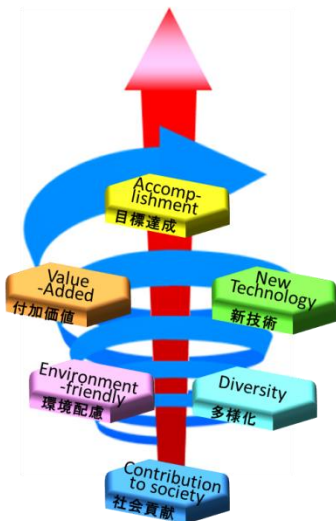


# New Mid-term Business Plan FY2018-2020

*Yorozu Spiral-up Plan*  
2020



## *Yorozu Spiral-up Plan* 2020

May 24, 2018  
YOROZU

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Yorozu Spiral-up Plan 2020**

# **1. Mid-term Business Plan Yorozu Spiral-up Plan 2017 review**

## **2. New Mid-term Business Plan Yorozu Spiral-up Plan 2020**

# Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

**Robust corporate structure to outstrip the competition**

**FY 2017 goals as midway indicators  
toward achievement of the long-term vision**

**Consolidated revenue of  
180 billion JPY**

**Consolidated  
operating income ratio:  
6%**

## **Key initiatives focused on enhancing corporate value**

### **(1) Business domains**

Implement three pillars for achievement of sustainable growth.

### **(2) Financial strategy**

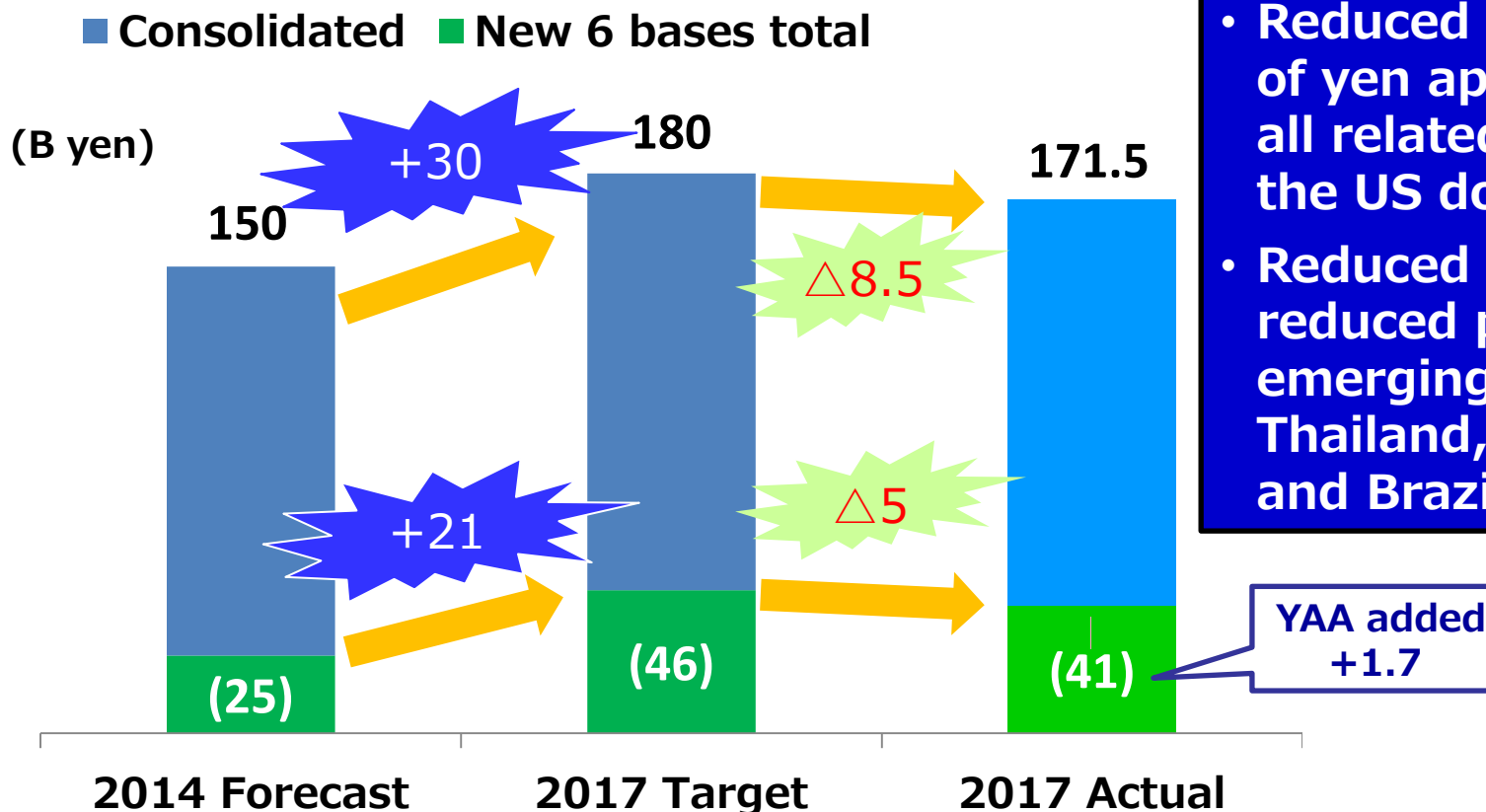
Capital plan that considers a balance between realizing mid- to long-term growth and capital efficiency.

### **(3) Corporate Governance**

Establish internal systems that contribute to enhanced profit for stakeholders.

# Business Performance

## Consolidated Revenue



### Revenue:

- Reduced due to the progress of yen appreciation against all related currencies except the US dollar.
- Reduced due to customers' reduced production in emerging countries; Thailand, India, Indonesia, and Brazil.

\*The 6 new bases are listed below. The above numbers are an accumulation of the result of these companies, without consolidation adjustment. For FY2017, the result of Yorozu Automotive Alabama (YAA) is included.

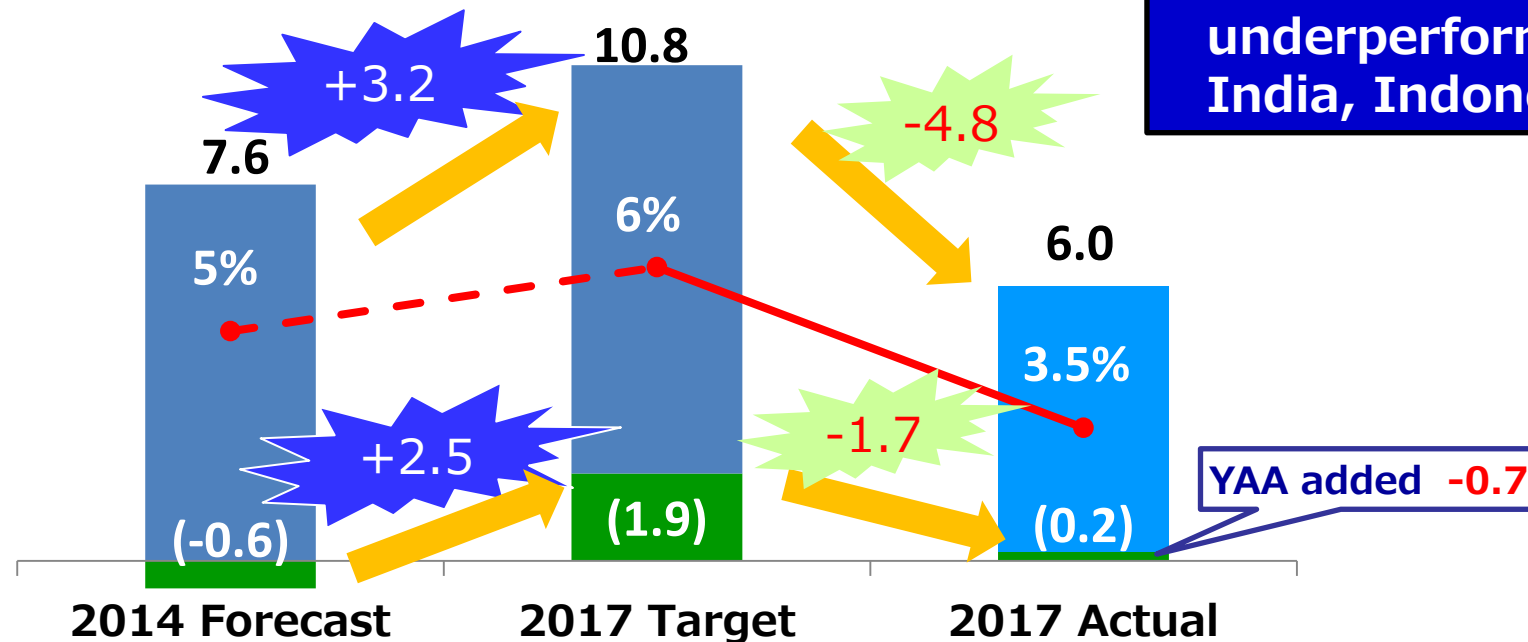
Wuhan YOROZU Bao Mit Automotive Co., Ltd. (W-YBM)  
 YOROZU JBM Automotive Tamil Nadu Pvt. Ltd. (YJAT)  
 PT. YOROZU Automotive Indonesia (YAI)

Y-Ogura Automotive (Thailand) Co., Ltd. (Y-OAT)  
 YOROZU Automotive Guanajuato de Mexico, S.A. de C.V. (YAGM)  
 YOROZU Automotiva do Brasil Ltda. (YAB)

# Business Performance

## Consolidated Operating Income Ratio

■ Consolidated  
■ New 6 bases total  
—●— Operating Income Ratio  
 (B yen)



### Operating Income Ratio:

- Negative impact from the deteriorated US profitability
- Exacerbated by underperformance in Thailand, India, Indonesia and Brazil

\*The 6 new bases are listed below. The above numbers are an accumulation of the result of these companies, without consolidation adjustment. For FY2017, the result of Yorozu Automotive Alabama (YAA) is included.

Wuhan YOROZU Bao Mit Automotive Co., Ltd. (W-YBM)  
 YOROZU JBM Automotive Tamil Nadu Pvt. Ltd. (YJAT)  
 PT. YOROZU Automotive Indonesia (YAI)

Y-Ogura Automotive (Thailand) Co., Ltd. (Y-OAT)  
 YOROZU Automotive Guanajuato de Mexico, S.A. de C.V. (YAGM)  
 YOROZU Automotiva do Brasil Ltda. (YAB)

# Key Initiatives: (1) Business Domains

## 1. Further strengthen product competitiveness and development capabilities

### Realized fully-automated assembly line

- Introduced fully-automated lines in Japan and accumulated know-how. (Yorozu Oita; started operation in July 2016)
- Introduced the fully-automated line to overseas bases in the US., Mexico, and China. (US Tennessee base; started operation in April 2017)



Yorozu Oita automated assembly line

### Yorozu Engineering's expansion / enhancement

- Aggregated manufacturing technology in Japan.
- Developed new press technologies utilizing latest press machines.
- Added 16 units/13 types of machining tools to realize 1400 dies to be produced in-house annually.
- Became one of the leading tooling manufacturers in Japan with the largest facilities in Tohoku area.

5 Face Machining Center



3D Laser Beam Machine



1300t Servo Press



# Key Initiatives: (1) Business Domains

## 2. Expand sales channels to major automakers worldwide

### Acquired additional business from domestic and overseas automakers

- Won new contracts for Daimler projects
- Increased business with Renault and VW
- Increased orders from Toyota Group



Making a foundation for new business expansion in the future

### Started production at new Alabama base in USA

- Realize “the world's No. 1 suspension parts production plant” as a parts manufacturer.
- Contribute to Tennessee base’s profit improvement by advancing the start of operation
- Business opportunities from the new Mazda-Toyota joint venture factory

### Started expansion of Yorozu Oita

- Expanded facilities to respond to increased orders due to automakers’ Kyushu shift.
- Introduced large-size press machine to meet automakers’ future needs for difficult-to-process parts, such as integrally formed parts, multi-process production parts, high tensile steel sheets, etc. (Operation to start in October 2018)



# Key Initiatives: (1) Business Domains

## 3. Strengthen global management with respect for diversity

### Efforts to cultivate human resources

- Promote "Work Style Reform" by Work Style Reform Committee (Smart Work Committee)
- Secure and develop human resources and contribute to the community



**A company with engaged and fulfilled employees through work style reform**

### Academic-Industrial cooperation/Contribution to local communities

Human resource cultivation through academic-Industrial cooperation

Academic-Industrial cooperation activities at Shonai, Yamagata



Cooperation



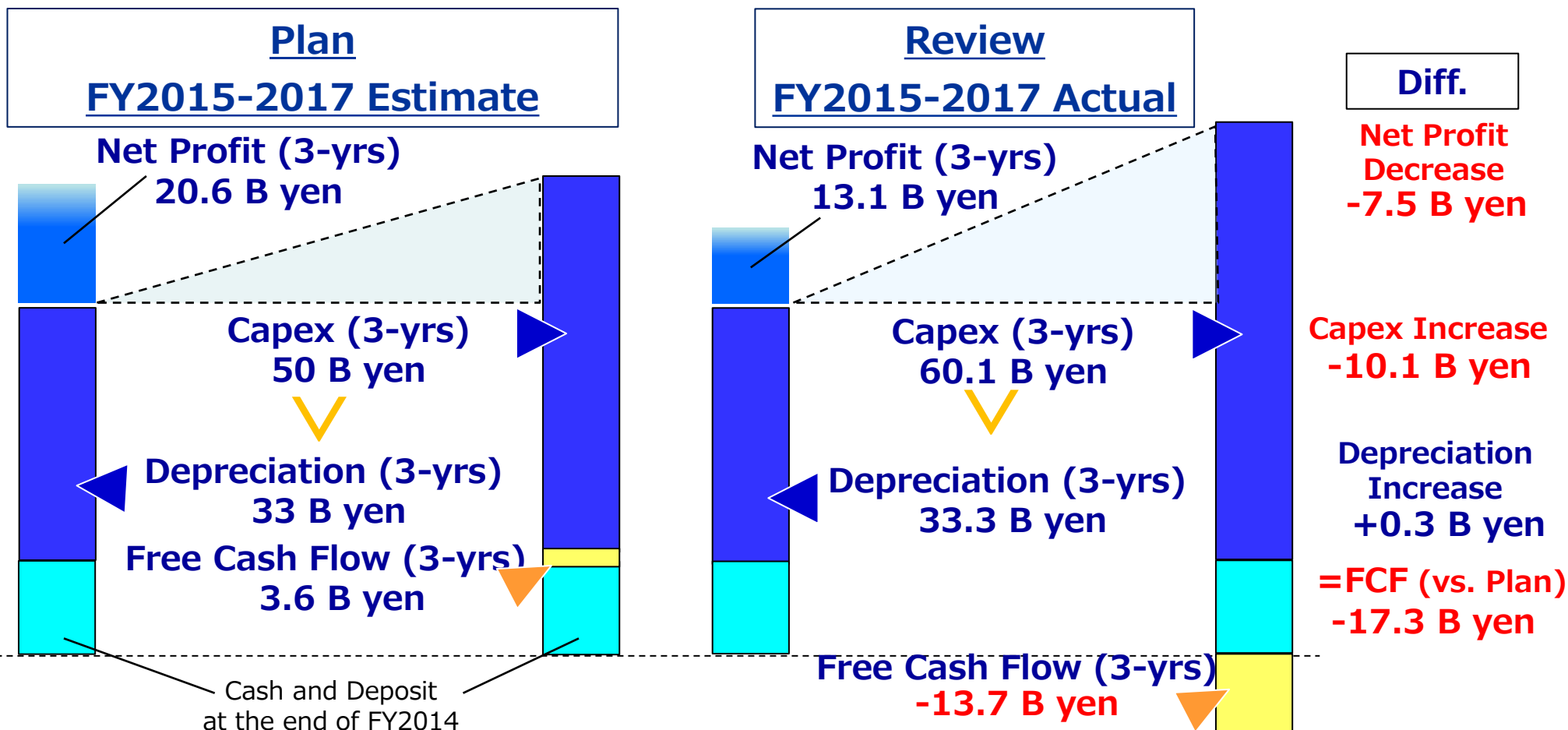
Yorozu Engineering

### JICA human resource development program/International cooperation in Mexico



# Key Initiatives: (2) Financial Strategy

## Direction of capital utilization

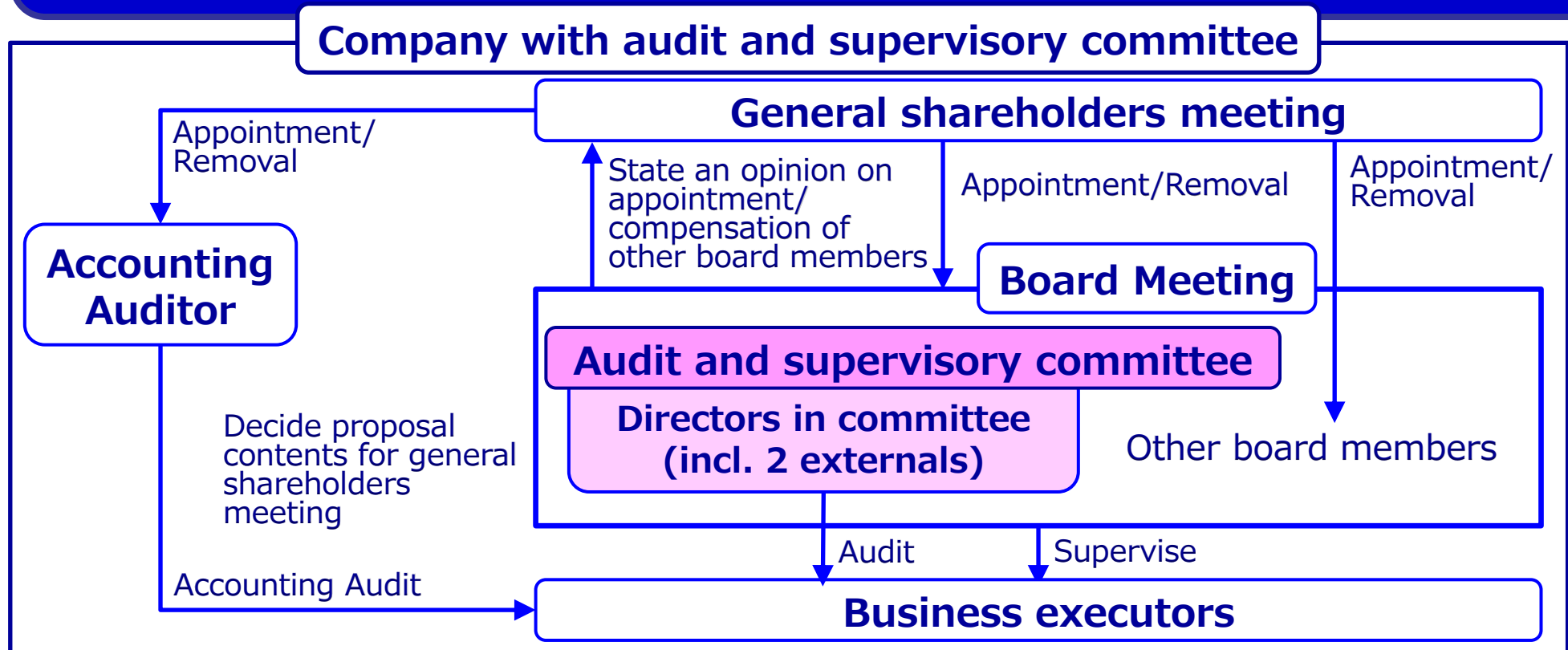


After YSP 2017 was announced, additional events such as opening of YAA, expansion and enhancement of existing base, etc. led to increase in capital investment, resulting in deterioration of free cash flow.

# Key Initiatives: (3) Corporate Governance

## Transformed into a company with audit committee

In June 2015 at the ordinary general meeting of shareholders, amendment of the articles of incorporation was approved by our shareholders, and our company transformed into a company with audit and supervisory committee. In addition, two female outside directors were appointed at the same shareholders meeting.



# Mid-term Business Plan YSP2017 Summary

## Business Performance

**Revenue:** Target not achieved due to the yen's appreciation, and modest increase of sales at newly established bases

**Operating profit:** Target not achieved due to deteriorated US profits, modest increase at newly established bases

## Key Initiatives

**Business domain:** Started fully-automated unattended line, expanded sales channels / increased production capacity, cultivated human resources

**Financial strategy:** Deterioration of cash flow due to decreased profits and increased capital investment

**Corporate governance:** Transformed into a company with audit and supervisory committee, and appointed two female external directors

## Direction for the next mid-term plan

Enhance profitability while promoting activities for the future

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1. Mid-term Business Plan  
Yorozu Spiral-up Plan 2017 review

**2. New Mid-tem Business Plan  
Yorozu Spiral-up Plan 2020**

# New Mid-term Business Plan Yorozu Spiral-up Plan 2020

Establish robust corporate structure to win the competitions

Set FY 2020 goals as midway indicators  
toward achievement of the Long-Term vision

**Consolidated Revenue**  
**180 billion JPY**

(FY2017 actual: 171.5 B JPY)

**Consolidated**  
**Operating Income Ratio**  
**5%**

(FY 2017 actual: 3.5%)

## Key initiatives to strengthen profitability and lead to future growth

### (1) Enhance Profitability

- Strengthen free cash flow management
- Strengthen project revenue management
- Innovate “monozukuri” operation

### (2) Improve Product competitiveness / Development Capabilities

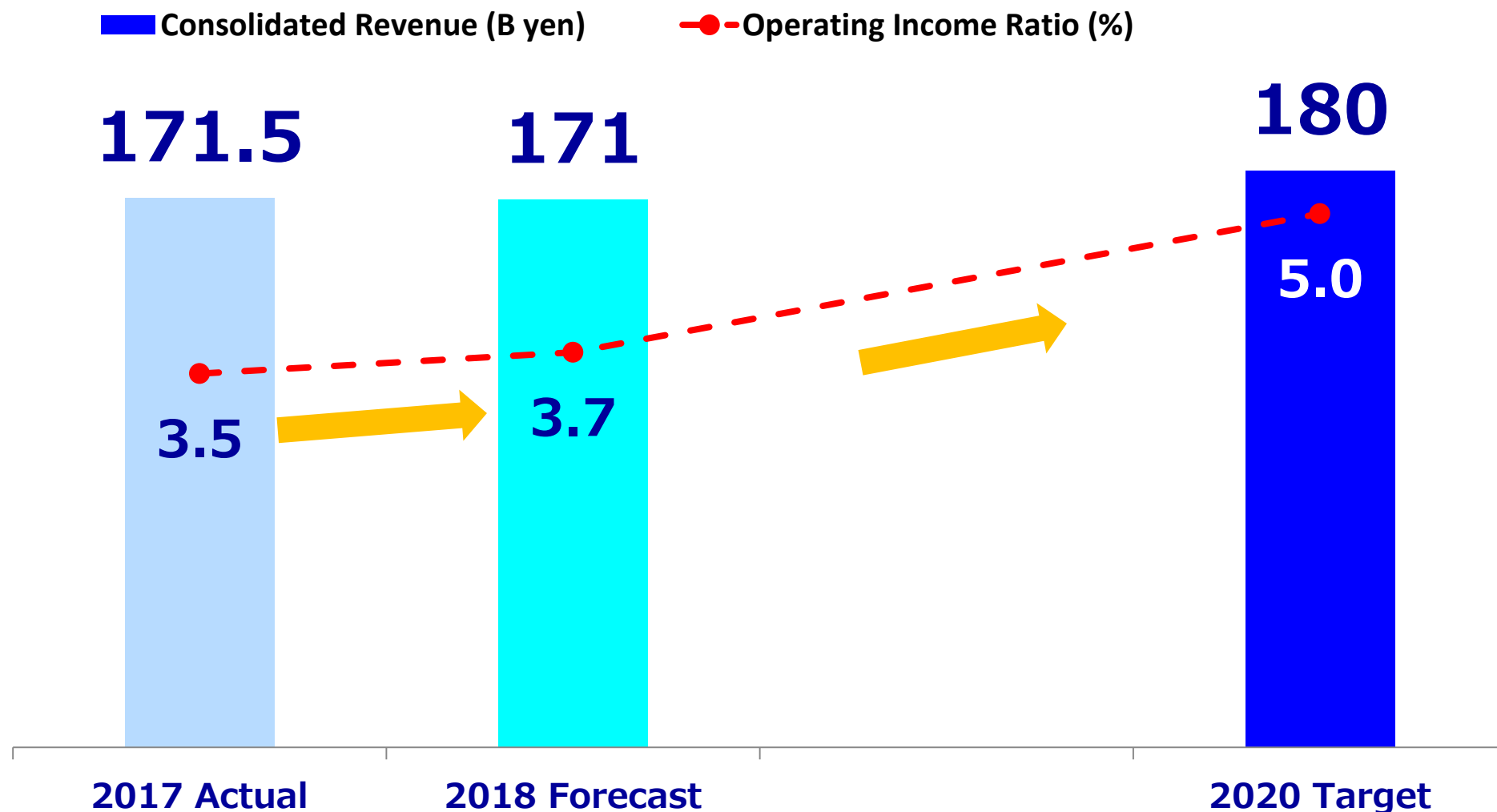
- Improve competitiveness of suspension parts
- Approach new products utilizing our unique technologies
- Engage in proactive sales expansion in 3 axes (customers, products, regions)

### (3) Enhance Corporate Capabilities

- Human resource development
- Organization review
- ESG management

# New Mid-term Business Plan Yorozu Spiral-up Plan 2020

## Consolidated Revenue / Operating Income Ratio



## **2. New Mid-term Business Plan Yorozu Spiral-up Plan 2020**

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**Key Initiatives:**

**(1) Profitability Enhancement**



# Key Initiatives: (1) Enhance Profitability

## Cash flow management

**YSP2017**

**Actual**

Net Profit (3-yrs)  
13.1 B yen

Capex (3-yrs)  
60.1 B yen

Depreciation (3-yrs)  
33.3 B yen

Free Cash Flow (3-yrs)  
**-13.7 B yen**

**YSP2020**

**Forecast**

Net Profit (3-yrs)

Capex (3-yrs)  
44.7 B yen

Depreciation (3-yrs)  
38.8 B yen

Free Cash Flow (3-yrs)

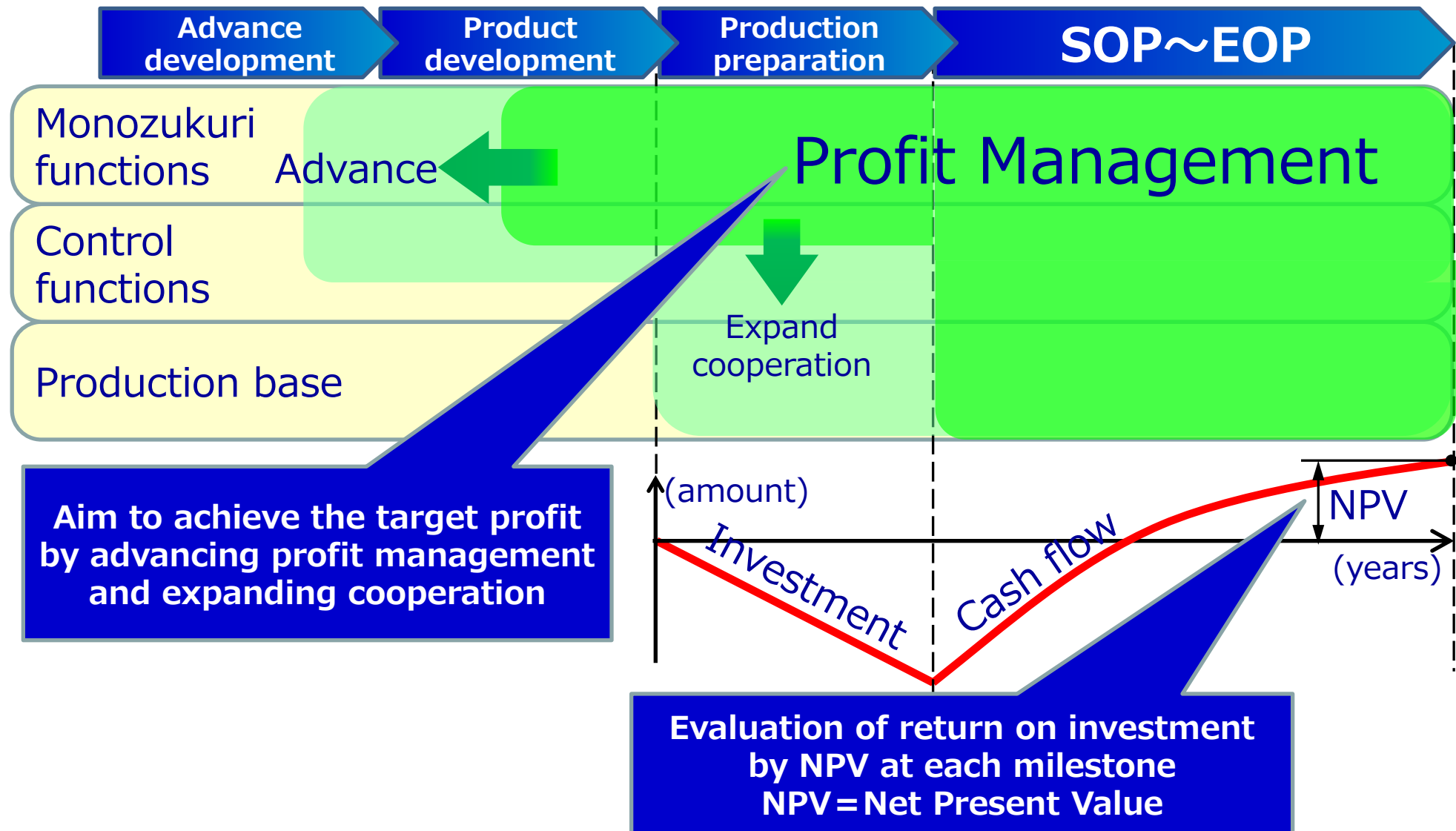
Cash and Deposit  
at the end of FY2017

- By reducing further investment in new model facilities and strengthening evaluation and management of return on investment, free cash flow is expected to turn positive (improve).
- Keep the target dividend payout ratio at 35%.

Note:  
Figures are for illustrative purposes only and does not represent actual figures

# Key Initiatives: (1) Enhance Profitability

## Enhance project profit management



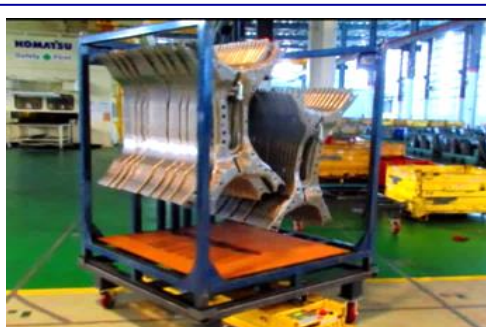
# Key Initiatives: (1) Enhance Profitability

## Monozukuri Innovation:

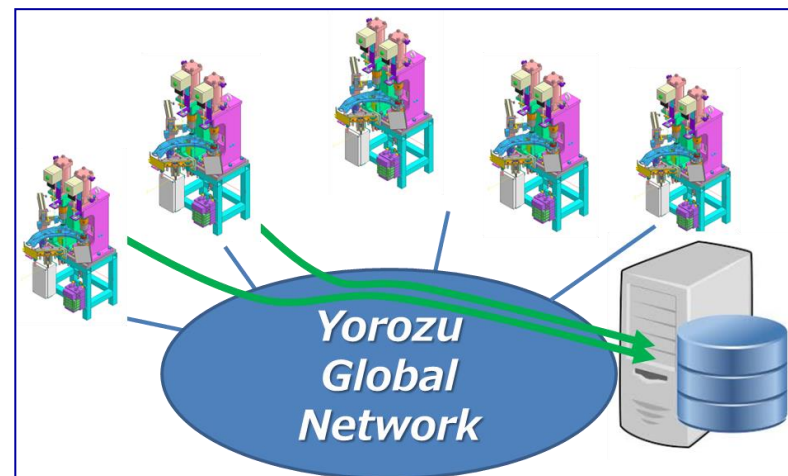
Realize “World's No. 1 suspension parts production plant” as an auto parts maker.



**Innovative press line**  
 • 1200t BL press  
 • 3500t TF Servo press



**Unmanned Logistics**  
 - AGV  
 - Automated paint hangers



**IoT system /  
Equipment management network**

Efforts toward full automation (unmanning)  
Alabama new base

Expand fully-automated production line /  
Horizontal expansion

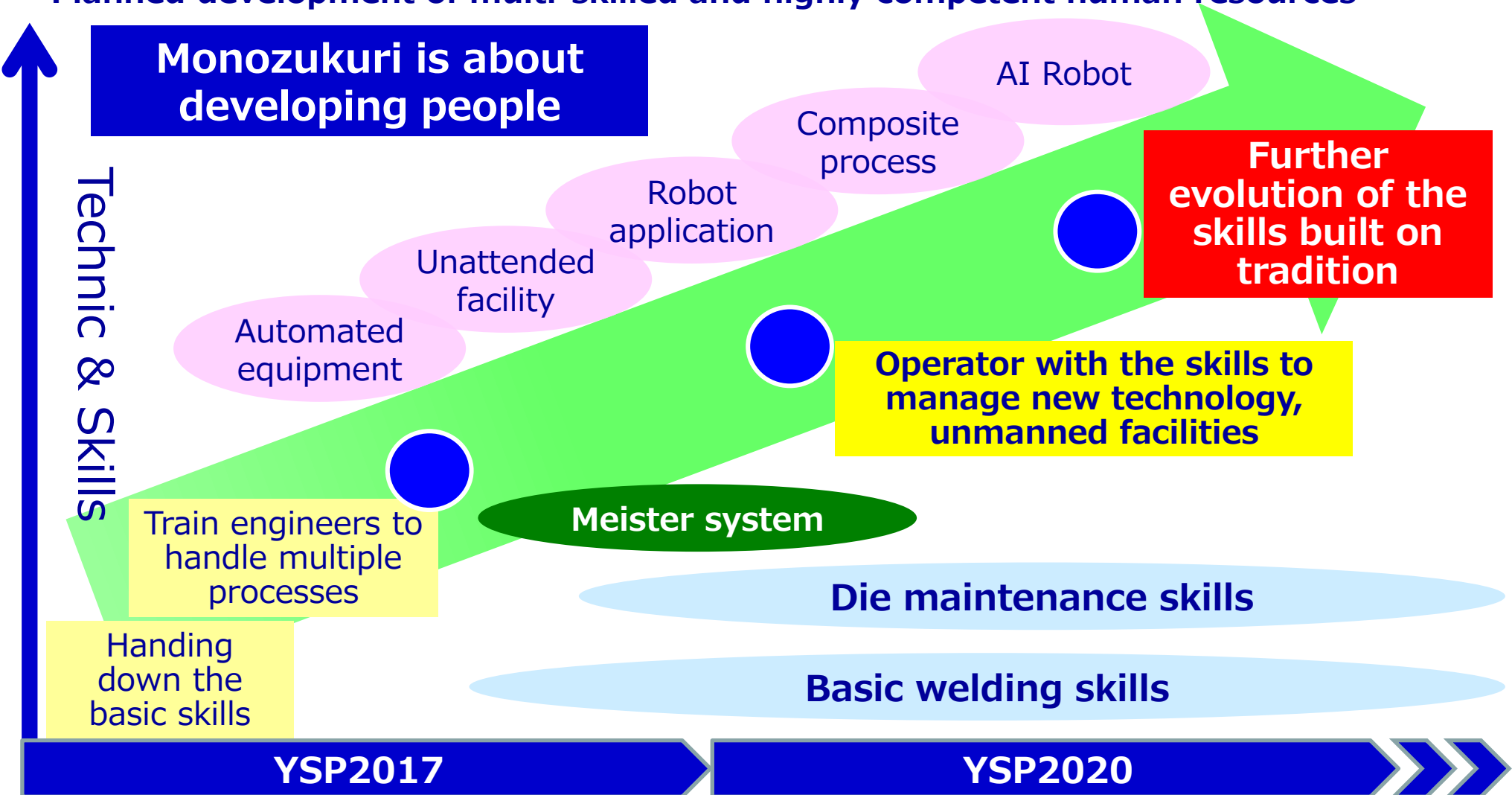
**YSP2017**

**YSP2020**

# Key Initiatives: (1) Enhance Profitability

## Monozukuri Innovation:

Planned development of multi-skilled and highly competent human resources



# Key Initiatives: (1) Enhance Profitability

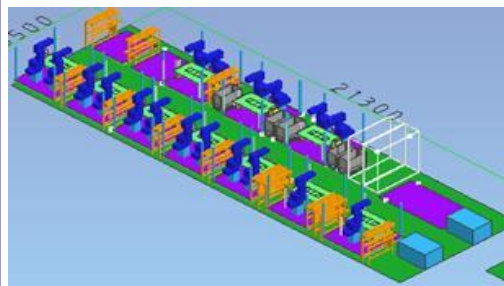
## Monozukuri Innovation: Reduce capital investment

### Make an all-out effort in simultaneous engineering

Component parts reduction, parts integration, etc.

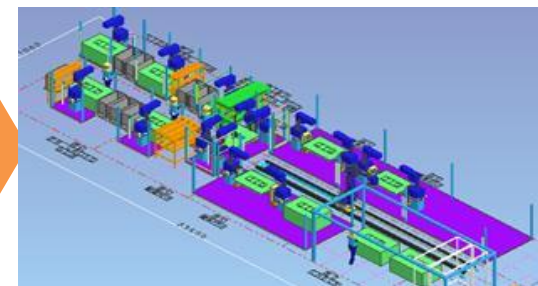
**Better yield with arc tailored blanks**

### Assembly line process reduction image



Before

15 processes



After

9 processes

### Reduce capital investment



## **2. New Mid-term Business Plan Yorozu Spiral-up Plan 2020**

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**Key Initiatives:**

**(2) Improve Product Competitiveness/  
Development Capabilities**



## Key Initiatives:

### (2) Improve Product Competitiveness / Development Capabilities

#### Environment surrounding the automotive industry



#### Market requirements for suspension parts

- Lighter: Lightweight solutions
- Stronger: Stiffness of the structure
- Lower cost: Low cost development
- Quicker: Shorter development period



## Key Initiatives:

### (2) Improve Product Competitiveness / Development Capabilities

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





## Key Initiatives:

### (2) Improve Product Competitiveness / Development Capabilities

#### Development of new products and technologies for the future

Meeting the requirements for electric vehicles and autonomous driving

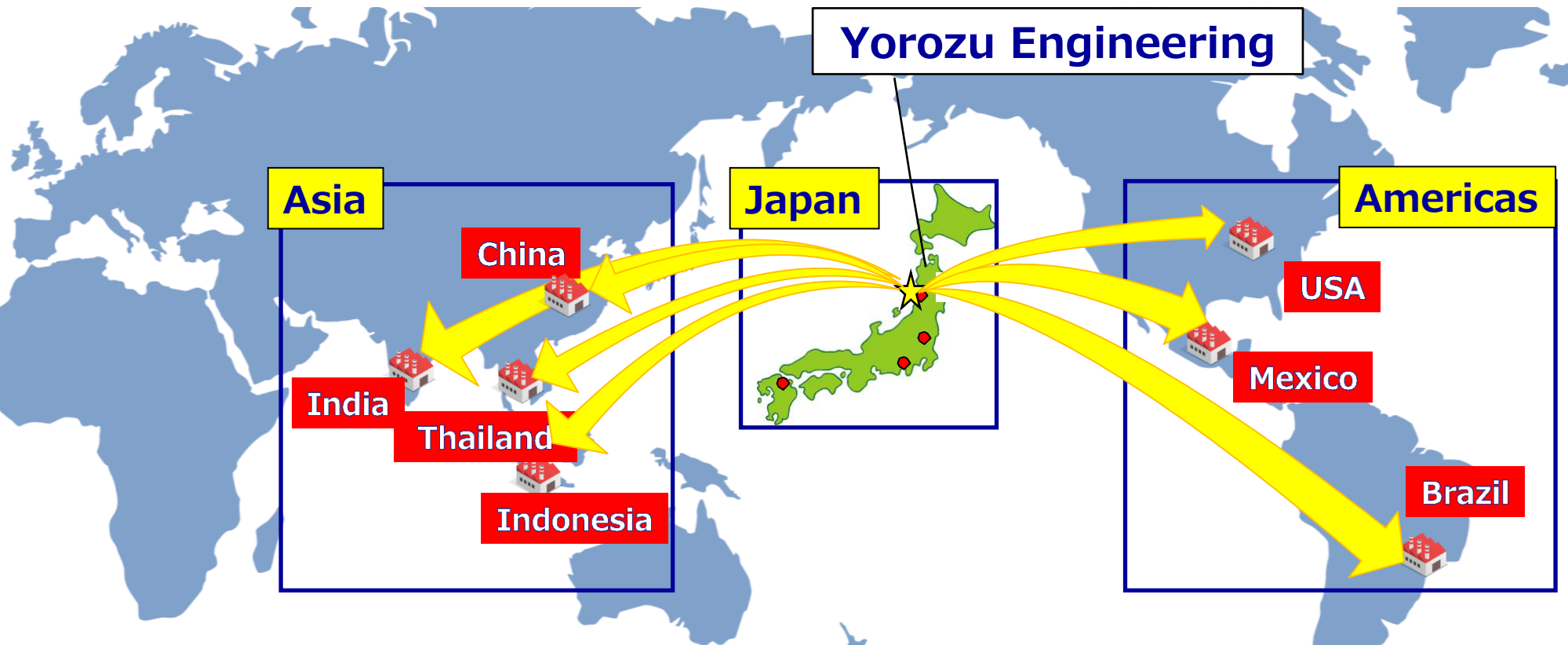


Build the required new technologies			Deepen existing technologies	
Aluminum Technology	Aluminum Forging Technology	Technology to Combine Different Materials	Press Forming Technology	Welding Technology

**Key Initiatives:**

**(2) Improve Product Competitiveness / Development Capabilities**

**Strengthen worldwide consistent quality and cost competitiveness**



**Realize globally consistent quality and cost competitiveness, through simultaneous engineering by the Monozukuri functions and through strengthening Yorozu Engineering. Deliver to global manufacturing bases from Japan.**

## Key Initiatives:

### (2) Improve Product Competitiveness / Development Capabilities

Proactive sales expansion through activities under the 3 axes  
(customer, product, region)

#### Large shift in the automotive industry

Accelerated autonomous drive / EV ⇒ Large-scale investment

- Intensified competition among automakers

#### Supply chain also to be changed dramatically

- Competition among suppliers also intensified

#### Customer axis

- Renault, Nissan, Mitsubishi Alliance
- Honda, Toyota
- Daimler, VW, etc.

#### Product axis

- Focus on suspension parts
- Expand business to new products for EVs

#### Region axis

- Expansion in large markets; Japan, US and China
- Expansion at Asian bases

Consistently maintain existing business,  
while proactively acquiring new businesses

## **2. New Mid-term Business Plan Yorozu Spiral-up Plan 2020**

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**Key Initiatives:**

**(3) Enhance Corporate Capabilities**

## Key Initiatives: (3) Enhance Corporate Capabilities

### Human resource development

#### ■ Work Style Reform and Diversity

- Work Style Reform; create a “healthy and engaging” workplace
- Recruitment and promotion with respect to diversity, establish new “Diversity Promotion Group”
- Continuation of industry-academia collaboration



#### ■ Human resource development

- Optimal education and training based on Yorozu general educational programs and professional development programs by function
- Talent localization and nurturing of global human resources

## Key Initiatives: (3) Enhance Corporate Capabilities

### Organization review

- **Manufacturing functions: Enhance “Total Production System”**
  - Created the position of Chief of Yorozu Global Technical Center (YGTC) to enable quicker decision-making of manufacturing functions

### Chief of

### Yorozu Global Technical Center (YGTC)

**Mother plant**  
(Yorozu Tochigi)

### YGTC

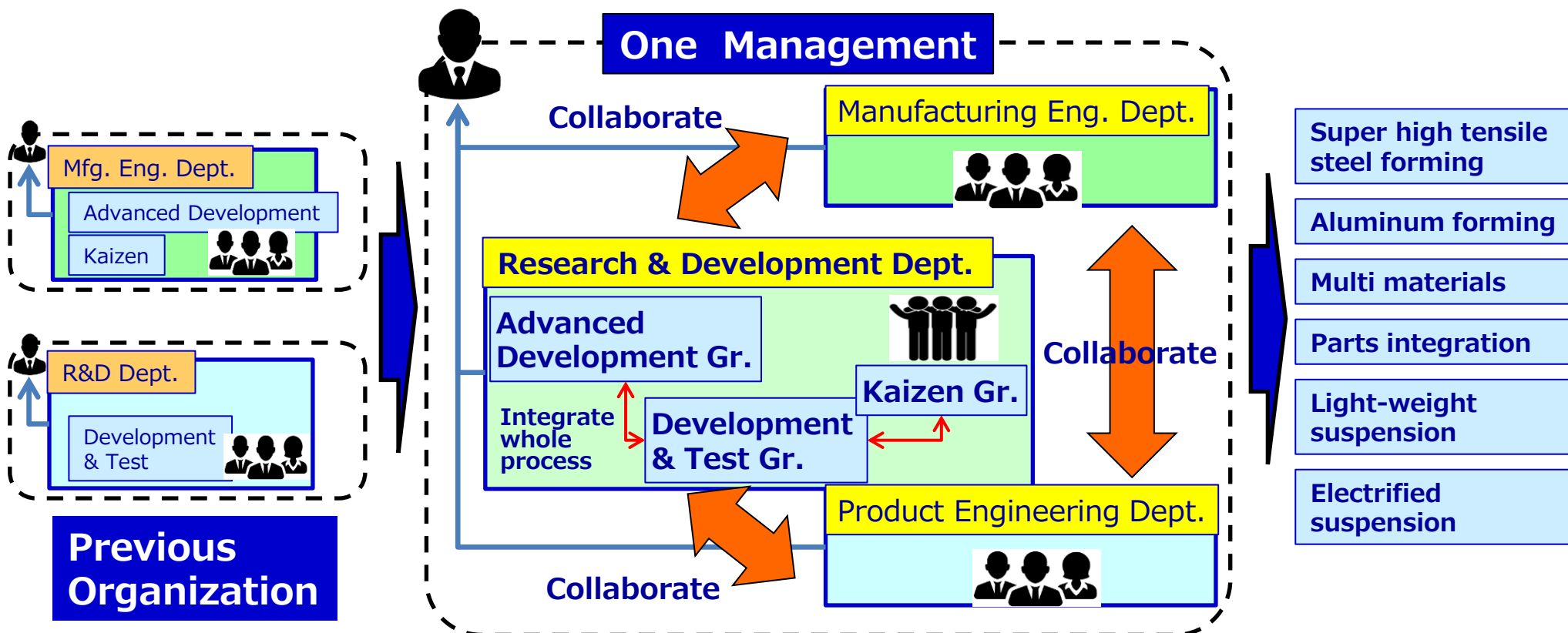
YPW	R&D
Mfg. Eng.	QA
Prod. Control	Purchasing

# Key Initiatives: (3) Enhance Corporate Capabilities

## Organization review

### ■ Strengthening advanced development

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





## Key Initiatives: (3) Enhance Corporate Capabilities

### Organization review

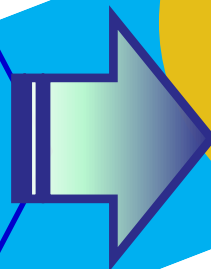
#### ■ Enhance project profit management

##### Strengthen under the current organization

Strengthen  
“Cost Planning Group”

Strengthen project  
profitability  
evaluation (NPV)

Enhance cross-  
functional profit  
management process



##### Strengthen project management system

- Cross-functional progress management
- Centralized management of new model budgets
- Problem solving activities

YSP2017

YSP2020

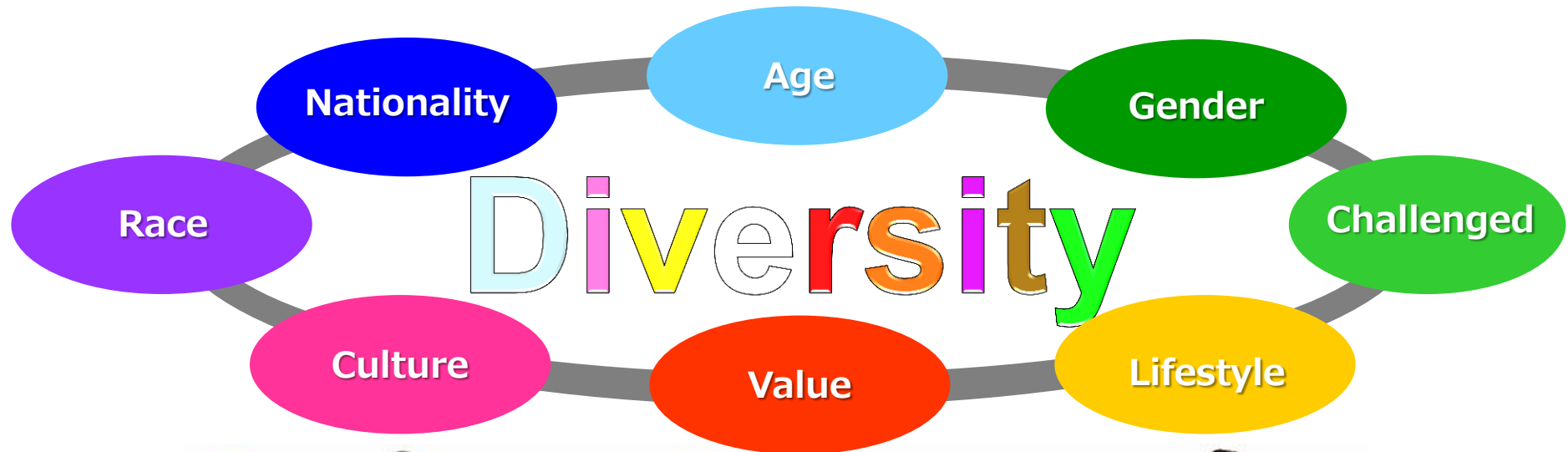


## Key Initiatives: (3) Enhance Corporate Capabilities

### Organization review

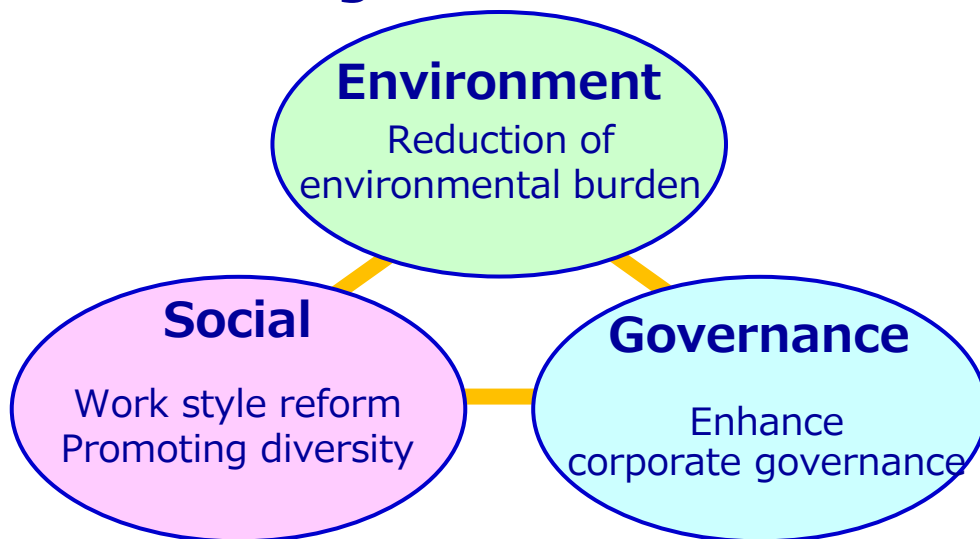
#### ■ Established new Diversity Promotion Group

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



# Key Initiatives: (3) Enhance Corporate Capabilities

## ESG management



## Social

### Promote work style reform and diversity

- Create a “healthy and engaging” workplace
- Fostering organizations that accept diversity



## Environment

### Monozukuri innovation

- Environment friendly production process

### Cultivate new products & technologies for the future

- Preventing global warming during product usage



## Governance

### Enhancement of governance

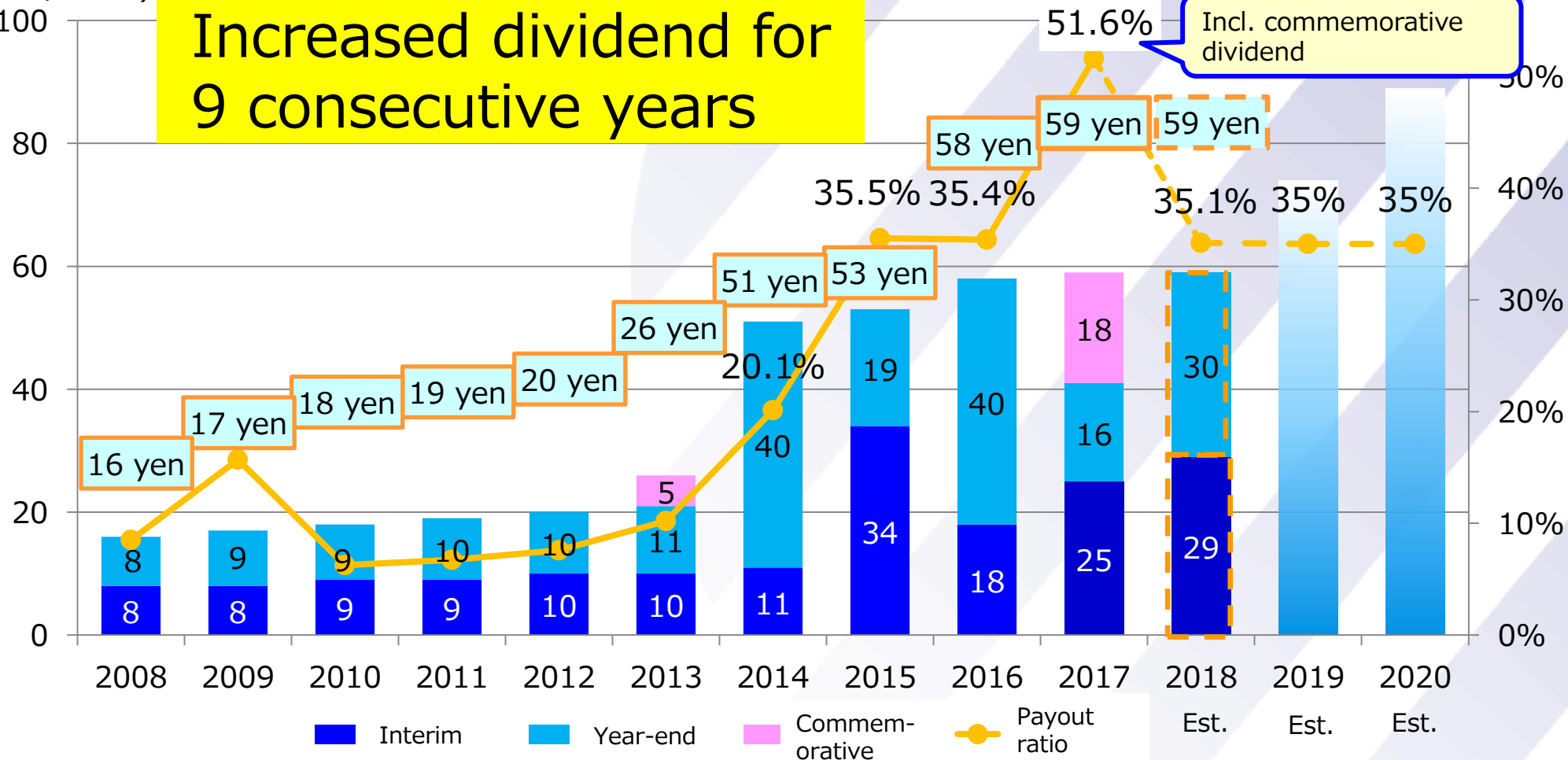
- Review member composition of the Board of Directors
- Furtherance of compliance
- Enrich dialogue with shareholders



# Financial Strategies: Enhance return to shareholders

(Yen/share)

Increased dividend for 9 consecutive years



FY2017 dividend was 59 yen/share. (Annual 41 yen + Commemorative 18 yen)  
**Continue 35% as the target payout ratio in FY2018 onward**

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