

FY2019 First-half Financial Results

Ken Shido, President & COO

This is an internal English translation of the YOROZU 2019 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)

© YOROZU CORPORATION. 2019 All Rights Reserved.

Table of Contents

I . FY2019 First-half Financial Performance

II . Emergency Profit Kaizen Activities

III . FY2019 Annual Forecast

IV . Recent Activities and Targets

V . Redistribution of Profits to Shareholders

© YOROZU CORPORATION. 2019 All Rights Reserved.

2

I . FY2019 First-half Financial Performance

II . Emergency Profit Kaizen Activities

III . FY2019 Annual Forecast

IV . Recent Activities and Targets

V . Redistribution of Profits to Shareholders

Consolidated Financial Statement Summary for FY2019 1H (Year on Year)

Millions of yen

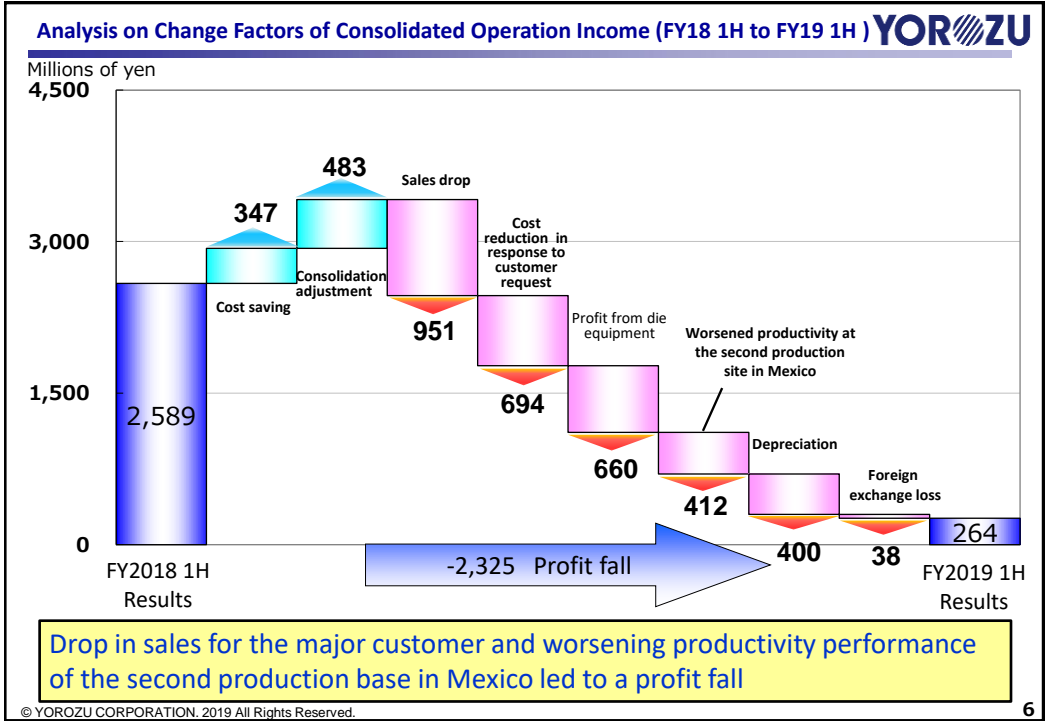
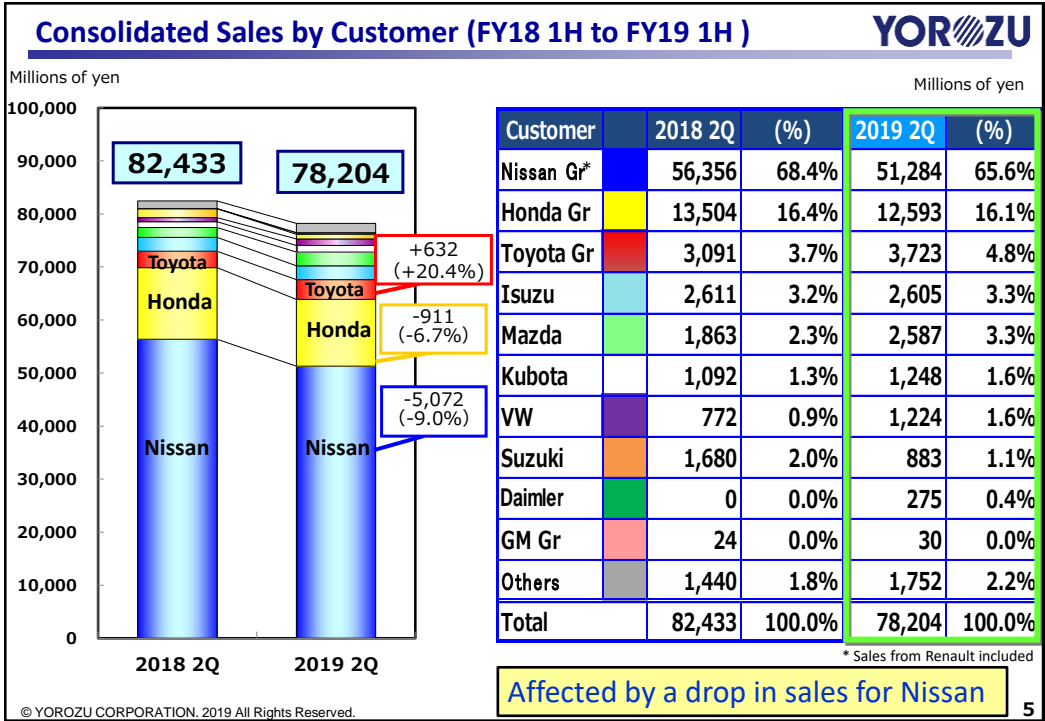
	FY2018 1H	FY2019 1H	Year on Year	Old Forecast for FY19 1H *2	Difference from Old Forecast
Sales	82,433	78,204	-5.1%	79,000	-1.0%
Operating Income	2,589	264	-89.8%	450	-41.3%
Ordinary Income	2,790	-432	—%	140	—%
Net Income *1	1,673	-832	—%	-330	—%

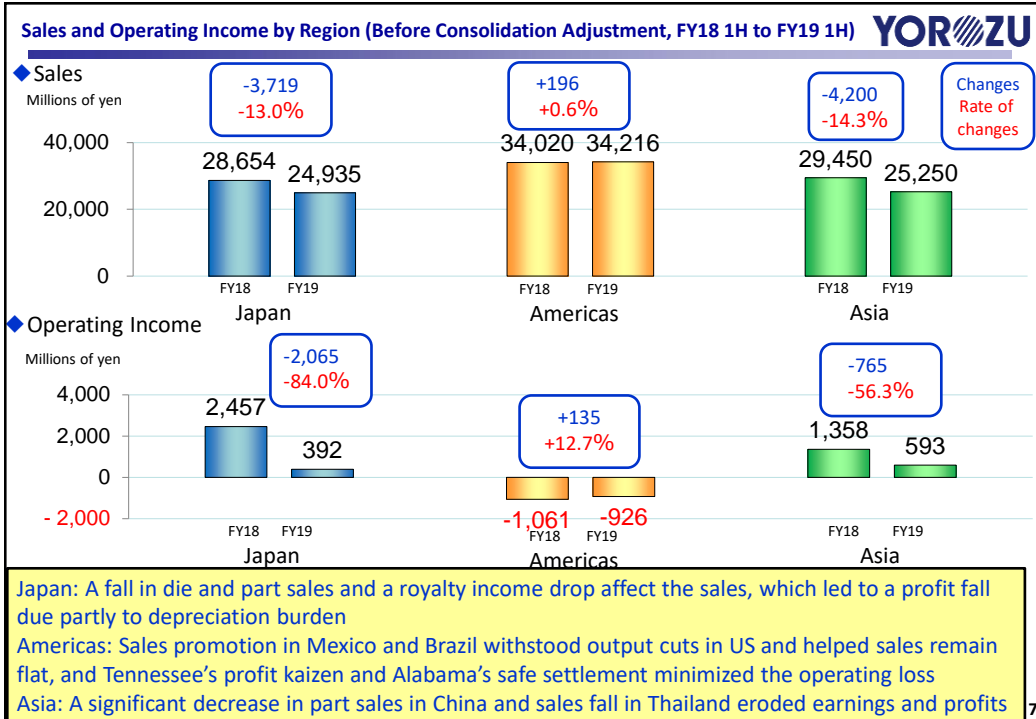
	FY2018 1H (A)	FY2019 1H (B)	Differences (B-A)	Rate of Changes
Net Income per Share	70.40 yen	-35.04 yen	-105.44 yen	—%
Rate applied to Consolidated Statement	108.67 yen/\$	110.06 yen/\$	1.39 yen/\$	1.3%

*1 Net income attributable to the parent's shareholders

*2 Estimated figures disclosed on August 7, 2019

Sales: Dropped due to output decline in China, US, Japan and Thailand
Operating income: Dropped due to output decline in China, Japan and Thailand despite significant improvement in Tennessee that withstood output falls in US
Ordinary income: Dropped on unfavorable foreign exchange fluctuation
Net income: Declined due to posting of a loss on valuation of investment securities





Consolidated Balance Sheet Summary (FY2019 1H) **YORZU**

Millions of yen

	Mar. 2019	Sep. 2019	Differences
Assets			
Current Assets	67,422	64,528	-2,894
Fixed Assets	100,675	96,871	-3,804
Total Assets	168,097	161,399	-6,698
Liabilities and Equity			
Current Liabilities	40,273	40,224	-49
Fixed Liabilities	35,513	32,038	-3,475
Total Liabilities	75,787	72,262	-3,525
Shareholders' Equity	81,888	80,509	-1,379
Other Accumulated Comprehensive Income	-6,235	-6,975	-740
Non-controlling Interest, etc.	16,657	15,602	-1,055
Net Asset	92,310	89,136	-3,174
Total Liabilities and Net Asset	168,097	161,399	-6,698

Changes in Assets:

- Current deposit -1,694
- Notes and acc'ts receivable -2,688
- Electronically recorded monetary claims -36
- Inventories +304
- Other current assets +1,220
- Tangible fixed assets -3,164

Changes in Liabilities:

- Long term debts -2,984

Changes in Equity:

- Net income (loss) -832
- Dividend payment -546
- Valuation difference -342
- Foreign currency translation adjustment -529

Total assets and liabilities decreased due to reduction in accounts receivable, fixed assets and debts.

I . FY2019 First-half Financial Performance

II . Emergency Profit Kaizen Activities

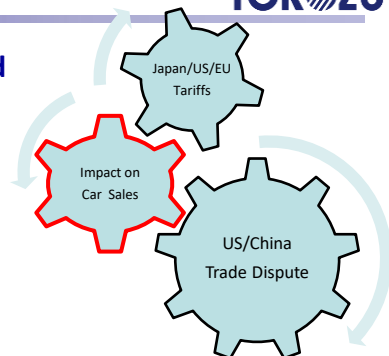
III . FY2019 Annual Forecast

IV . Recent Activities and Targets

V . Redistribution of Profits to Shareholders

Emergency Profit Kaizen Activities

- Impact of prolonged US-China trade war, and
 - Tariff issues – Japan/US/EU
- ➡ are taking a toll on the global economy as car makers' sales see slower growth



Yorozu leaves no stone unturned in its efforts to improve profits – We'll work as one

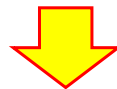
- 1 Ensure maximum efficiency through a production system aligned with production volume
- 2 Drive drastic cost cuts – Won't buy, won't waste.
- 3 Boost work efficiency along with work style reform

Keywords: Positive kaizen, combination of top-down/bottom-up approach, One Team



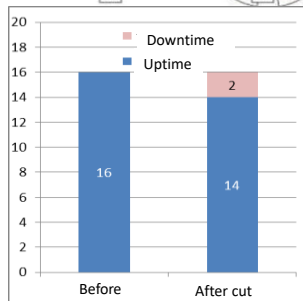
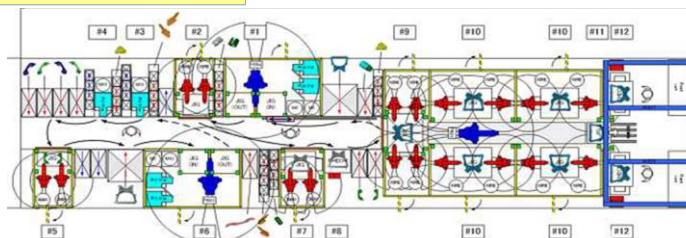
Ensure maximum efficiency through a production system aligned with volume

- Flexible production line to handle fluctuating volume
- Power cost reduction
- Yield ratio improvement



Production system is updated to align with changes in the environment, and thereby ensure that operation is efficient

Mass production line



Line that ran 16 h/day → down to 14 h/day due to low volume
But by continuing to work 16 h/day rather than 14 h/day, we only need 4.4 days a week instead of full 5 days.

Therefore, the line is stopped for 0.6 days on weekends.

5 days → 4.4 days 12% down Efficiency UP

The earned extra hours can be set aside for

- Training (development of multi-skilled workers)
- Kaizen activities (*karakuri dojo*, equipment maintenance)
- Mandatory vacation day (paid-leave) (work style reform)

Emergency Profit Kaizen Activities ① Squeeze • Stop - Painting YOROZU

Painting Line - Before



Idling Hooks

If ASSY production is squeezed

Painting Line – Now
Squeeze • Stop



No Idling Hooks

	月			火			水			木			金			土	日
	1S	2S		1S	2S		1S	2S		1S	2S		1S	2S			
組立			非稼働			非稼働			非稼働			非稼働			非稼働	非稼働	非稼働
塗装	稼働	稼働	保温停止	稼働	稼働	保温停止	稼働	稼働	保温停止	稼働	稼働	保温停止	稼働	稼働	保温停止	塗装ライン完全停止	

Painting line is stopped completely

	月			火			水			木			金			土	日
	1S	2S		1S	2S		1S	2S		1S	2S		1S	2S			
組立			非稼働			非稼働			非稼働			非稼働			非稼働		
塗装	稼働	稼働	保温停止	稼働	稼働	保温停止	稼働	稼働	保温停止	稼働	稼働	保温停止	稼働	稼働	保温停止	塗装ライン完全停止	

By stopping the painting line on Friday, power cost is reduced by 20%

© YOROZU CORPORATION. 2019 All Rights Reserved.

13

Emergency Profit Kaizen Activities ② YOROZU

2 Drive drastic cost cuts – Won't buy, won't waste

- ✓ Director compensation cut
- ✓ Deep budget cuts
- ✓ Zero unnecessary traveling expenses
 - Prohibit domestic/overseas travel by changing the way company meetings are run
 - Take full advantage of TV/Web conferencing
- ✓ Save outgoing expenses
 - Refrain from using (pay) external facilities
 - Suspend purchasing of office supplies (reuse, e-documentation)

3 Boost work efficiency along with work style reform

- Reduce overtime thru efficiency driven by bottom-up ideas

© YOROZU CORPORATION. 2019 All Rights Reserved.

14

I . FY2019 First-half Financial Performance

II . Emergency Profit Kaizen Activities

III . FY2019 Annual Forecast

IV . Recent Activities and Targets

V . Redistribution of Profits to Shareholders

Forecast Summary for FY2019 Consolidated Results

◆ Profit and Loss (Year on Year)

Millions of yen

	FY2018 Results	FY2019 Forecast	Year on Year	FY2019 Old Forecast *2	Difference from Old Forecast
Sales	169,111	163,000	-3.6%	163,000	0.0%
Operating Income	5,290	2,500	-52.7%	2,500	0.0%
Ordinary Income	5,222	1,950	-62.7%	1,950	0.0%
Net Income *1	402	800	+98.6%	800	0.0%

	FY2018 Results	FY2019 Forecast	Difference	Rate of Change
Net Income per Share	16.94 yen	33.66 yen	+ 16.72 yen	+ 98.7%
Exchange Rate Applied to Consolidated Statements	110.44 yen/\$	108.00 yen/\$	-2.44 yen/\$	-2.2%

*1 Net income attributable to the parent's shareholders

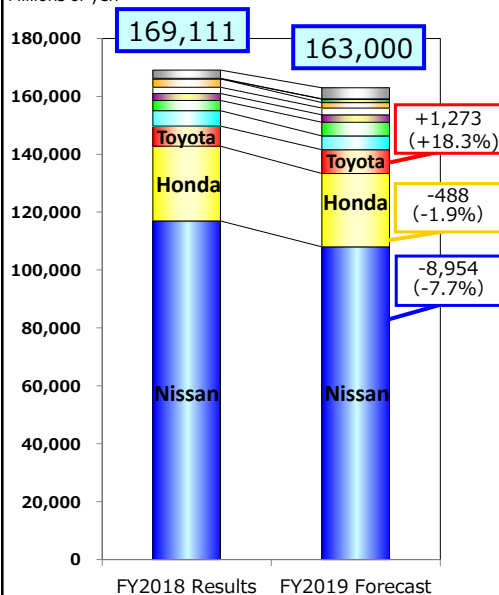
*2 Estimated figures disclosed on August 7, 2019

Sales: A decline is expected due to the impact of output cuts in US, China and Thailand
 Operating income: Kaizen measures taken for US output cuts are not enough to offset the rising fixed costs in Japan and output cuts in Thailand, and thus it will lead to a profit decline
There is no correction in estimates issued previously

Consolidated Sales by Customer (FY18 Results to FY19 Forecast)

YORZU

Millions of yen



Customer	FY18 Results	(%)	FY19 Forecast	(%)
Nissan Gr *	116,994	69.2%	108,040	66.3%
Honda Gr	25,828	15.3%	25,340	15.5%
Toyota Gr	6,950	4.1%	8,223	5.0%
Isuzu	5,322	3.1%	4,761	2.9%
Mazda	3,524	2.1%	4,724	2.9%
VW	2,400	1.4%	2,565	1.6%
Kubota	2,163	1.3%	2,341	1.4%
Suzuki	2,892	1.7%	1,888	1.2%
Daimler	76	0.0%	1,208	0.7%
GM Gr	119	0.1%	91	0.1%
Others	2,843	1.7%	3,819	2.4%
Total	169,111	100.0%	163,000	100.0%

* Sales from Renault included

Sales will fall due to a drop in sales for Nissan

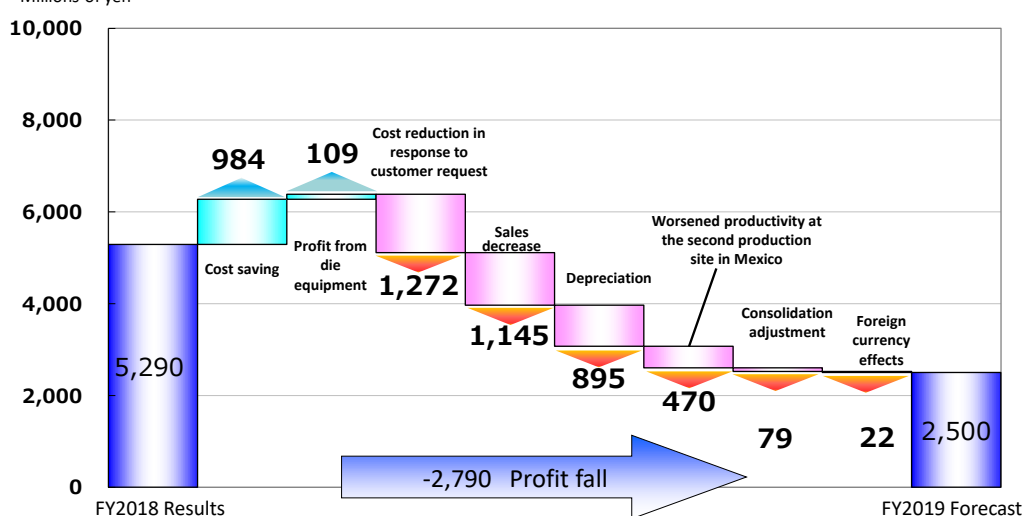
© YORZU CORPORATION. 2019 All Rights Reserved.

17

Analysis of Changes in Consolidated Operating Income (FY18 Results to FY19 Forecast)

YORZU

Millions of yen

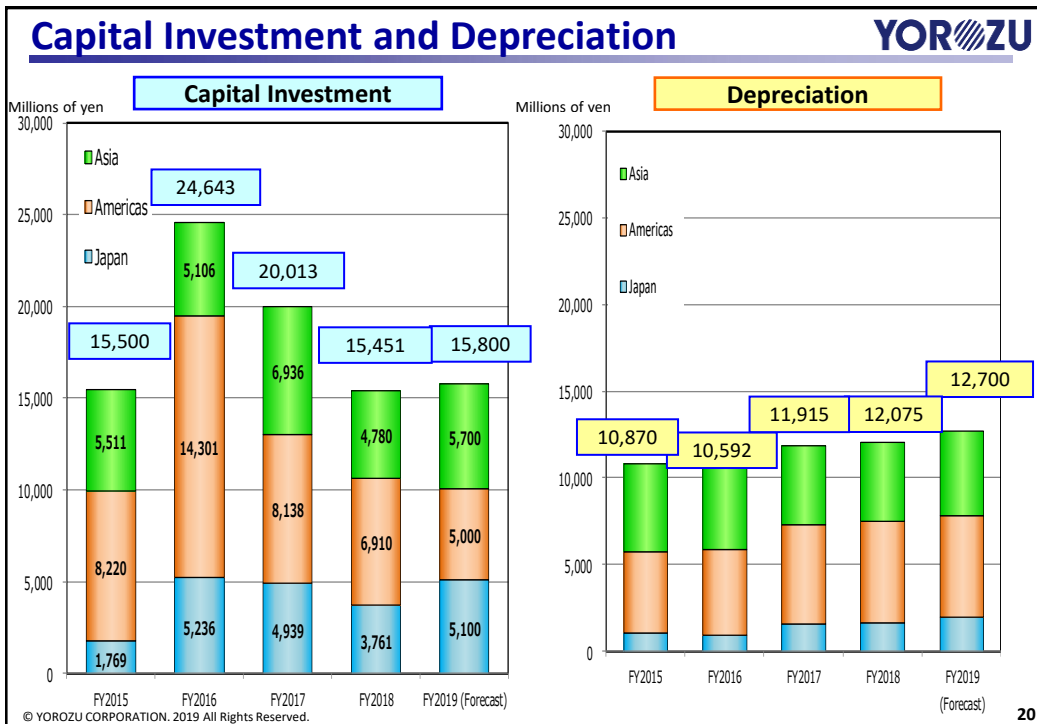
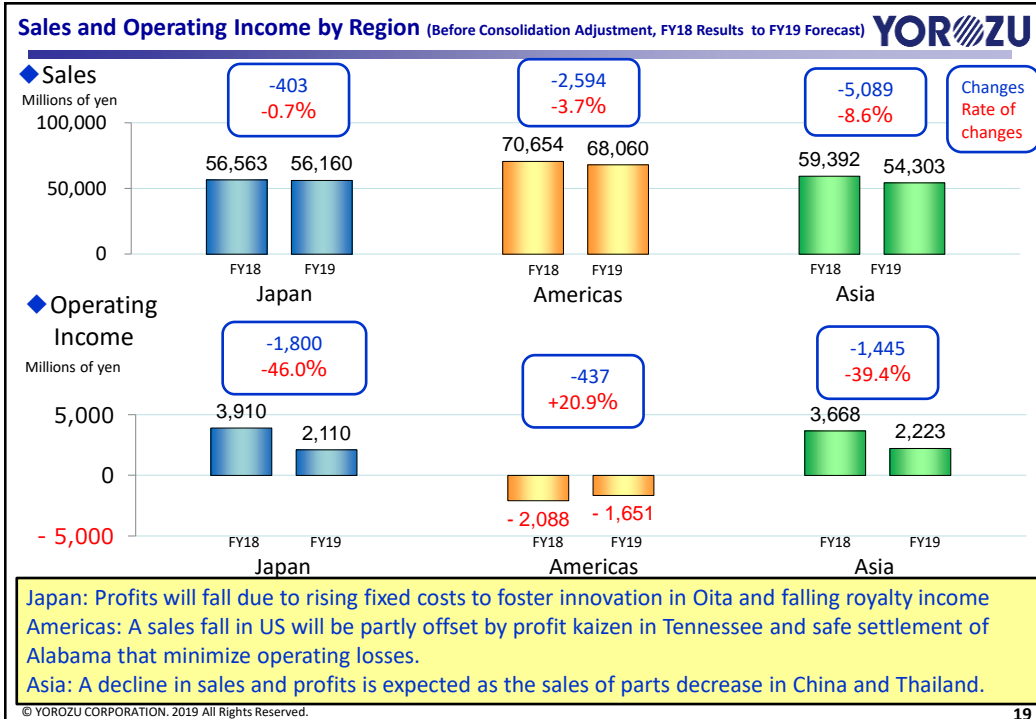


Profits are still expected to fall due to a drop in sales for the major customer and higher burden of depreciation cost.

Emergency Profit Kaizen Activities are going on to serve as effective cost saving initiatives.

© YORZU CORPORATION. 2019 All Rights Reserved.

18



- I . FY2019 First-half Financial Performance
- II . Emergency Profit Kaizen Activities
- III . FY2019 Annual Forecast
- IV . Recent Activities and Targets**
- V . Redistribution of Profits to Shareholders

Key Strategies

(1) Improvement in Profitability

- Company management based on free cash flow
- More effective project management for profit
- Innovative *Monozukuri*

(2) Further Progress in Product Competitiveness and Development Capability

- More competitive suspension parts
- Taking advantage of unique technologies to develop new products
- Effective sales promotion along 3 axes (Customer, Product and Region)

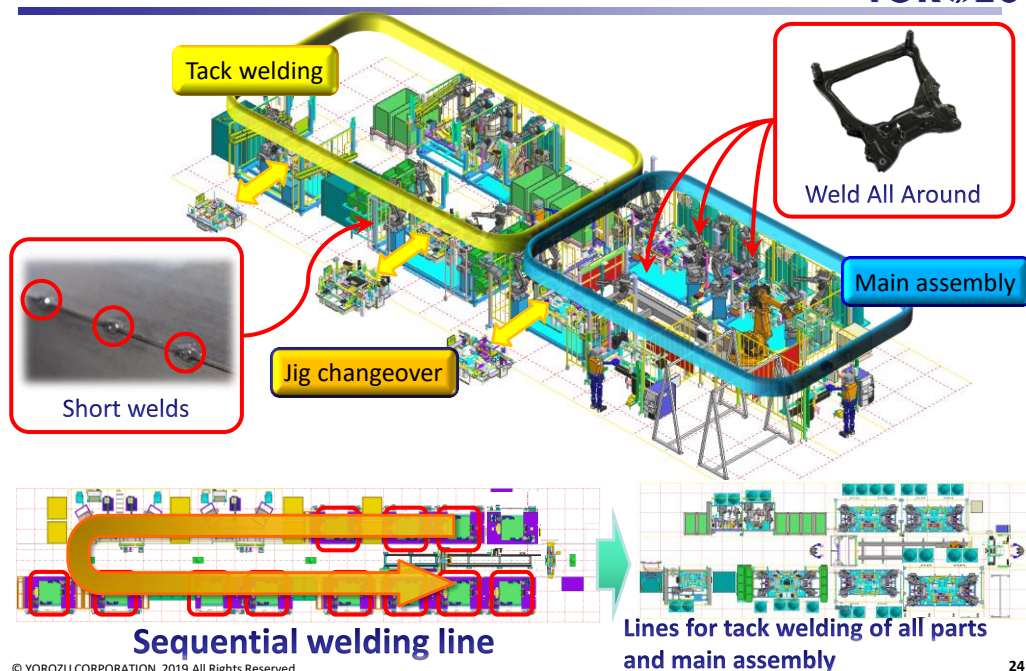
(3) Enhancement of Corporate Capabilities

- Human resources development
- Organizational review
- ESG management

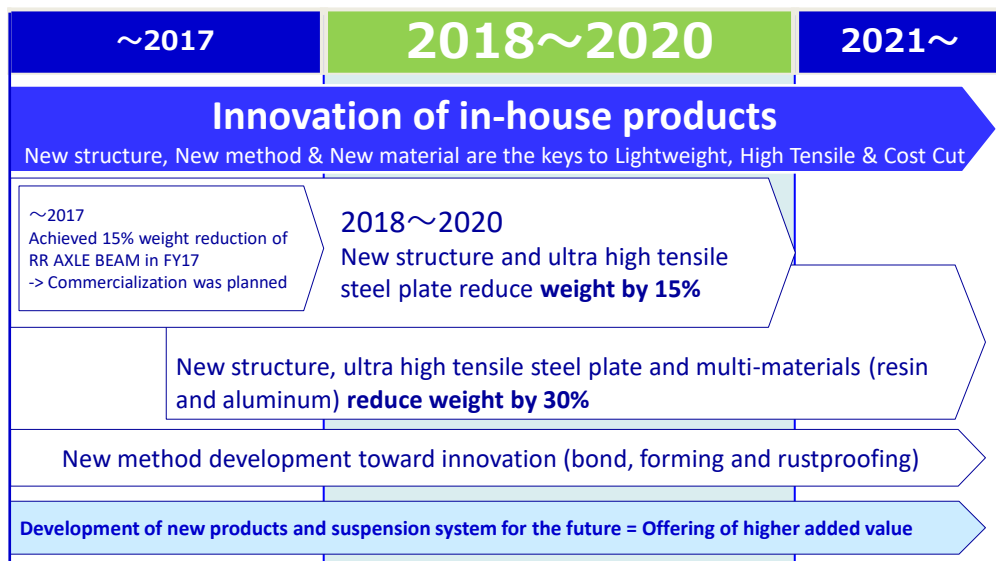
Concept of New Jidoka Line



- ✓ Flexible production line to deal with demand fluctuation
- ✓ Accessibility to prototyping jigs in serial production
- ✓ High versatility to minimize capital expenditure



Lightweight Tech Development from 2018 to 2020



© YOROZU CORPORATION. 2019 All Rights Reserved.

25

Showcased at the 46th Tokyo Motor Show

Demand for lightweight suspension parts is increasing in recent vehicle development as customers are required to include new features that lead to weight gain. Yorozu showed off a wide variety of lightweight technologies applied to auto parts at the Tokyo Motor Show 2019.



President Shido presented on Oct. 23
Number of booth visitors: approx. 9,000
(3,900 at the previous show)

© YOROZU CORPORATION. 2019 All Rights Reserved.



26

Further Progress in Product Competitiveness and Development Capability
-Development of Lightweight Tech **YOROZU**

ALTIMA (old 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 thinner sheets significantly cuts off the weight in North American specifications

© YOROZU CORPORATION. 2019 All Rights Reserved.

27

Further Progress in Product Competitiveness & Development Capability
- For the Future **YOROZU**

New Product Built on Unique Technology

Idea for a Battery Case



- ✓ Unified structure materialized by performing single-sided spot welding
- ✓ Stamping single sheet metal to form beads removed the need for extra reinforcement
→ Fewer components: 7 (14 parts less) Lighter: 12.7kg (down 17%)

© YOROZU CORPORATION. 2019 All Rights Reserved.

28

Enhancement of Corporate Capabilities

YOROZU

Health Management

Health Management Declaration – The aim is to realize a healthy & engaging workplace
(Oct 2019)

<Our Focus>

Stress test



- ① Promote a healthy way of life and prevent lifestyle-related diseases
- ② Promote mental wellness activities
- ③ Promote work-life balance



Eruboshi Certification

Yorozu was awarded the highest (3rd) level of certification (Dec 2018) under the Act on Promotion of Women's Participation and Advancement in the Workplace



© YOROZU CORPORATION. 2019 All Rights Reserved.

29

Enhancement of Corporate Capabilities -Fruitful Stakeholder Dialogues-

YOROZU



Factory tour for analysts (Oct. 1, 2019)



Factory tour for shareholders (Oct. 18, 2019)

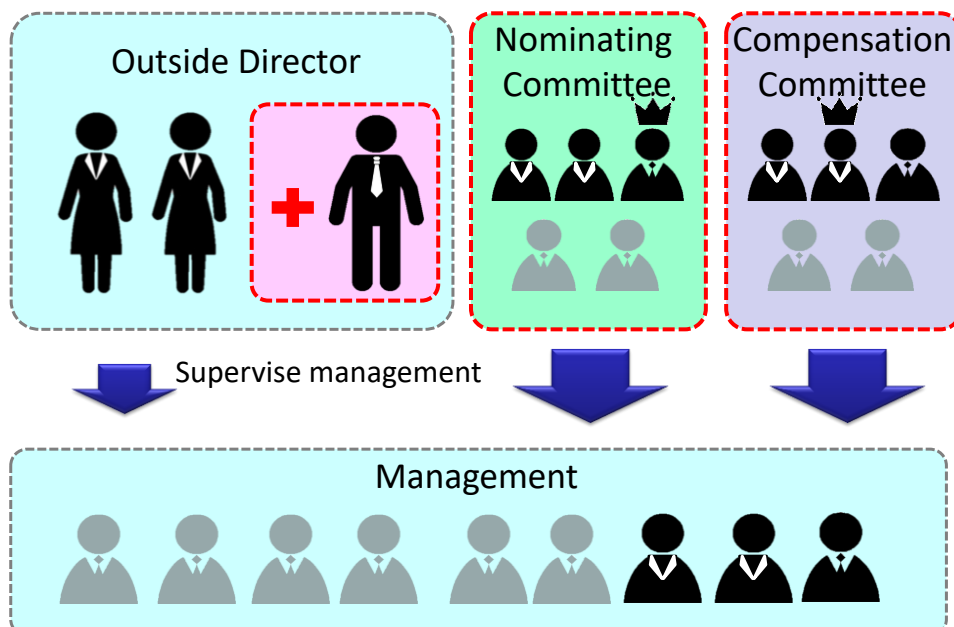


YoroZu Corporate Report (scheduled to be issued in Dec. 2019)

© YOROZU CORPORATION. 2019 All Rights Reserved.

30

Enhancement of Corporate Capabilities -Effective Supervisory Functions- YOROZU



© YOROZU CORPORATION. 2019 All Rights Reserved.

31

Recently-received Quality Awards and Honors YOROZU

Nissan Motor



Regional Quality Award from Nissan North America (Mexico)

Toyota Motor



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

Honda Motor



Quality and Delivery Excellence Award from Honda Brasil (Brasil)

Kubota



Procurement General Manager Silver Award from Kubota (YC)

Subaru



Excellence in Quality Award from Subaru (YC)

Isuzu Motors



Quality Achievement Award from Isuzu Motors (YC)

Hino Motors



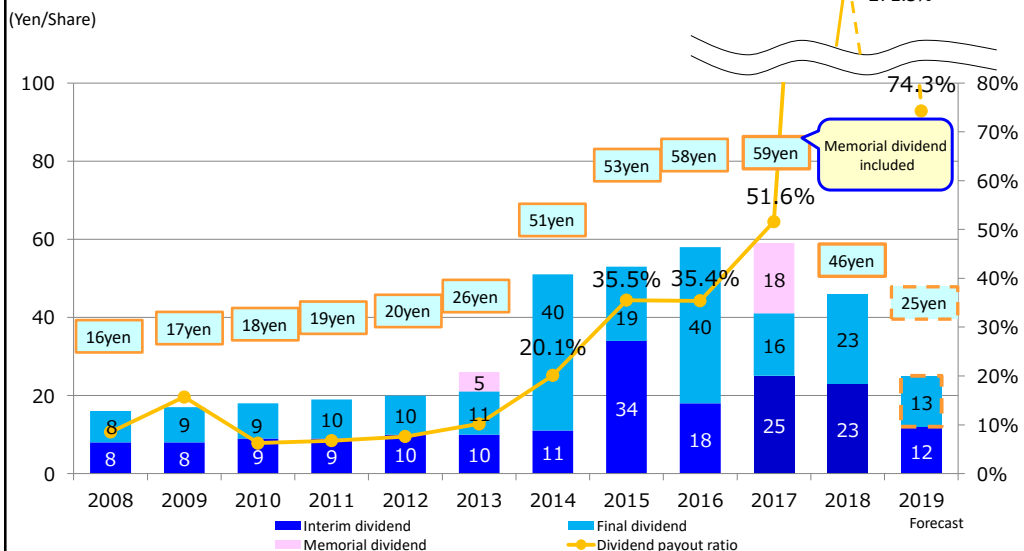
Excellence in Quality Award from Hino Thailand (Thailand)

© YOROZU CORPORATION. 2019 All Rights Reserved.

32

- I . FY2019 First-half Financial Performance
- II . Emergency Profit Kaizen Activities
- III . FY2019 Annual Forecast
- IV . Recent Activities and Targets
- V . Redistribution of Profits to Shareholders**

Financial Strategy: Extension of Shareholders Benefit Program YOROZU



Prioritize shareholders even in hardship under the principle to achieve the target payout ratio

FY2019 First-half **YOROZU** Financial Results

Thank you for your attention

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

Disclaimer and Copyright

Please note that this document contains the forward-looking statements. We ensure that the business forecast, estimation and future strategies are based on the information we reasonably obtained as of the date of this document and the judgment from normally-anticipated assumptions and beliefs. However, such forward-looking statements do not provide any guarantees for the future performance and may involve risks, uncertainties and other factors which cause material differences in any future results or performance expressed or implied in this document.

We aim to proactively provide fair disclosure of accurate and necessary information to investors and other related individuals, but we ask you not to place undue reliance on such forward-looking statements herein to make any decisions. In light of the copyright policy, please be advised that unauthorized reproduction or distribution of this document for any purpose is strictly prohibited. Thank you very much for your understanding and cooperation.

Contact Us

Yorozu Corporation

Person responsible: AKIRA SASO Vice President (CEVP&CFO), General Manager of Finance Dept.

Contact personnel: YOSHITAKE TAKAHASHI, Manager, Finance Dept.

TEL 045-543-6802 FAX 045-543-4915