

FY2023 First Half Financial Results

Tsutomu Hiranaka, President & COO

Yorozu Corporation

This is an internal English translation of the Yorozu FY2023 First Half Financial Report originally issued in Japanese, created for the convenience of English-speaking readers. In case of any discrepancies, the Japanese version will take precedence.

YOROZU

株式会社 ヨロズ

Tokyo Stock Exchange Prime Market (Securities Code: 7294)

Contents

- I . FY2023 First Half Financial Summary
- II . FY2023 First Half Results
- III . FY2023 Annual Forecast
- IV . Progress of FY2023 Approaches
- V . Shareholder Return

FY2023 First Half Financial Summary



First-Half Results

- Operating income decreased by 13.3% year-on-year, primarily attributed to decreased output and profits in China and costs associated with future growth, despite an increase in production volume and a profit rise in Japan and the Americas.
- Sound financial stability was upheld through the successful fundraising aligned with a prudent strategy.

Full-Year Outlook

- Output from major customers will be in line with the planned production, reflecting current market conditions.
- The full-year outlook remains unchanged, as expenses targeted at future growth will be balanced out through rationalization.
- We will start new initiatives aimed at growth, all while upholding the current medium-term business plan, YSP2023.

Shareholder Return

- FY2023 dividend information
Interim: 13 yen (determined)
Annual: 26 yen (planned) (FY2022 annual dividend: 25 yen)
- Dividend payout ratio: 42.0% (planned)

Contents



I . FY2023 First Half Financial Summary

II . FY2023 First Half Results

III . FY2023 Annual Forecast

IV . Progress of FY2023 Approaches

V . Shareholder Return

Consolidated Financial Summary for 1H FY2023 (Year-on-Year) **YOROZU**

Million yen	1H FY2022	1H FY2023	Y-on-Y
Sales	71,966	84,259	17.1%
Operating Income	542	470	(13.3)%
Ordinary Income	779	754	(3.2)%
Net Income*1	314	58	(81.4)%

*1 Net income attributable to owners of the parent

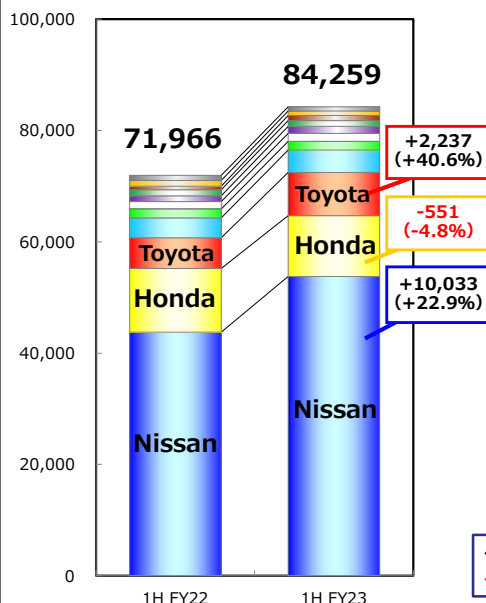
	1H FY2022 A	1H FY2023 B	Difference B-A	% of Change
Net Income per Share	13.07 yen	2.42 yen	(10.65) yen	(81.5)%
Exchange Rate Applied to Consolidated Statements	123.20 yen/\$	134.98 yen/\$	11.78 yen/\$	9.6%

- ◆ Sales: Despite a production downturn in Asia, sales increased thanks to higher output in Japan and the Americas aided by the effect of a weaker yen
- ◆ Operating income: Declined, with factors such as reduced China sales, less dies & equipment, and inclusion of expenses for future growth, despite profits from increased production
- ◆ Ordinary income: Remained flat due to higher lending rates, which offset exchange rate gains
- ◆ Net income: Went down due to posted corporate tax and related adjustments

Consolidated Sales by Customer **YOROZU**

(1H FY2022 vs. 1H FY2023)

Million yen



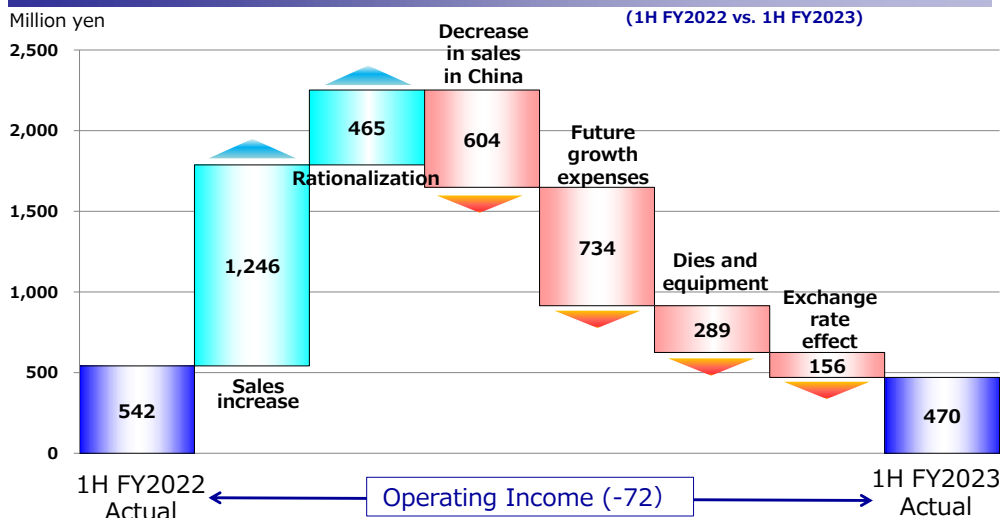
Customer	FY2022	(%)	FY2023	(%)
Nissan Gr.*	43,766	60.8%	53,799	63.8%
Honda Gr.	11,462	15.9%	10,911	12.9%
Toyota Gr.	5,504	7.6%	7,741	9.2%
Isuzu	3,547	4.9%	4,068	4.8%
Mazda	1,608	2.2%	1,540	1.8%
Kubota	1,323	1.8%	1,429	1.7%
VW	1,039	1.4%	1,246	1.5%
Mercedes Benz	1,131	1.6%	1,060	1.3%
Subaru	595	0.8%	880	1.0%
Suzuki	1,070	1.5%	843	1.0%
Others	921	1.5%	742	1.0%
Total	71,966	100.00%	84,259	100.00%

* Includes sales to Renault and Mitsubishi

- ◆ Sales increased YoY with most of customers
- ◆ A notable increase in sales to Toyota

Analysis of Impact on Consolidated Operating Income

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Despite increased profits boosted by production in Japan and the Americas, there was a slight decline in overall profits, attributable to a drop in output and profits in China, weak sales of die equipment, exchange rate impacts, and costs aimed at future growth.

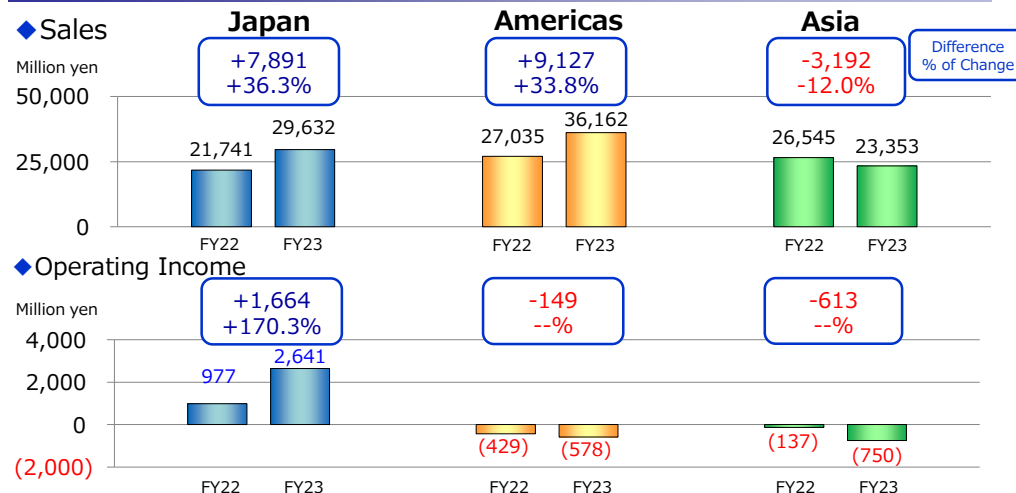
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7

Sales and Operating Income by Region Before Consolidation Adjustment

(1H FY2022 vs. 1H FY2023)

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- ◆ Japan: The boosted sales of parts and dies led to increases in sales and profits, effectively offsetting the rise in expenses aimed at future growth.
- ◆ Americas: Increased sales and profits were mitigated by higher labor costs and expenses related to new model launches in Mexico, resulting in no change from the previous fiscal year.
- ◆ Asia: While rationalizing efforts made profits, less production volume in China led to a decline in profits.

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8

Financial Standing for the First Half of FY2023 **YOROZU**

(Million yen)	Mar. 31, 2023 A	Sep. 30, 2023 B	Difference (B-A)	
Net Worth	63,630	70,116	6,486	10.2%
Equity Ratio	45.0%	46.1%	--	--
Interest-bearing Debt	32,835	30,753	(2,082)	(6.3)%
NET Interest-bearing Debt	9,217	7,896	(1,321)	(14.3)%
Total Assets	141,511	152,098	10,587	7.5%

(Million yen)	1H FY2022 A (Accumulated)	1H FY2023 B (Accumulated)	Difference (B-A)	
Cash Flow from Operating Activities	5,122	5,504	382	7.5%
Cash Flow from Investing Activities	(814)	(3,629)	(2,815)	--
Cash Flow from Financing Activities	(5,233)	(4,167)	1,066	--

A sound DE ratio is maintained with a prudent fundraising strategy.

(Reference) Consolidated Balance Sheet Summary 1H FY2023 **YOROZU**

Million yen	Mar. 31, 2023 A	Sep. 30, 2023 B	Difference B-A
Current Assets	72,582	76,351	3,769
Fixed Assets	68,928	75,746	6,818
Total Assets	141,511	152,098	10,587
Current Liabilities	44,393	48,699	4,306
Fixed Liabilities	19,677	19,311	(366)
Total Liabilities	64,071	68,010	3,939
Shareholders' Equity	62,961	62,694	(267)
Accumulated Other Comprehensive Income	668	7,421	6,753
Non-controlling Interests, etc.	13,809	13,970	161
Total Net Assets	77,439	84,087	6,648
Total Liabilities and Net Assets	141,511	152,098	10,587

Cash & bank deposit	(760)
Notes & accounts receivable	889
Inventories	1,924
Other current assets	1,673
Tangible fixed assets	4,752
Investments & other assets	2,028
Notes & accounts payable	1,250
Electronically recorded obligations	(970)
Short-term debts	904
Long-term debts due within 1 yr.	(2,066)
Others	4,063
Long-term debts	(580)
Others	310
Net income	58
Dividend payment	(434)
Valuation difference on available-for-sale securities	1,116
Foreign currency translation adjustment	5,605

Contents

YOROZU

I . FY2023 First Half Financial Summary

II . FY2023 First Half Results

III . FY2023 Annual Forecast

IV . Progress of FY2023 Approaches

V . Shareholder Return

Consolidated Financial Forecast Summary for FY2023

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Million yen	FY2022 Actual A	Sales Ratio	FY2023 Forecast B	Sales Ratio	Difference B-A	% of Change
Sales	160,560	100.0%	160,000	100.0%	(560)	(0.3)%
Operating Income	3,088	1.9%	3,200	2.0%	112	3.6%
Ordinary Income	2,992	1.9%	2,700	1.7%	(292)	(9.8)%
Net Income ^{*1}	1,422	0.9%	1,500	0.9%	78	5.5%

^{*1} Net income attributable to owners of the parent

- ◆ Expect sales to remain on par with the previous year's level due to uncertainties in China, despite sales growth factors such as the increase in production volume and the positive impact of the exchange rate
- ◆ Expect operating income to increase year-on-year thanks to the Group's rationalization efforts, despite additional costs aimed at future growth

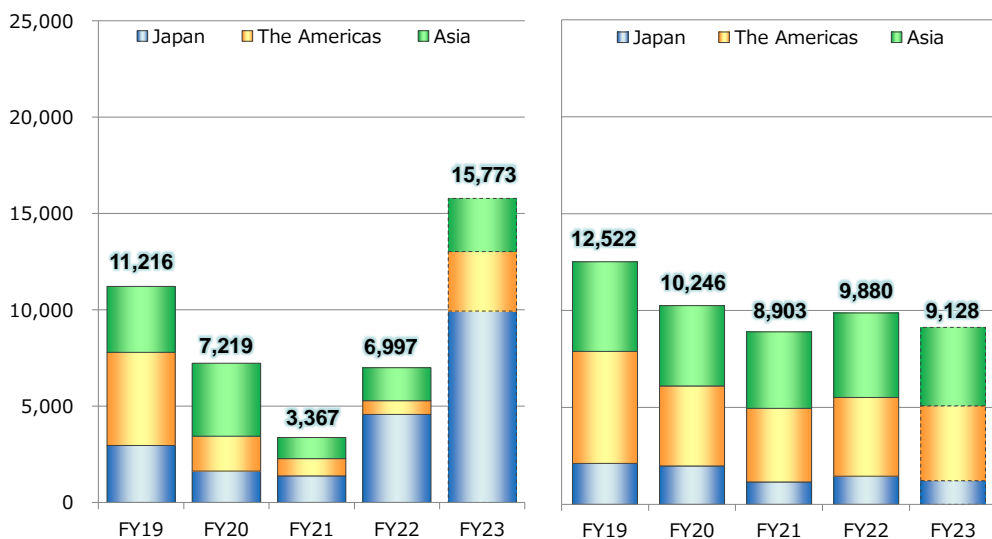
Capital Investment and Depreciation

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Capital Investment by Region

Depreciation by Region

Million yen



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13

Contents

YOROZU

I . FY2023 First Half Financial Summary

II . FY2023 First Half Results

III . FY2023 Annual Forecast

IV . Progress of FY2023 Approaches

V . Shareholder Return

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14

Topics in the First Half of FY2023

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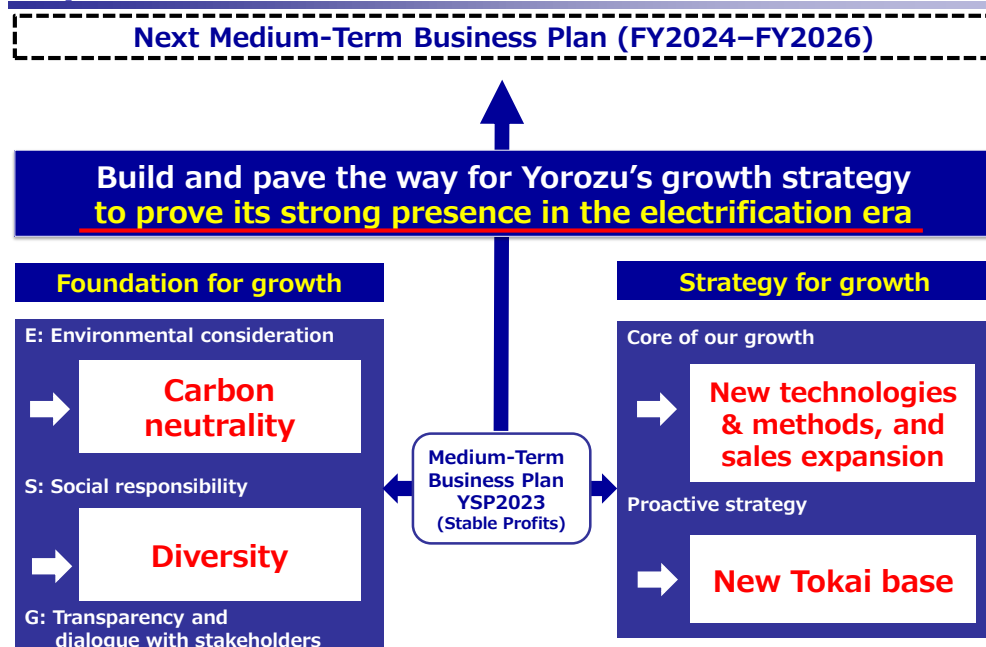
Policy		Topics in 1H FY2023
General		<ul style="list-style-type: none"> ● Participation in Japan Mobility Show 2023 (Oct.–Nov.) ● Publication of Yorozu Integrated Report (Japanese ver. in Aug./English ver. in Nov.)
ESG Management	Environmental	<ul style="list-style-type: none"> ● Transition to green power ● Installation of the solar power generation system and start of the power generation at G-YBM/China (Jan.) ● Announcement of the name of the new Tokai base (Oct.)
	Social	<ul style="list-style-type: none"> ● Advancement of Workstyle Reform to Employee Engagement Reform ● Kurumin certification (Minister of Health, Labour and Welfare) (June) ● Promotion of coexistence with the community
	Governance	<ul style="list-style-type: none"> ● Live webcast of the general meeting of shareholders (June)
	DX Promotion	<ul style="list-style-type: none"> ● Promotion of digital transformation (DX) at the production floor
Stable Profits		<ul style="list-style-type: none"> ● Commitment to make an all-out effort to ensure stable profits ● Wider application of the unique technologies to flexibly change production volume in line with demand
New Technologies and Methods		<ul style="list-style-type: none"> ● Extensive development of lighter products that contribute to reducing CO2 emissions ● Initiatives for sales expansion based on 3 axes; customers, products, and regions

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15

Key Initiatives for FY2023

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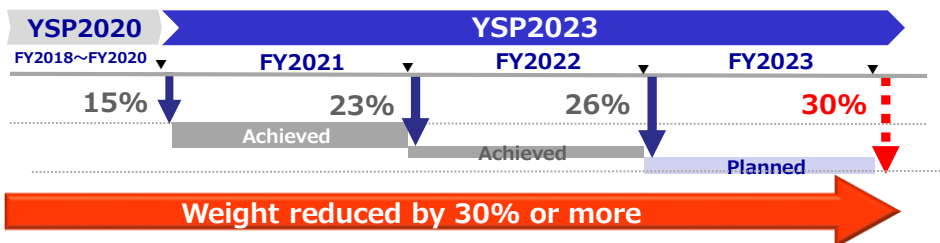
16

New Technologies & Methods and Sales Expansion

Development of New Technologies & Methods

The direction we are heading

- **Strengthen our ability to propose steel products that contribute to reducing CO2 emissions**
 - Arm with a new stamping structure
 - Arm using alternative materials
 - New burring design structure
 - Multi-material structure
- **Commercialization of lighter products using ultra-high-tensile-strength materials (980MPa class)**
- **Address the demand for enhanced quietness in EVs**



Development of New Technologies & Methods

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■ Promote active use of 980MPa materials to reduce weight

Light-weight technology
Arm using ultra-high-tensile strength steel sheet
Weight reduced by 15%
CO2 reduced by 40.7k tons*

Key point

Weight reduction

Succeeded in commercialization of products made from thick ultra-high-tensile sheets

Products are set to launch in FY2023



Mass production part

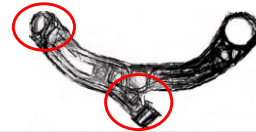
■ Our next step

Development of next generation products with ultra-high-tensile materials

Key point

Press-forming technology to cut weight

Develop a press-forming technology that can be applied to the shapes of parts that are difficult to process



We are already working on the development of next generation products using ultra-high-tensile strength materials and are engaged in the ongoing activities for further sales expansion

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*Estimate based on model life of 6 years and 200,000 units/year

19

Development of New Technologies & Methods

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Achieving a higher level of quietness required of EVs

Internal combustion engine vehicles

Engine

Fuel tank

Muffler



EVs

(Vehicles become heavier)

Motor

Battery

Controller

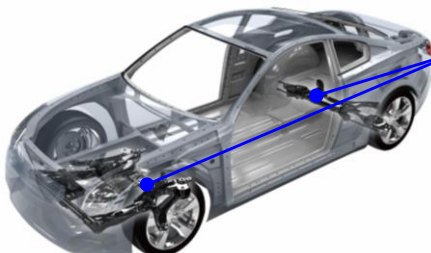


Required part functions

Lighter in weight

Enhanced quietness

Respond to changes in sound/vibration specific to EVs



FY2023 and onward

Study the mechanisms that generate sound and vibration

Verification and structural analysis

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20



Strengthen marketing of products for EVs



**Toyota Grand Highlander
(HEV)**



**Lexus TX
(HEV)**



**VENUCIA VX6
(BEV)**



**The New Tokai Base
Yorozu Sustainable
Manufacturing Center
(YSMC)**

YSMC Topics

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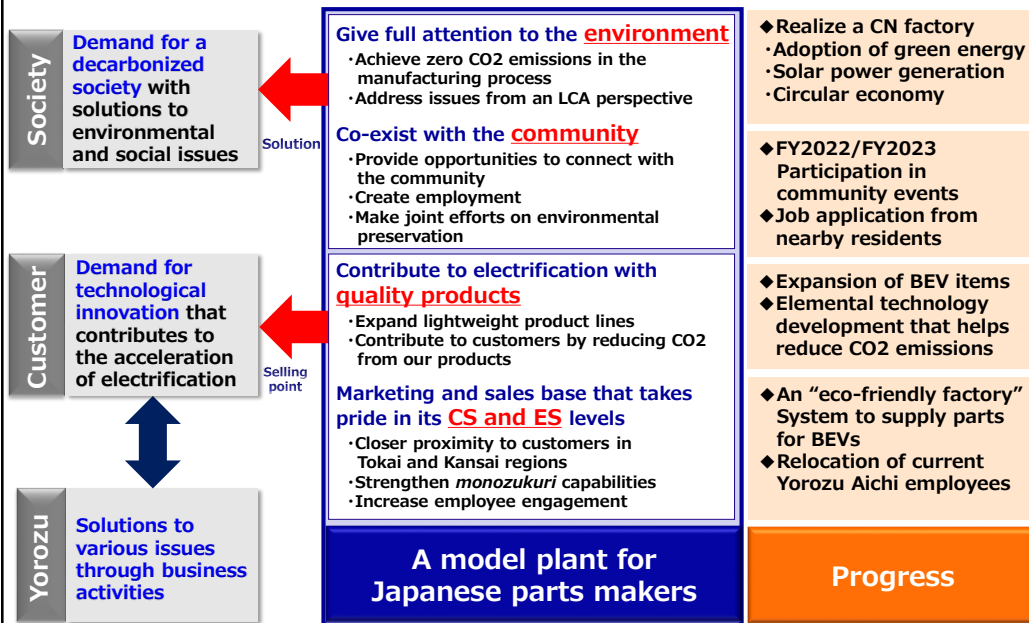
YSMC is on track to starting production



23

YSMC as Our Model Plant

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24

YSMC Becoming a Pivotal Hub for Sales Expansion **YOROZU**

Products for EVs made in Japan



YoroZU's products
are used in **80%**
of the EVs sold in Japan

And more...



Y-Oita (YO)

Aiming to facilitate customers' expansion of BEV production through supply from our "eco-friendly factory"

YoroZU Sustainable Manufacturing Center (YSMC)



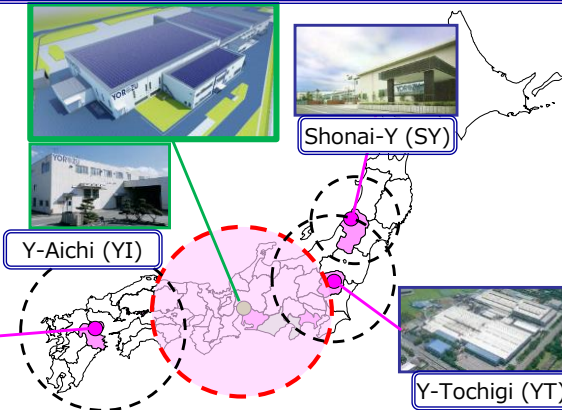
Shonai-Y (SY)



Y-Aichi (YI)



Y-Tochigi (YT)



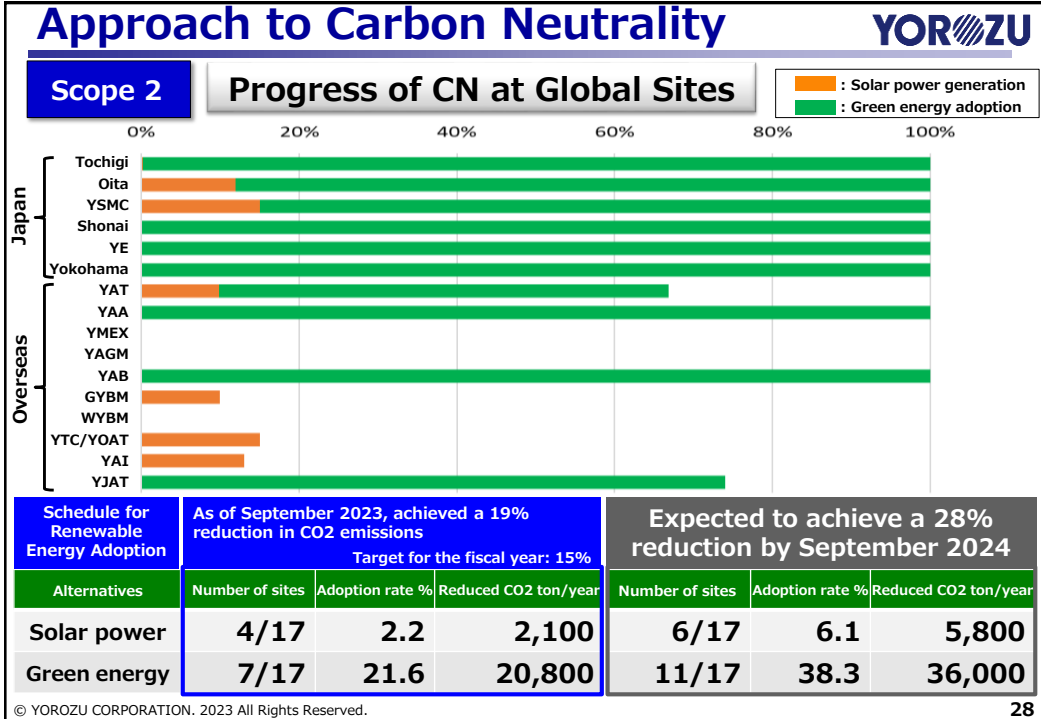
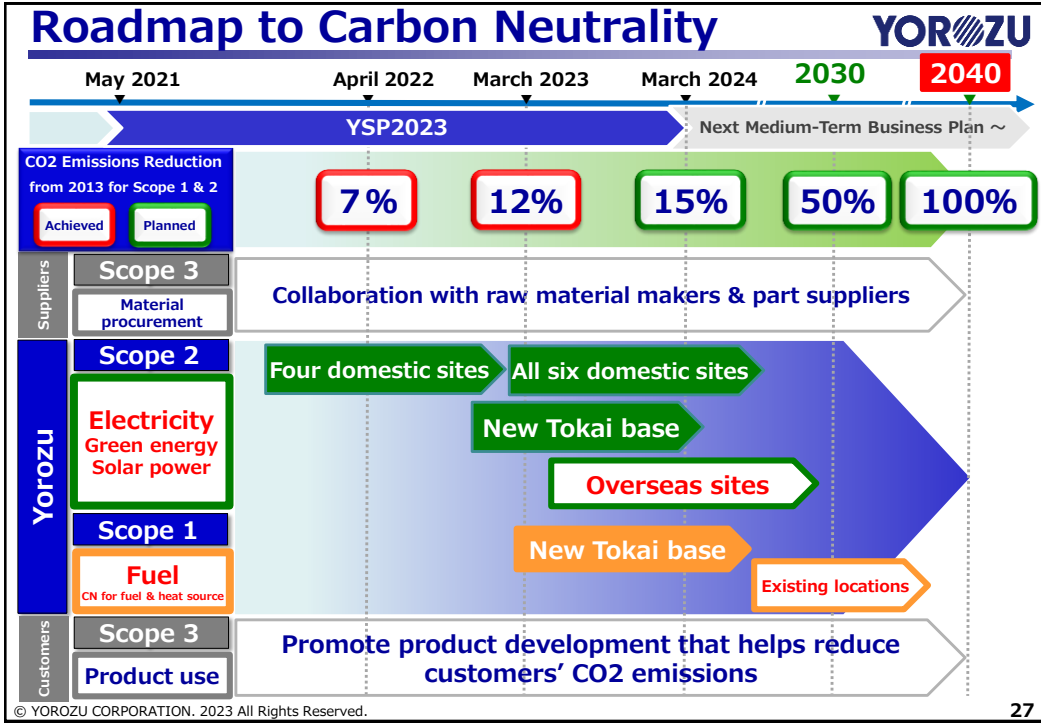
Medium-Term Business Plan **YoroZU Sustainability Plan 2023**

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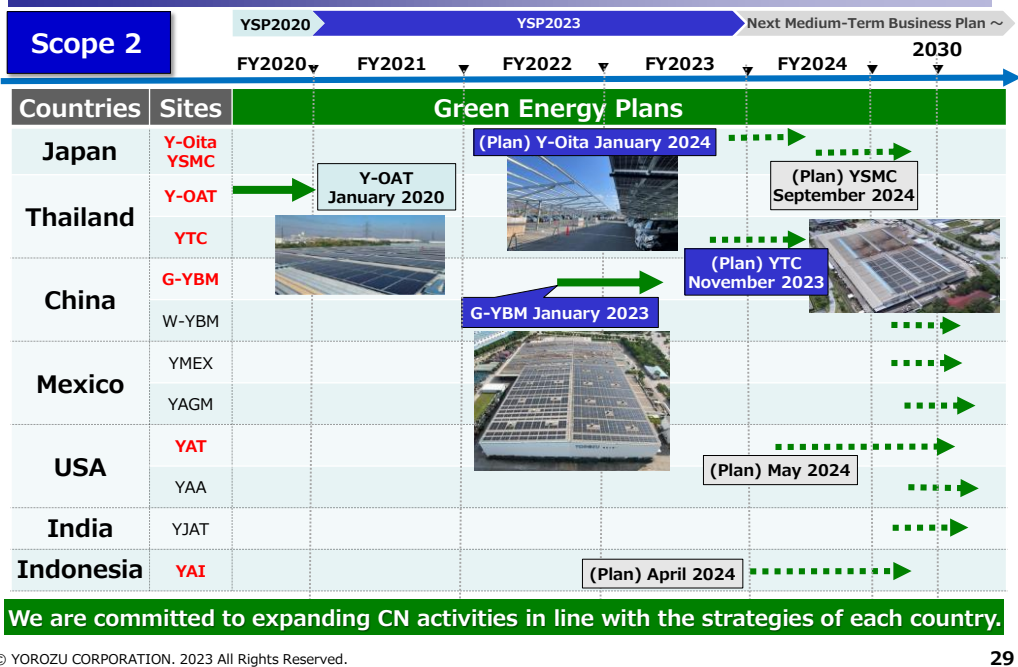


Vision 2040
YOROZU

Carbon Neutrality Promotion



Adoption of Solar Power Generation YOROZU



29

CO2 Emissions from Arc Welding Independent Survey YOROZU

Result of the survey

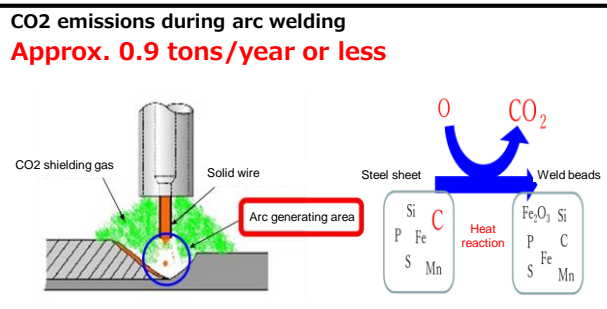
Not more than 0.001% of total global CO2 emissions of approx. 90,000 tons/year

CO2 emissions from arc welding are minimal

We stay ahead of the competition as a specialized maker by taking one step further to study the impact of the heat generating process during arc welding, demonstrating our commitment toward achieving carbon neutrality.



Arc welding



CO2 emissions during arc welding

30

General Topics

Exhibit at Japan Mobility Show 2023

Yorozu's Theme

Our Commitment to **Carbon Neutrality**
Pioneering Technologies Contributing to
the **Electrification Era**



Our booth welcomed around 4,000 visitors from Oct. 28 to Nov. 5.

Announcement

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YOROZU Integrated Report 2023

Japanese : <https://www.yorozu-corp.co.jp/investors/material/integrated/>

English : <https://www.yorozu-corp.co.jp/en/investors/material/integrated/>

YOROZU
INTEGRATED
REPORT
2023



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**Toward a 100-Year-Old Company That
Continues to Develop on the Dual Wheels
of Social Contribution and Growth Strategy
Aimed at a Decarbonized Society**

We hope you would take this opportunity to review our approach and vision.

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33

Contents

YOROZU

I . FY2023 First Half Financial Summary

II . FY2023 First Half Results

III . FY2023 Annual Forecast

IV . Progress of FY2023 Approaches

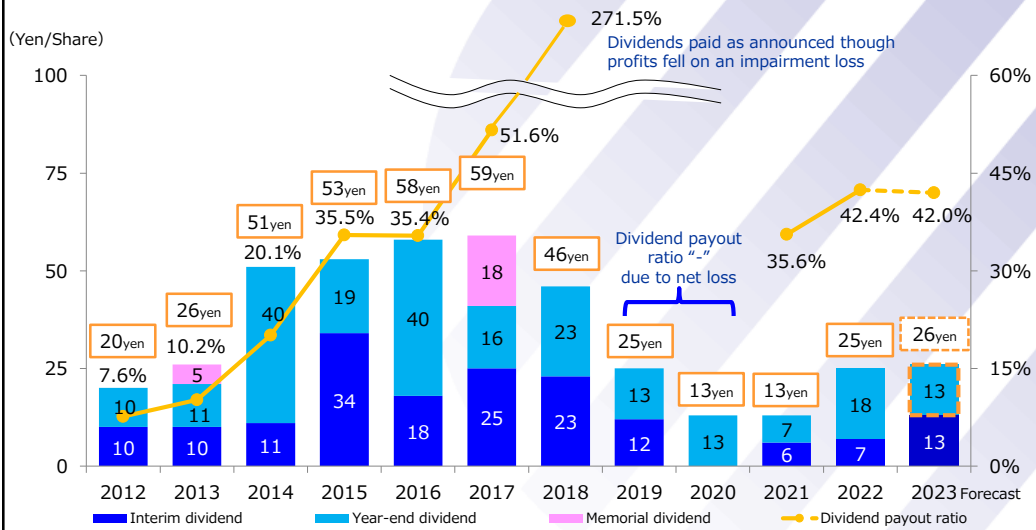
V . Shareholder Return

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34

Shareholder Return

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**Our policy is to return profits to shareholders through dividend payments.
We strive to ensure sustainable returns with the payout ratio of 35% or more.**

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35

End

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36

Fiscal 2023 **YOROZU** First Half Financial Results

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