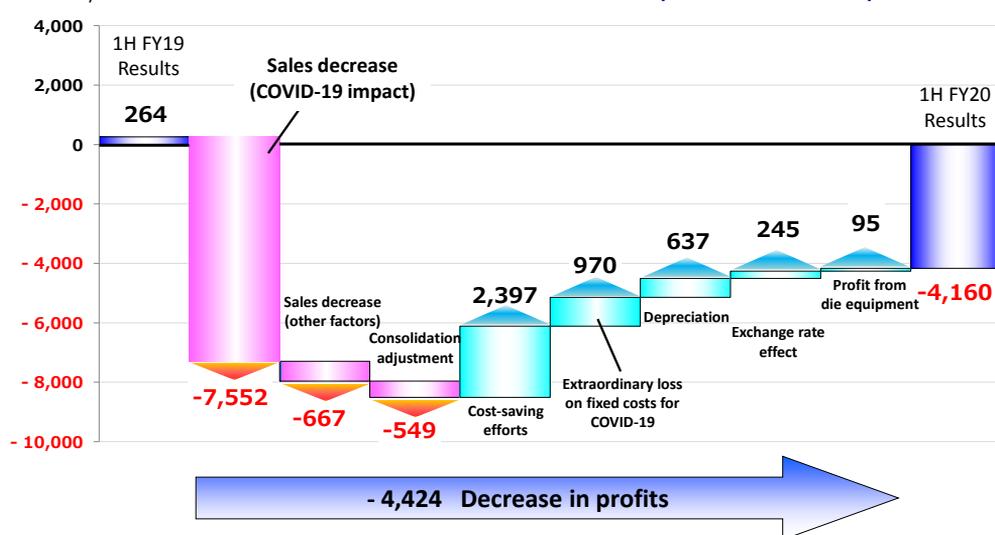
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## Analysis of Impact on Consolidated Operating Income (1H FY19 vs. 1H FY20)

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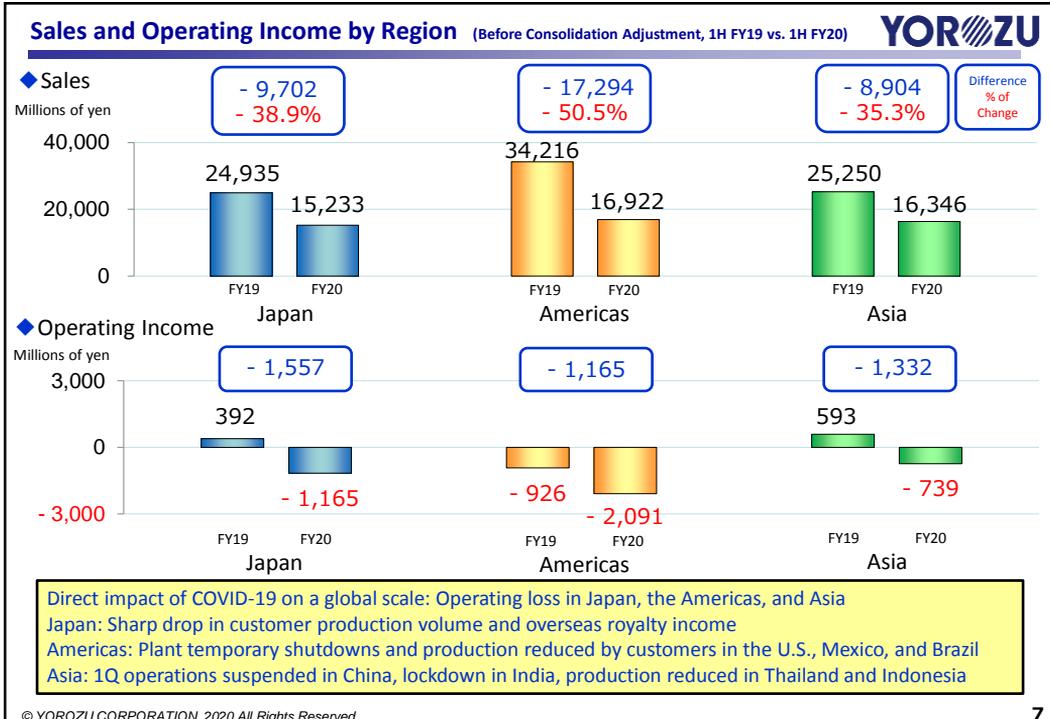
Millions of yen



Loss is due to impact of COVID-19 on sales. Amid the pandemic, the group's efforts centering on emergency profit kaizen activities are gradually producing positive results.

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### Consolidated Balance Sheet Summary 1H FY2020 **YOROZU**

Millions of yen

	Mar 2020	Sep 2020	Difference
<b>Assets</b>			
Current Assets	58,386	49,735	-8,651
Fixed Assets	81,313	76,841	-4,472
<b>Total Assets</b>	<b>139,700</b>	<b>126,577</b>	<b>-13,123</b>
<b>Liabilities and Equity</b>			
Current Liabilities	37,550	36,192	-1,358
Fixed Liabilities	27,598	23,638	-3,960
<b>Total Liabilities</b>	<b>65,149</b>	<b>59,830</b>	<b>-5,319</b>
Shareholders' Equity	67,677	64,322	-3,355
Other Accumulated Comprehensive Income	-8,068	-10,580	-2,512
Non-controlling interest, etc.	14,941	13,003	-1,938
<b>Total Net Assets</b>	<b>74,550</b>	<b>66,746</b>	<b>-7,804</b>
<b>Total Liabilities and Net Assets</b>	<b>139,700</b>	<b>126,577</b>	<b>-13,123</b>

✓ Cash & bank deposit +2,599  
 Notes and acc'ts receivable -9,538  
 Electronically recorded monetary claims -769  
 Inventories -748  
 Other current assets -206

Tangible fixed assets -5,672

Accounts payable -3,168

Quarterly net loss -3,234  
 Dividend payment -309

Valuation difference +581  
 Foreign currency translation adjustment -3,083

The group have steadily secured liquidities while assets and liabilities declined due to the COVID-19 pandemic.

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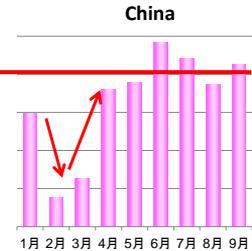
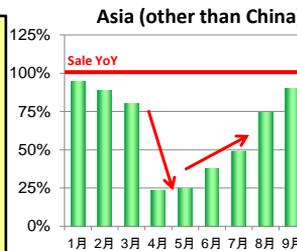
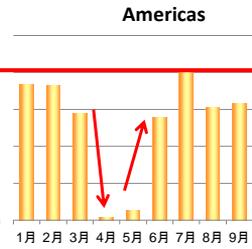
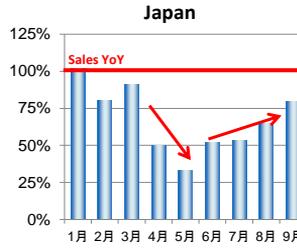
**Operation at Major Production Sites (Countries)**

Country	FY End	Operating Status								Details
		Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Japan	Mar			Temporary shutdown or partial operation					Normal operation	Since late March, operation suspended or lines reduced to align with customer
U.S.	Dec		Shutdown	Temporary shutdown or partial operation	Normal operation					March 23 – May 10 Shutdown Operation currently aligns with customer
Mexico	Dec		Shutdown	Temporary shutdown or partial operation	Normal operation					March 30 – May 31 Shutdown Operation currently aligns with customer
Brazil	Mar		Shutdown	Temporary shutdown or partial operation	Normal operation					March 25 – May 17 Shutdown Operation currently aligns with customer
Thailand	Dec			Temporary shutdown or partial operation					Normal operation	Since early April, operation suspended or lines reduced to align with customer
India	Mar		Shutdown	Temporary shutdown or partial operation	Normal operation					March 24 – May 10 Shutdown Operation currently aligns with customer
Indonesia	Mar			Shutdown	Temporary shutdown or partial operation	Normal operation				April 10 – June 1 Shutdown Operation currently aligns with customer
China	Guangzhou	Shutdown	Temporary shutdown or partial operation	Normal operation						Guangzhou: Feb 5-16 Shutdown Wuhan: Feb 5-Mar 10 Shutdown Plant running as usual as of this date
	Wuhan	Shutdown	Temporary shutdown or partial operation	Normal operation						

Shutdown
 Temporary shutdown or partial operation
 Normal operation

# Tendency of Demand under Coronavirus Outbreak

Sales (Parts) by Region (excluding impact of foreign exchange, Year on year based on previous year as 100%)



**1H: Sharp fall in production due to COVID-19**

- China: February to March
- Americas: April to May
- Japan/Asia: April to June

**2H: China will recover well above the level in the first half of the previous year, while in other areas, recovery from the first half low is expected but not likely to reach the previous year level.**

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## Consolidated Financial Forecast Summary for FY2020

**YOROZU**

### ◆ Profit and Loss (Year on Year)

Millions of yen

	FY2019 Results	FY2020 Forecast	Difference (Year on Year)	Old Forecast for FY2020 *2	Difference from Old Forecast
Sales	157,680	115,000	(-27.1%) - 42,680	107,000	+ 8,000
Operating Income	2,206	- 2,700	- 4,906	- 4,700	✓ + 2,000
Ordinary Income	770	- 1,900	- 2,670	- 4,200	✓ + 2,300
Net Income *1	- 12,933	- 2,500	+ 10,433	- 4,000	✓ + 1,500

	FY2019 Results	FY2020 Forecast	Difference	% of Changes
Net Income per Share	- 544.05 yen	- 104.54 yen	+ 439.51 yen	+ 80.8%
Exchange Rate Applied to Consolidated Statements	109.03 yen/\$	106.00 yen/\$	- 3.03 yen/\$	- 2.8%

\*1 Net income attributable to the parent's shareholders

\*2 Estimated figures disclosed on August 7, 2020

#### Group Performance under the Impact of COVID-19 Pandemic

Sales: While the group expect sales to decline by 27% this year (← down 43.8% in 1H), China will see growth, and recovery is expected to accelerate in the Americas and Japan.

Operating income: Though the group expect to post an operating loss, the amount will be smaller thanks to better performance (in 1H), sales recovery (in 2H), and ongoing emergency profit kaizen efforts. (Will turn profits in 2H)

**Upward revision from the old forecast**

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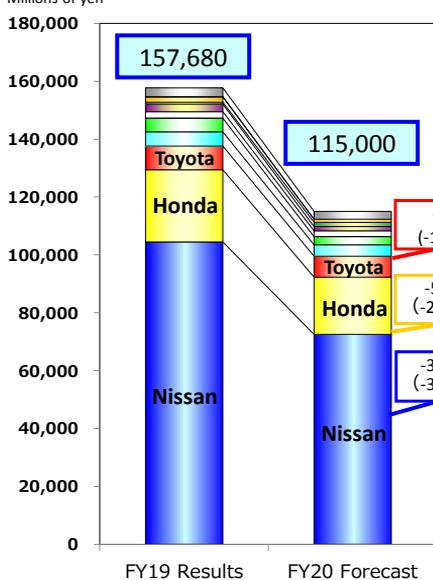
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## Consolidated Sales by Customer (FY19 Results vs. FY20 Forecast)

**YOROZU**

Millions of yen

Millions of yen



Customer	FY19 Results	(%)	FY20 Forecast	(%)
Nissan Gr *	104,453	66.2%	72,517	63.1%
Honda Gr	24,935	15.8%	19,771	17.2%
Toyota Gr	8,185	5.2%	7,234	6.3%
Isuzu	4,917	3.1%	3,958	3.4%
Mazda	4,705	3.0%	2,807	2.4%
Kubota	2,259	1.4%	2,011	1.8%
VW	2,596	1.6%	1,479	1.3%
Daimler	667	0.4%	1,428	1.2%
Suzuki	1,851	1.2%	1,062	0.9%
GM Gr	86	0.1%	38	0.0%
Others	3,026	2.0%	2,695	2.4%
<b>Total</b>	<b>157,680</b>	<b>100.0%</b>	<b>115,000</b>	<b>100.0%</b>

\* Includes sales to Renault

Net income will decline but recovery is seen from 1H FY2020 while each customer has its own pace of recovery

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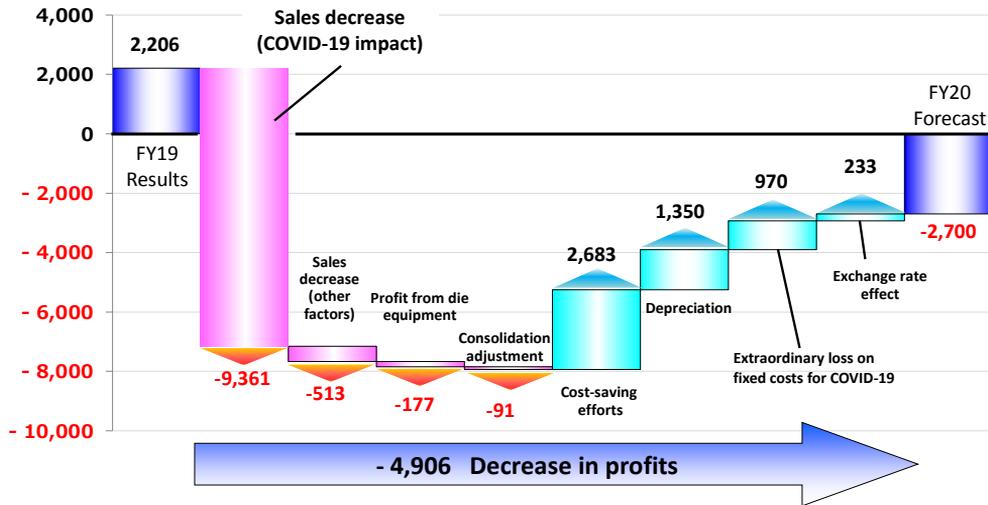
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## Analysis of Impact on Consolidated Operating Income

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Millions of yen

(FY19 Results vs. FY20 Forecast)



Prospect of posting a loss is not likely to change because of the significant decline in sales due to the impact of COVID-19. However, the group will continue its efforts in emergency profit kaizen activities and is expected to post a narrower loss in the second half. (Turn profits in 2H)

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## Sales and Operating Income by Region (Before Consolidation Adjustment, FY19 Results vs. FY20 Forecast)

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1H FY2020 suggests upwards from the previously-announced forecast despite of sales and profit fall in all segments year on year due to the impact of COVID-19 pandemic

Japan: Cost-saving efforts brought great recovery in earnings though part sales and royalty falls will make a net loss

Americas: Nissan and Mexico getting back on the right track will reduce the loss that was announced previously

Asia: Sudden recovery in China in the second half of FY2020 will turn the bottom line back to black

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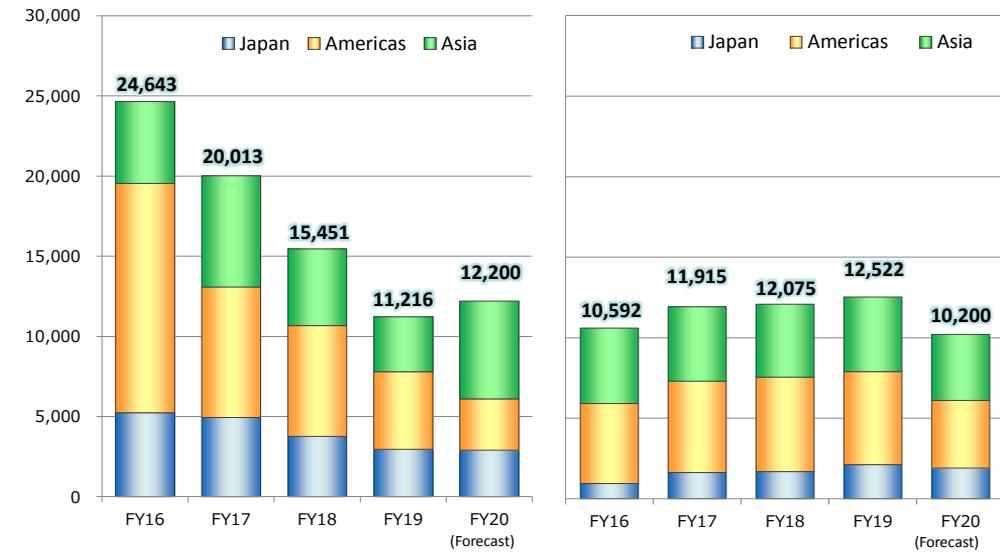
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## Capital Investment and Depreciation

### Capital Investment by Region

### Depreciation by Region

Millions of yen



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# Emergency Profit Kaizen



## Recent Business Impact Factors

- Trade friction between U.S. and China (since 2H 2019)
- COVID-19 impact on sales decline (2020 onwards)
- Close monitoring of major customers' production volume



## Given the situation

We'll work as One Team to improve profits

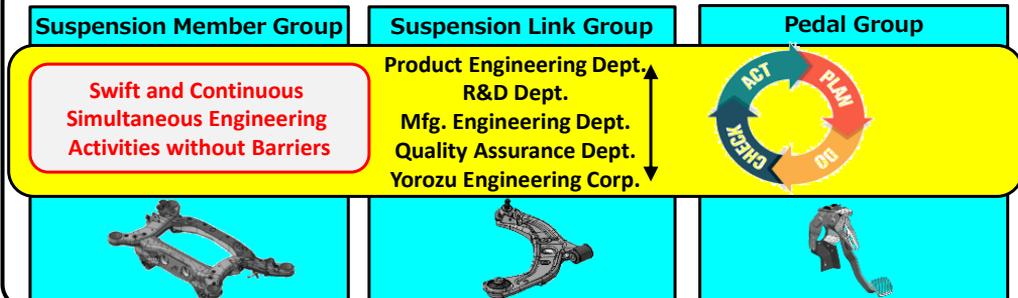
- ✓ Active involvement in Emergency Profit Kaizen Activities that began in 2019
  - Achieve efficiency by turning to 1 shift production instead of 2 (reduce costs)
  - Achieve efficiency through temporary closure and remote working (reduce commuter costs, overtime labor)
  - Reduce directors' remuneration
  - Save expenses by "won't buy, won't use" (e.g. save business travel expenses)
  - Reduce expenses through centralized purchasing (e.g. purchasing of PPE)
- ✓ Reduction of fixed costs
  - Encourage re-use and review priority of capital investment
- ✓ Reduction of loss costs
  - Ensure visual control of loss (productivity, quality, equipment) at the sites

# Yorozu Monozukuri Strengths



The strengths come from our strong commitment to simultaneous engineering activities involving all engineering departments otherwise separately engaged in designing, development of new technology & methods, designing of the production process, dies and welding equipment, ensuring quality, or making dies and plant facilities.

## Established product-specific groups across the engineering departments



Our Monozukuri Team continues to inspire the Japanese auto parts industry with its awesome new technology

 <p>Mujinka Assembly Line</p>	 <p>Full-curl Method (tubular forming of steel sheets)</p>	 <p>Forming of High Tensile 780MPa Steel Sheets</p>	 <p>Tailored Blanking Method</p>
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# Yorozu Strengths in Development of Parts - 1



Our strength in the development of suspension parts is built on the foundation of our unique total production system. The entire designing process takes place at Yorozu - from market research, concept planning, designing, analysis, trials, and final testing - allowing Yorozu to quickly supply light-weight and sturdy parts at low price.

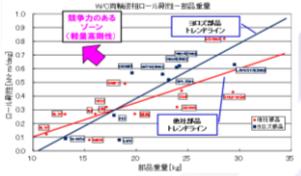
### ★ Yorozu total production system



### ★ Strong ties with world carmakers

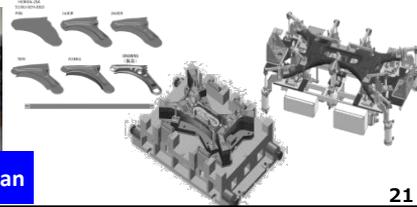


### ★ Market research benchmarking



Only Yorozu in Japan

### ★ 100% independent development



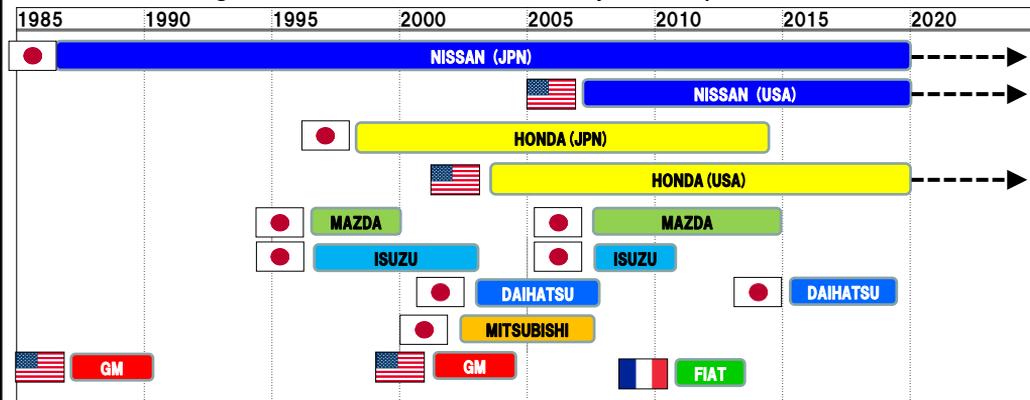
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# Yorozu Strengths in Development of Parts - 2



Yorozu has a unique product development system unlike other competitors. Some of our design engineers are deployed full-time at carmakers' R&D centers as a "guest engineer" to jointly work on research and development.

### ★ Yorozu sends its engineers to carmakers around the world for joint development work



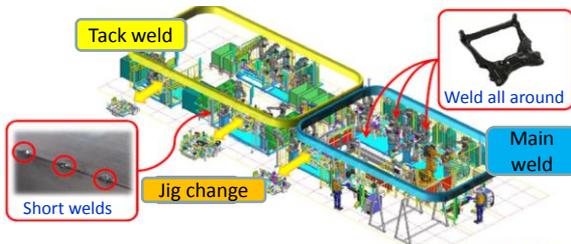
Yorozu has an R&D center in Tennessee allowing for designing and testing of parts around the clock by taking advantage of the time difference between Japan and the U.S. The speed with which we respond to customer requirements and requests for development has received high reputation from carmakers around the world.

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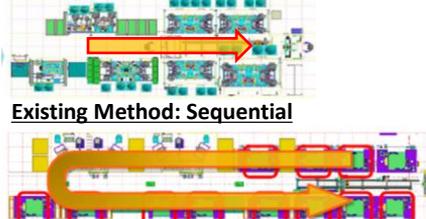
2020 NISSAN Global Innovation Award

- Monozukuri Innovation: Tack & Main Weld  
- World's first method adopted globally
- Less investment cost strengthens cost competitiveness

- Flexible and open to changes in models and volume
- Jigs used for prototyping are adoptable to mass production
- Versatile and reusable lines that gain significant cost savings



New method: Tack & Main Weld

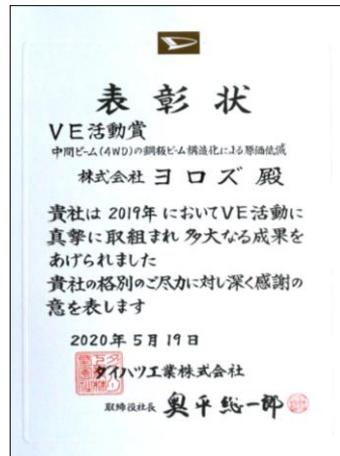


Award for VE (Value Engineering) Activities from Daihatsu Motor

Yorozu received the award for its cost cutting method suggesting "Structure Change" of rear suspensions. The idea has been adopted to the new SUV models and reduced the part cost by 55%.

Award Details

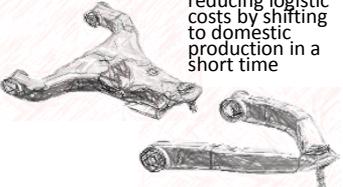
OEM	Daihatsu	
Model	Daihatsu ROCKY	Toyota RAIZE
Reason for Winning	<p>Rear Suspension (Beam Type)</p> <p>Proposed to change the red-circled area to have the structure as shown below to improve cost competitiveness</p>	



## Recent Topics on Awards - 3

### Appreciation Award for Contribution to Development from Nissan Shatai Co., Ltd.

We received the award for contributions to extreme cost-cutting in logistics by immediate transfer of production from overseas to Japan of the suspension links that are mounted on large SUVs.

Award Details		
OEM	Nissan Shatai	
Model	INFINITI QX80	Nissan ARMADA
Reason for Winning	<p><b>Suspension·Link</b></p>  <p>Contributed to reducing logistic costs by shifting to domestic production in a short time</p>	
 		

## Quality Awards from Customers (January - July 2020)

### NISSAN



2019 Supplier Award from Nissan Motor Tochigi Plant

### HINO



Excellent Quality Management Award from Hino Motors

### TOYOTA



Appreciation Award for Quality Activities from Toyota Motor East Japan

### HINO



Quality Management Award from Hino Motors (YAT)

### DAIHATSU



JDP 2019 IQS Award from Daihatsu

### GM



Supplier Quality Excellence Award from GM (YTC)

## Car Models Adopting Our Products

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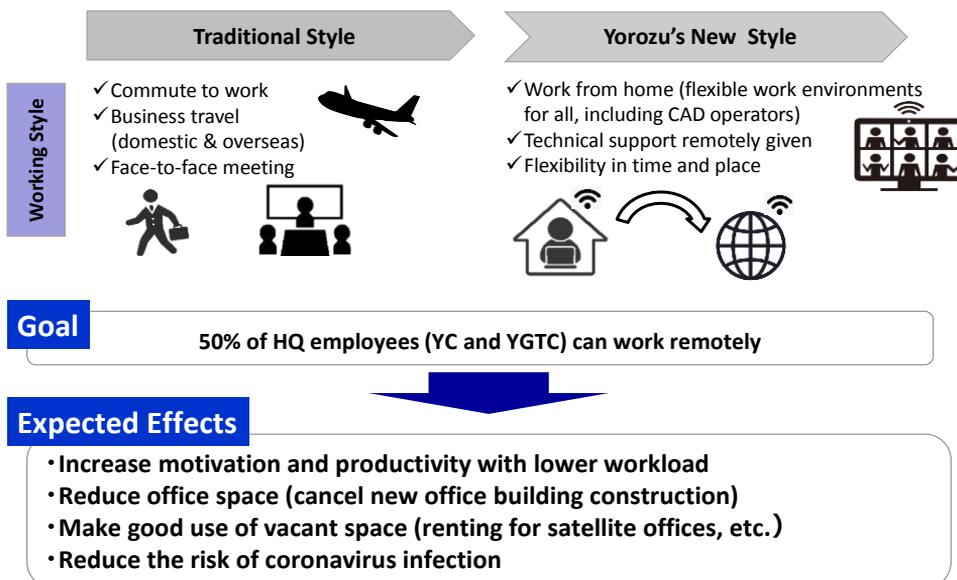
Americas		U.S.		Mexico			
<b>Nissan ROGUE</b>  FR SUSP MEMBER  RR SUSP LWR LINK RR		<b>Honda TLX</b>  RADIUS ROD  RR SUSP LWR LINK FR  RR SUSP MEMBER  RR SUBFRAME		<b>Nissan SENTRA</b>  FR SUSP MEMBER  LINK COMPL-RR SUSP LWR,RR  MBR ASSY-RR SUSP  TRANSV LINK  LINK COMPL-RR SUSP LWR,FR			
Asia		Thailand		Japan			
<b>Nissan KICKS</b>  FR SUSP MEMBER		<b>Nissan ROOX</b>  RR SUSP BEAM  TRANSV LINK		<b>Mitsubishi ekX · ekSPACE</b>  FR SUSP MEMBER  RR SUSP BEAM		<b>Daihatsu ROCKY/Toyota RAIZE</b>  RR BEAM <b>Daihatsu TANTO</b>  RR BEAM <b>Honda FIT</b>  FR SUBFRAME	

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## Reshaping Work Style

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## Shareholder Return

### •FY2020 Dividends

Yorozu has decided to forgo payment of annual dividend for the fiscal year ending March 31, 2021 due to a net loss forecasted for the year and the potential impact of ongoing COVID-19 pandemic on our business. This was a tough decision for all of us but we are striving ourselves much harder and working cross-functionally on profit-focused kaizen activities to resume dividend payment as quickly as possible. We appreciate your continued support.

First Half FY2020 **YOROZU** Financial Results  
Thank you for your attention

Yorozu Website  
<http://www.yorozu-corp.co.jp>

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