

FY2018 Mid-Year Financial Results

Ken Shido, President & COO

YOROZU

株式会社 ヨロズ

The first section of the Tokyo Stock Exchange (securities code: 7294)

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Agenda

- I . FY2018 Mid-Year Financial Results
- II . FY2018 Annual Forecast
- III . Update on Earnings Recovery in the US
- IV . Recent Activities
- V . Redistribution of Profits to Shareholders

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Consolidated Financial Statement Summary for FY2018 Mid-Year (Year on Year)

Millions of yen					
	FY2018 Mid-Year	FY2017 Mid-Year	Year on Year	Previous Forecast for FY18 Mid-Year ²	Difference from Previous Forecast
Sales	82,433	85,709	-3.8%	83,500	-1.3%
Operating Income	2,589	3,148	-17.7%	2,600	-0.4%
Ordinary Income	2,790	3,888	-28.2%	2,800	-0.4%
Net Profit ¹	1,673	2,584	-35.3%	1,600	+4.6%

	FY2018 Mid-Year	FY2017 Mid-Year	Differences	Rate of changes
Net Profit per Share	70.40 yen	108.73 yen	-38.33 yen	-35.3%
Rate Applied to Consolidated Statement	108.67 yen/\$	112.34 yen/\$	-3.67 yen/\$	-3.3%

1 Net profit attributable to the parent company shareholders

2 Estimated figures disclosed on May 10, 2018

(No changes in estimated figures disclosed on Aug. 9, 2018)

Sales: Dropped as a decrease in sales of US eroded China's boosting sales

Operating income: Dropped due to output decline in US, Mexico and Japan despite significant improvement in Tennessee

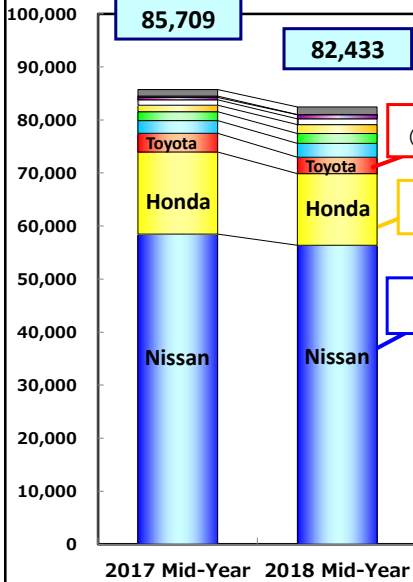
Ordinary income: Dropped on unfavorable foreign exchange fluctuation

Net profit: A further reason for the drop is impact of corporate tax cuts in US due to US facility loss

Consolidated Sales by Customer (FY17 Mid-Year to FY18 Mid-Year)

YOROZU

Millions of yen



Customer	FY17 Mid-Year	(%)	FY18 Mid-Year	(%)
Nissan Gr *	58,462	68.2%	56,356	68.4%
Honda Gr	15,479	18.1%	13,504	16.4%
Toyota Gr	3,522	4.1%	3,091	3.7%
Isuzu	2,399	2.8%	2,611	3.2%
Mazda	1,672	2.0%	1,862	2.3%
Suzuki	1,224	1.4%	1,680	2.0%
Kubota	1,023	1.2%	1,092	1.3%
VW	439	0.5%	772	0.9%
GM Gr	258	0.3%	24	0.0%
Others	1,231	1.4%	1,441	1.8%
Total	85,709	100.0%	82,433	100.0%

* Sales to Renault included

Decline in sales due to a drop in sales to Nissan and Honda

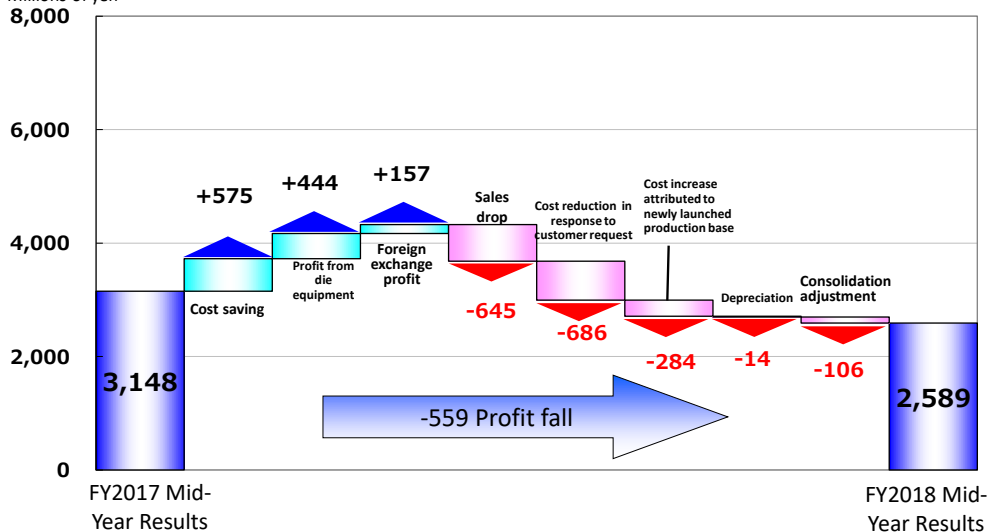
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Analysis on Change Factors of Consolidated Operation Income (FY17 Mid-Year to FY18 Mid-Year)

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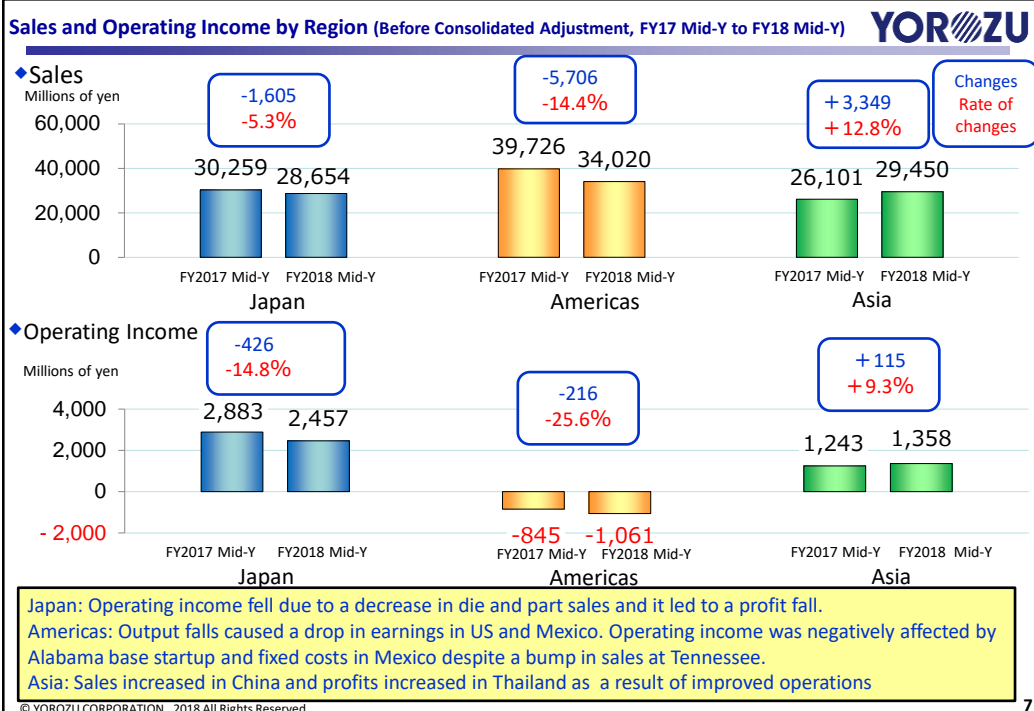
Millions of yen



Despite favorable effects of cost-saving efforts and die profits, operation income went down due to Alabama startup costs and a sales drop owing to production shrinking in Japan

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Consolidated Balance Sheet Summary (FY2018 Mid-Year) **YOROZU**

Millions of yen

	Sep. 2018	Mar. 2019	Differences
Assets			
Current Assets	63,257	69,590	-6,333
Fixed Assets	104,354	105,493	-1,139
Total Assets	167,611	175,083	-7,472
Liabilities and Equity			
Current Liabilities	40,826	45,632	-4,806
Fixed Liabilities	32,631	32,435	+196
Total Liabilities	73,458	78,068	-4,610
Shareholders' Equity	83,955	82,845	+1,110
Other Accumulated Comprehensive Income	-5,466	-2,992	-2,474
Non-controlling Interest, etc.	15,663	17,162	-1,499
Net Asset	94,153	97,015	-2,862
Total Liabilities and Net Asset	167,611	175,083	-7,472

Cash -1,793

Electronically recorded monetary claims +212

Inventories -408

Notes and acc'ts receivable -3,287

Other current assets -1,057

Tangible fixed assets -1,214

Electronically recorded monetary obligations -509

Notes and accounts payable -2,686

Short term debts -1,183

Net profit +1,673

Dividend payment -808

Valuation difference +130

Foreign currency translation adjustment -2,632

Reduction in accounts receivable and payable decreased total assets and liabilities.

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Forecast Summary for FY2018 Consolidated Statement

◆ Profit and Loss (Year on Year)

Millions of yen

	FY2018 Forecast	FY2017 Statement	Year on Year	FY2018 Previous Forecast ²	Difference from Previous Forecast
Sales	169,000	171,536	-1.5%	171,000	-1.2%
Operating Income	5,200	6,029	-13.8%	6,400	-18.8%
Ordinary Income	5,300	5,648	-6.2%	6,300	15.9%
Net Profit¹	3,100	2,717	+ 14.1%	4,000	-22.5%

	FY2018 Forecast	FY2017 Statement	Difference	Rate of change
Net Profit per Share	130.42 yen	114.31 yen	+ 16.11 yen	+ 14.1%
Exchange Rate Applied to Consolidated Statements	110.00 yen/\$	112.16 yen/\$	-2.16 yen/\$	-2.0%

1 Net profit attributable to the parent company shareholders

2 Estimated figures disclosed on May 10, 2018

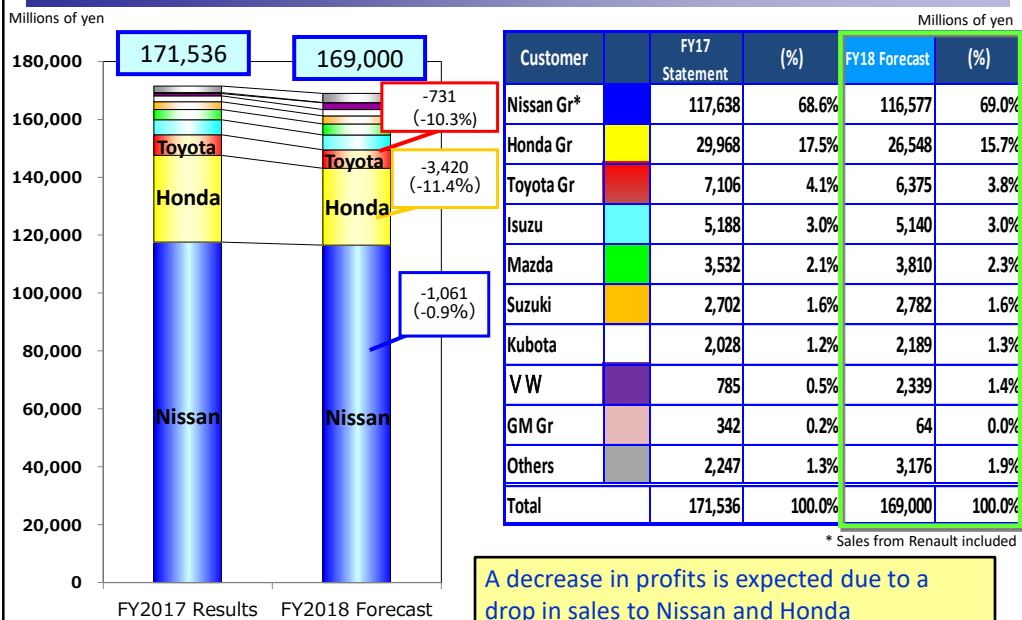
(No changes in estimated figures disclosed on Aug. 9, 2018)

Sales: A decline is expected due to a reduction of US customers.

Operating income: Will be affected by sales drops in US and growing fixed costs of strategic investment despite steady improvement in Tennessee.

Net profit: A rise is projected as tentative negative impact of US corporate tax cuts is removed.

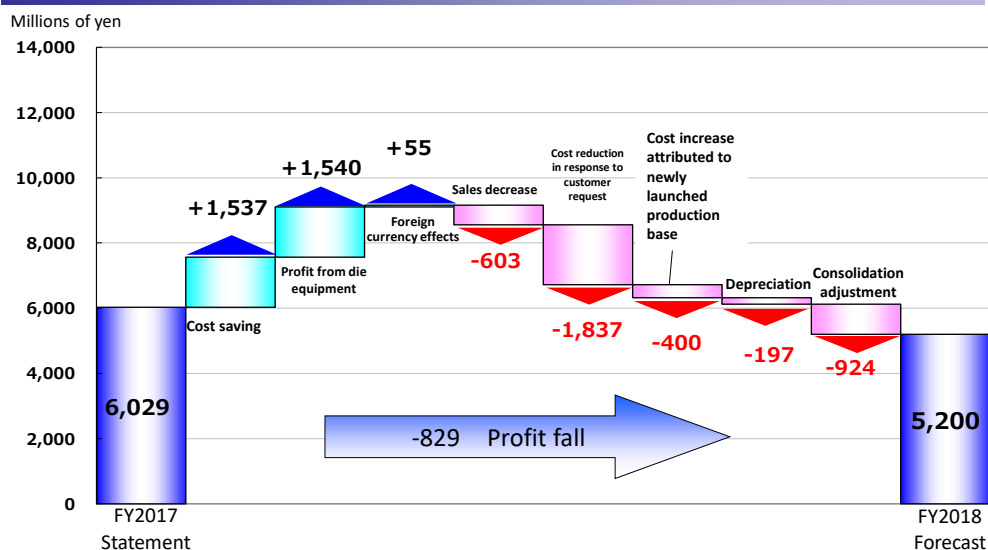
Consolidated Sales by Customer (FY17 Statement to FY18 Forecast) YORZU



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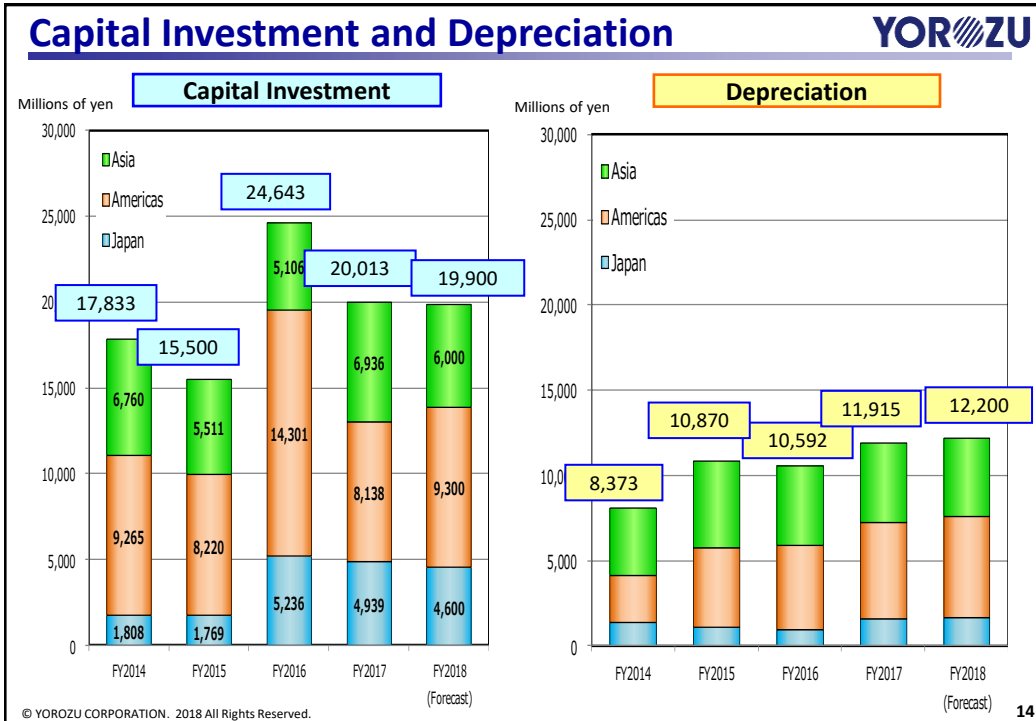
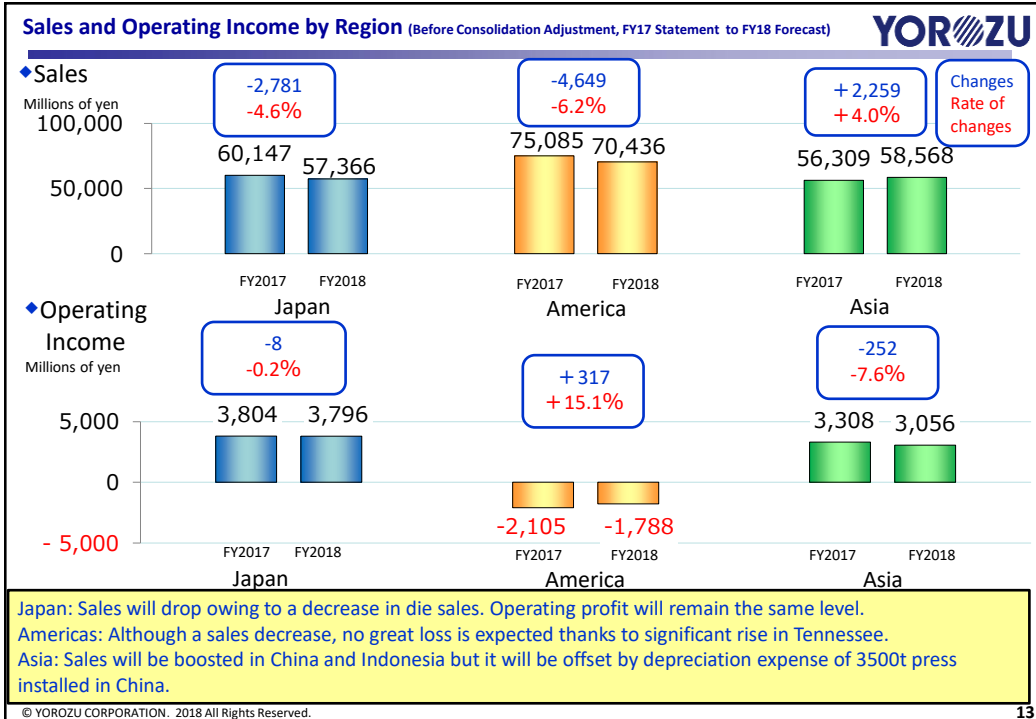
Analysis of Changes in Consolidated Operating Income (FY17 Statement to FY18 Forecast) YORZU



Despite cost savings and profits from dies, a profit fall is expected due to growing costs of Alabama setup and weak sales in Mexico which has suffered from long term suspension of operations at customer production facilities.

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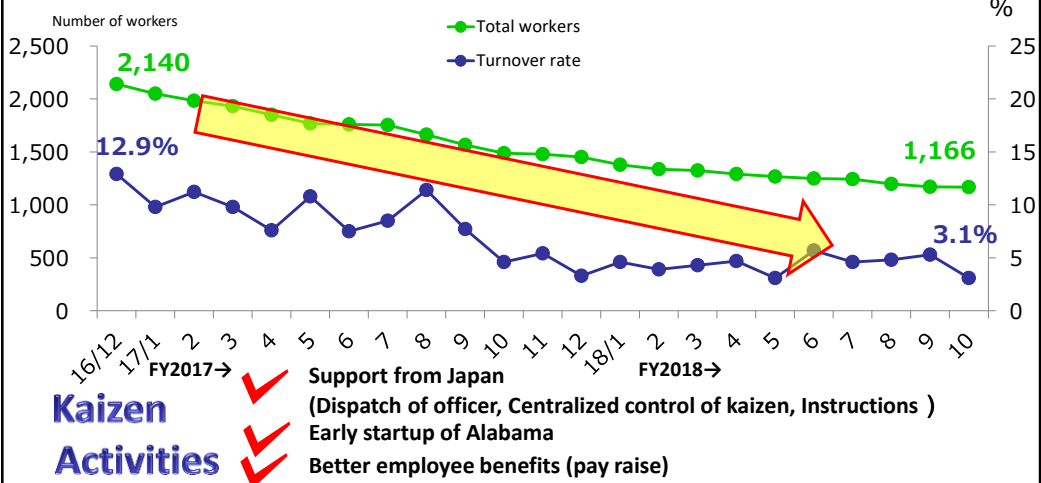
III . Update on Earnings Recovery in the US

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Update on Earnings Recovery in the US

◆Changes in Workforce Number and Turnover Rate at Tennessee



Headcount and turnover rate have been reduced steadily with the help of kaizen at Tennessee.
Effects of kaizen are not enough to ensure achievement of break-even in 2018 due to output declines.

Update on Earnings Recovery in the US

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Before kaizen

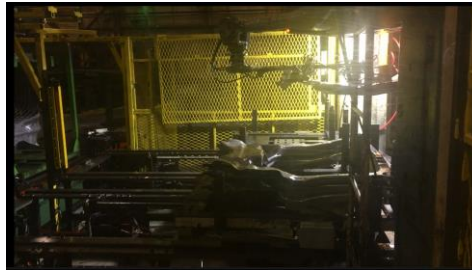
Kaizen example at Tennessee



Number of operators
Inspection: 1
Packaging: 2

After kaizen

- Inspection and packaging are fully automated
- No human operators



Kaizen-based mindset and voluntary behavior have been widespread among local staffs.

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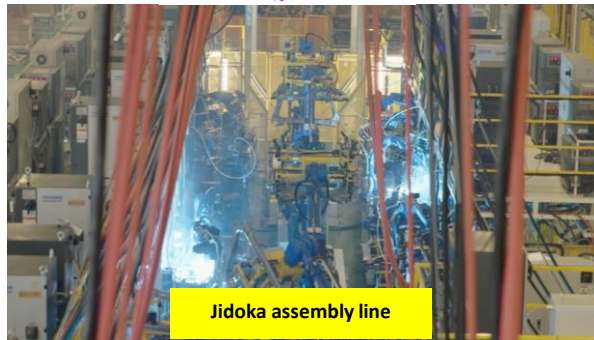
Action Plan for Earnings Recovery in the US

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Alabama Startup

(Alabama)

Commencement of Delivery for New Altima (from Aug. 2018)



Jidoka assembly line

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Outline of Recent Activities

- (1) Strategies to Improve Profitability
- (2) Further Progress in Product Competitiveness and Development Capability
- (3) Enhancement of Corporate Capabilities
- (4) Quality Awards in FY2018

Strategies to Improve Profitability ①

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Daimler Jidoka Line (adopted in an overseas site)



Appearance of jidoka welding line

Launched a serial production of suspension that is mounted on Mercedes-Benz A-Class Sedan

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Strategies to Improve Profitability ②

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Jidoka of Press (adopted in a domestic site)

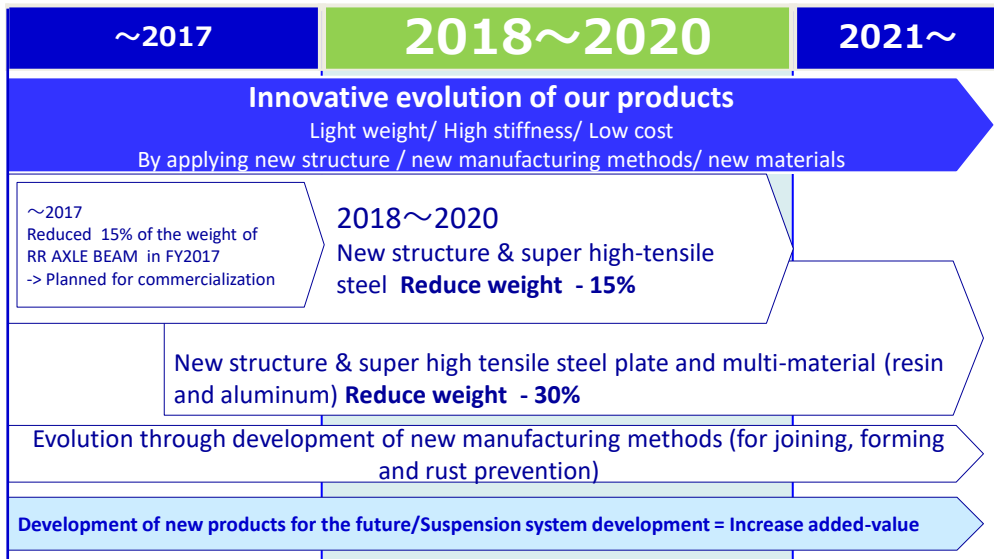


Unmanned material handling robot (eye robot) has made real jidoka

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Development of light weight product; plan in 2018 to 2020)



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Further Progress in Product Competitiveness & Development Capability

Development with light-weight technology

Altima (previous model)

【SOP】



US: June, 2012

New Altima

【SOP】

US: August, 2018

Front SUSPENSION MEMBER for Altima in North America

Item	Old Model		New Model	
Main Material	540MPa class		540MPa class	
General Plate Thickness	1.8mm		1.6mm	
Number of Major Parts	29		17	
Weight	32.1kg		25.6kg -20.2%	

Offering simplified structure and thin plates significantly cuts off the weight in North American specifications

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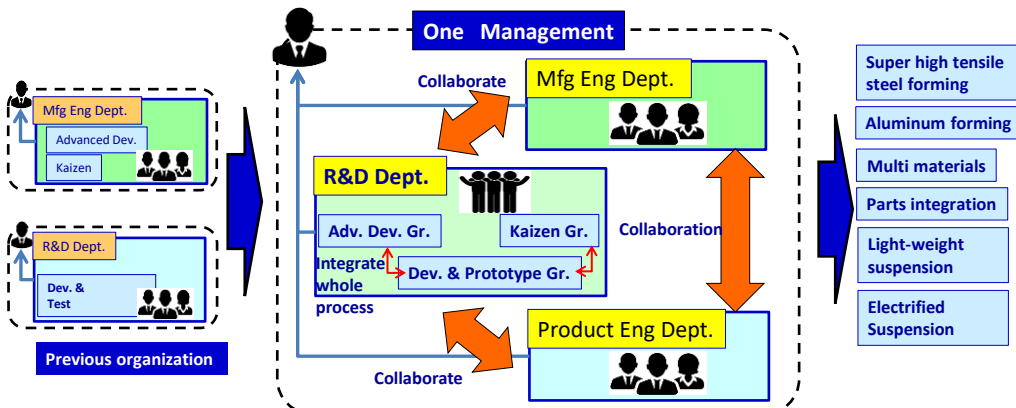
Enhancement Corporate Capabilities

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Organization review

■ Strengthening advanced development

- Elevate Advanced Development Gr. to new R&D Dept., with the aim of stepping up research and development of new manufacturing methods and new structural parts.



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Enhance Corporate Capabilities

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Organization review

■ Established new Diversity Promotion Group

Bring together and shape the ideas from the Smart Work Committee and the proposals from departments.



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Quality and Development Awards in FY2018 Mid-Year **YOROZU**



Finalist to Quality Award from
Nissan North America (Mexico)



Appreciation Award for Quality Activities
from Toyota Motor East Japan (YC)



Quality and Delivery
Excellence Award from
Honda Brasil (Brasil)



Thai Regional Quality Award from
Nissan Motor Thailand (Thailand)



Excellence in Quality Award from
Hino Motors USA (US)



Certificate of Achievement from
Isuzu Motors (YC)

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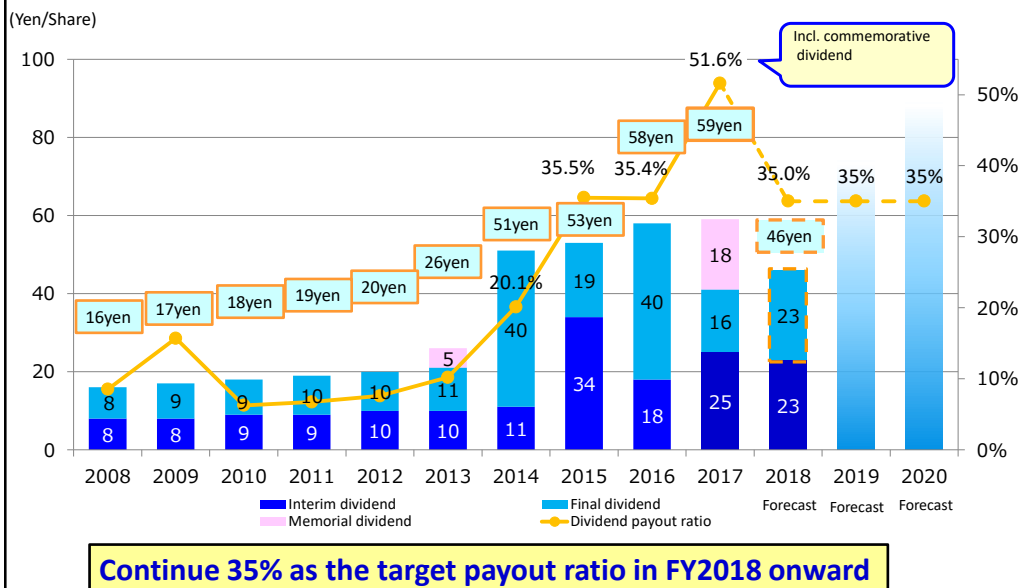
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Financial Strategy: Extension of Shareholders Benefit Program **YOROZU**



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FY2018 First-half **YOROZU** Financial Results
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