

# FY2020 Financial Results

**Tsutomu Hiranaka, President & COO**

**Yorozu Corporation**

This is an internal English translation of the YOROZU FY2020 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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## III . New Mid-Term Business Plan (YSP2023)

## IV . Shareholder Return (Explained in the New Mid-Term Business Plan)

## FY2020 Consolidated Financial Summary

Million yen	1H FY2020	2H FY2020	FY2020 Full Year
Sales	43,930	74,933	118,863
Operating Income	- 4,160	4,537	377
Operating Income Ratio	- 9.5%	6.1%	0.3%

### Factors that pushed up 2H results

- ◆ Effect of fixed costs reduction through swift optimization of production capacity to align with production volume, in addition to profit increase as a result of production recovery in the 2<sup>nd</sup> half of FY2020
- ◆ Effect of cost reduction through our hard efforts in Emergency Profit Kaizen activities, particularly “Won’t waste, won’t buy,” that we had been working on since the 2<sup>nd</sup> half of FY2019
- ◆ Rapid recovery of production at China sites contributed to the upturn

## FY2020 Consolidated Financial Summary

**YORZU**

(year-on-year)

Million yen	FY2019	FY2020	Year-on-Year	FY2020 Latest forecast*2	Against latest forecast
Sales	157,680	118,863	- 24.6%	118,000	+0.7%
Operating Income	2,206	377	- 82.9%	200	+88.6%
Ordinary Income	770	1,449	+88.1%	1,300	+11.5%
Net Income *1	- 12,933	- 6,195	-	- 8,000	-

\*1 Net income attributable to parent company shareholders \*2 Estimated figures as of March 25, 2021

	FY2019 A	FY2020 B	Difference B-A	Percentage change
Net Income per Share	- 544.05 yen	- 259.07 yen	284.98 yen	-
Exchange Rate Applied	109.03 yen/\$	106.76 yen/\$	- 2.27 yen/\$	- 2.1%

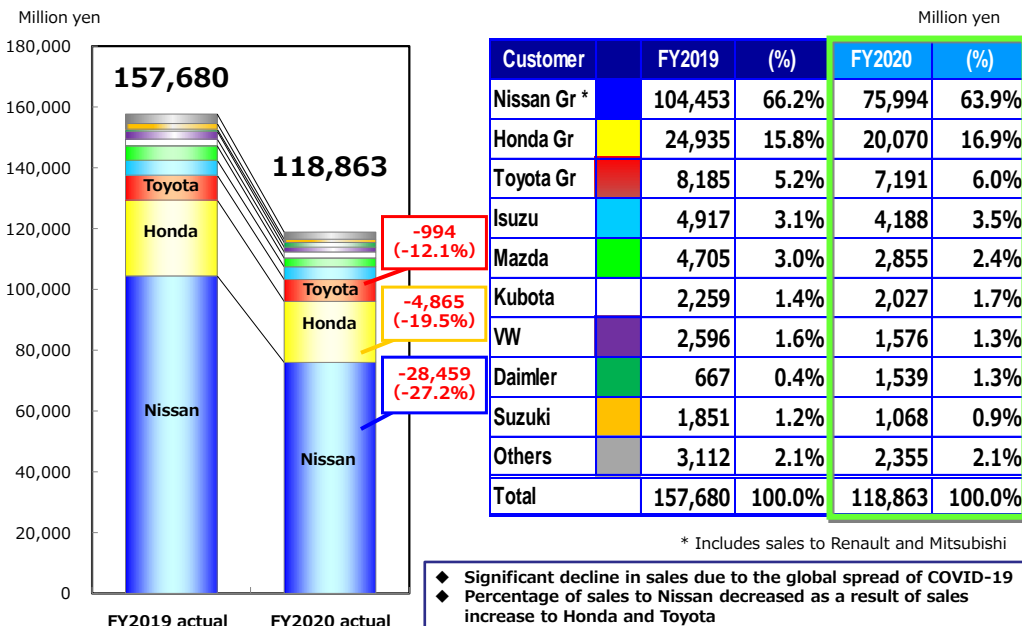
- ◆ Sales: Decline caused by production reduction on a global scale due to COVID-19 outbreak
- ◆ Operating income: While showing decline, profits increased due to recovery in production in the 2<sup>nd</sup> half, and profits were secured through fixed costs reduction efforts
- ◆ Ordinary income: Profit margin expanded thanks to exchange gain and employment adjustment subsidies
- ◆ Net income: Loss from impairment accounting of tangible fixed assets in the U.S. and Thailand, and corporate tax burden due to reversal of deferred tax assets

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## Consolidated Sales by Customer (FY2019 vs. FY2020)

**YORZU**



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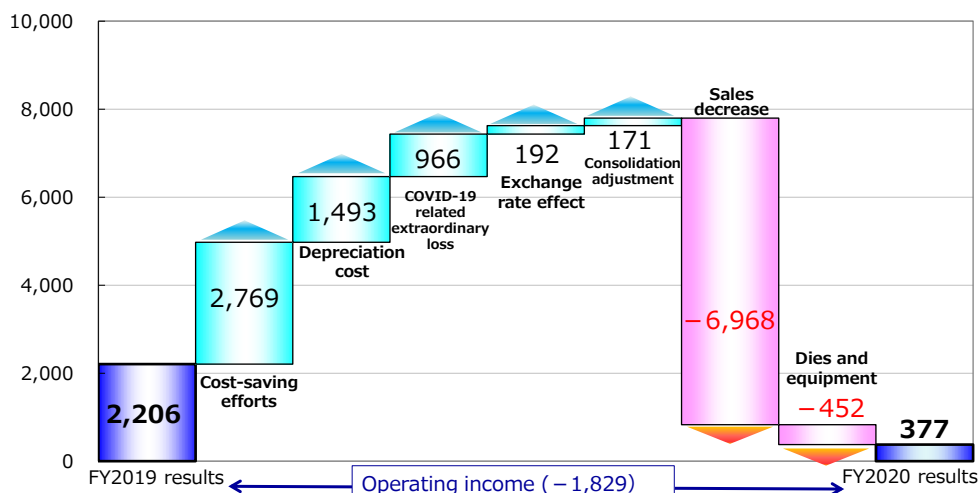
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## Analysis of Impact on Consolidated Operating Income

**YOROZU**

Million yen

(FY2019 vs. FY2020)



**Despite loss due to the enormous impact of COVID-19 on the sales, we have made untiring efforts to save costs and managed to secure profits**

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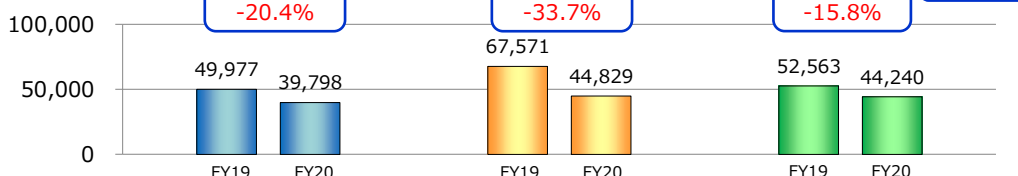
## Sales and Operating Income by Region

Before Consolidation Adjustment  
FY2019 vs. FY2020

**YOROZU**

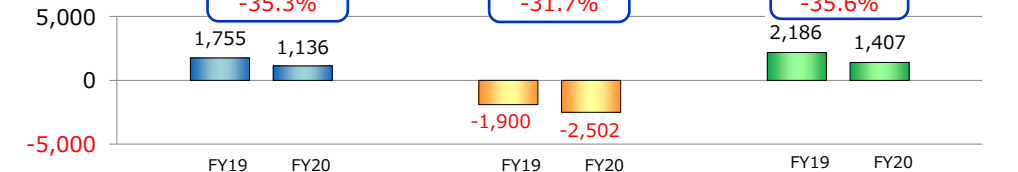
### ◆ Sales

Million yen



### ◆ Operating Income

Million yen



**Sales and profits declined from the previous year level in all segments due to COVID-19 impact**

- ◆ Japan: Despite drop in parts sales and royalty income, our cost-saving efforts helped restore profits
- ◆ The Americas: Massive production reduction due to long-term shutdown in the 1<sup>st</sup> half led to net loss despite making recovery in the 2<sup>nd</sup> half
- ◆ Asia: Recovery in the 2<sup>nd</sup> half helped bring the bottom line back in black

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## Financial Standing for the year ended March 31, 2021

**YOROZU**

(Million Yen)	Mar. 31, 2020 A	Mar. 31, 2021 B	Year on Year (B-A)	
Net Worth	59,608	53,383	-6,225	-10.4%
Equity Ratio	42.7%	39.6%	--	--
Interest-bearing Debt	<b>0.68</b> 40,389	<b>0.84</b> 44,769	4,380	10.8%
Net Interest-bearing Debt	<b>0.36</b> 21,370	<b>0.29</b> 15,509	-5,861	-27.4%
Total Asset	139,700	134,723	-4,977	-3.6%

(Million Yen)	FY2019 A (Full Term)	FY2020 B (Full Term)	Year on Year (B-A)	
Cash Flow from Operating Activities	10,824	13,029	2,205	20.5%
Cash Flow from Investing Activities	-9,584	-6,859	2,725	--
Cash Flow from Financing Activities	-7,718	3,775	11,493	--

The net interest-bearing debt and the net D/E ratio decreased while cash on hand was secured. FCF was positive due to suppressed capital investment during the covid-19 pandemic.

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## (Reference) Consolidated Balance Sheet Summary

**YOROZU**

for the year ended March 31, 2021

Million yen	Mar. 31, 2020 A	Mar. 31, 2021 B	Difference B-A
Current Assets	58,386	63,721	+5,335
Fixed Assets	81,313	71,001	-10,312
Total Assets	139,700	134,723	-4,977
Current Liabilities	37,550	39,331	+1,781
Fixed Liabilities	27,598	29,653	+2,055
Total Liabilities	65,149	68,984	+3,835
Shareholders' Equity	67,677	61,295	-6,382
Other Accumulated Comprehensive Income	-8,068	-7,912	+156
Non-controlling Interest, etc.	14,941	12,355	-2,586
Total Net Assets	74,550	65,738	-8,812
Total Liabilities and Net Assets	139,700	134,723	-4,977

Cash & bank deposit	+10,240
Notes & accounts receivable	+247
Inventories	-3,639
Other current assets	-1,513
Tangible fixed assets	-11,383
Investment securities	+2,241
Deferred tax assets	-1,381
Notes and accounts payable	+1,372
Electronically recorded obligations	-852
Short term debts	-2,936
Long term debts due within 1 year	+5,185
Accrued expenses	-1,124
Long term debts	+2,740
Lease debts	-648
Net income (loss)	-6,195
Dividend payment	-309
Other securities	
Valuation difference	+1,389
Foreign currency translation adjustment	-1,180

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## I . FY2020 Results

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## III . New Mid-Term Business Plan (YSP2023)

IV . Shareholder Return  
(Explained in the New Mid-Term Business Plan)

## Consolidated Financial Forecast Summary for FY2021

Million yen	FY2020 Actual A	Sales Ratio	FY2021 Forecast B	Sales Ratio	Difference B-A	% of Change
Sales	118,863	100.0%	130,000	100.0%	+11,137	+9.4%
Operating Income	377	0.3%	3,900	3.0%	+3,523	+934.1%
Ordinary Income	1,449	1.2%	3,300	2.5%	+1,851	+127.7%
Net Income*1	-6,195	—	1,800	1.4%	+7,995	—

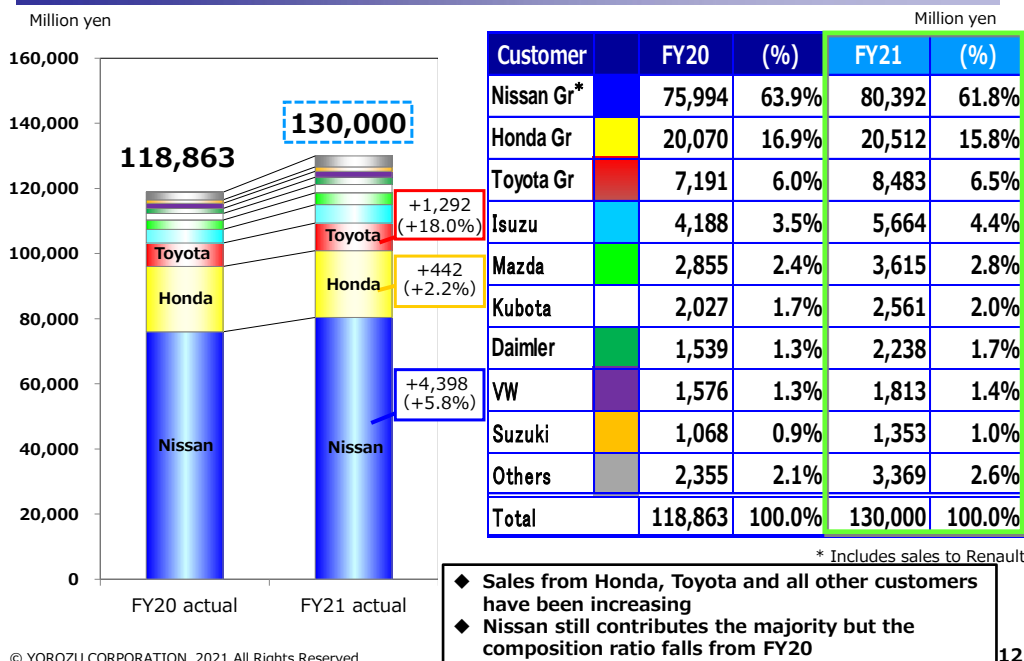
\*1 Net income attributable to the parent's shareholders

	FY2020 Actual A	FY2021 Forecast B	Difference B-A	% of Change
Net Income per Share	-259.07 yen	75.19 yen	+334.26 yen	—
Exchange Rate Applied to Consolidated Statements	106.76 yen/\$	105.00 yen/\$	-1.76 yen/\$	-1.6%

- ◆ Sales are expected to increase supported by the market recovery while semiconductor shortage impact is unforeseeable
- ◆ Operating income will soar approximately 10 times year on year, owing to all segments' profit rises

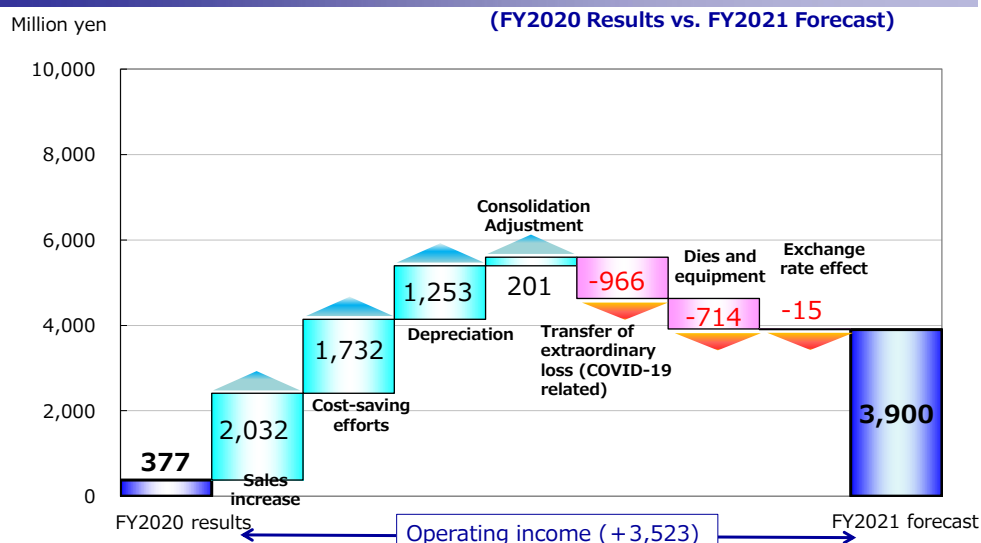
## Consolidated Sales by Customer (FY20 Results vs. FY21 Forecast)

**YOROZU**

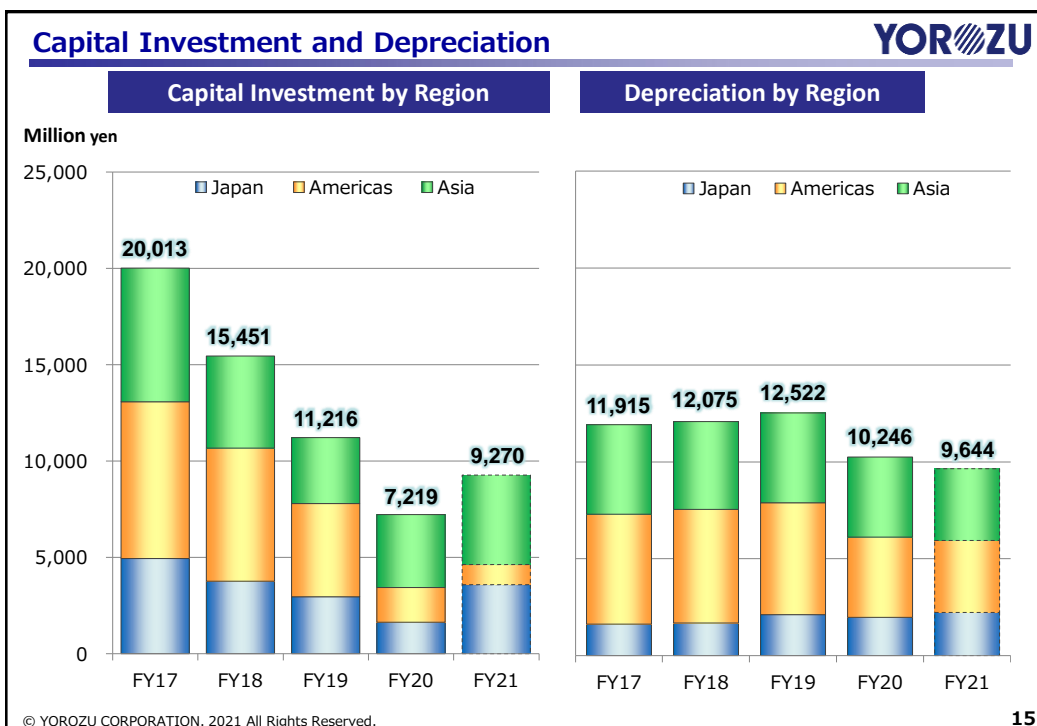
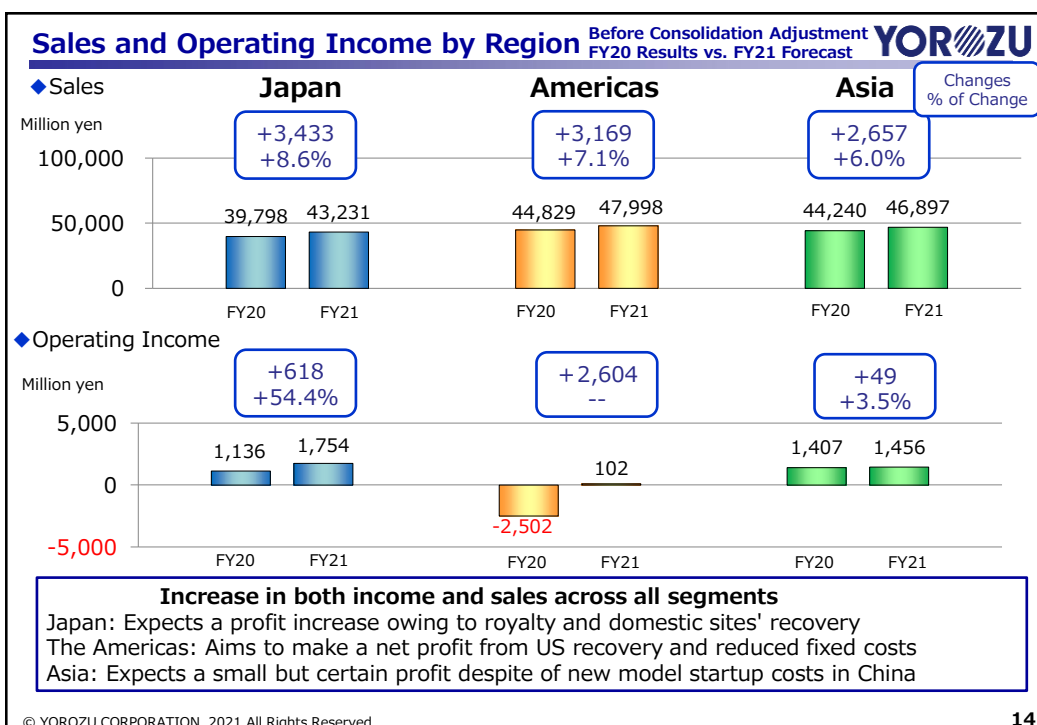


## Analysis of Impact on Consolidated Operating Income (FY2020 Results vs. FY2021 Forecast)

**YOROZU**



**A significant rise in profit is projected due to sales recovery, streamlining effects, and reduced fixed costs that includes depreciation**





I . FY2020 Results

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**III . New Mid-Term Business Plan (YSP2023)**

IV . Shareholder Return  
(Explained in the New Mid-Term Business Plan)

### **III. New Mid-Term Business Plan (YSP2023)**

- **Corporate Philosophy and Vision**
- **Mid-Term Business Plan (YSP2020) – review**  
Yorozu Spiral-up Plan 2020
- **New Mid-Term Business Plan (YSP2023)**  
Yorozu Sustainability Plan 2023

### Corporate Philosophy

#### Our Purpose

Our primary mission is to **contribute to society** by continually striving to deliver technological innovation and create products that are beneficial to people.

#### Management Stance

Our basic business creed is to conduct **reliable management**.

#### Behavioral Guidelines

1. Work is the foundation of life.
2. Trust is the basis of work.
3. Creativity in thought and action is the key to human progress.
4. Safety, quality and productivity are fundamental to corporate activities.
5. Risky endeavors are to be avoided while genuine endeavors are to be embraced.

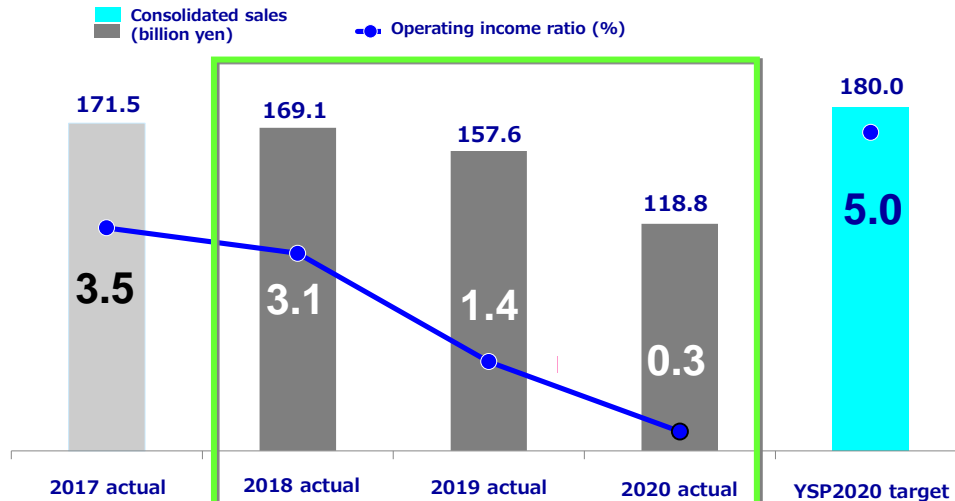
### Corporate Vision

With the one and only technologies and developmental capabilities in suspensions, we deliver solutions to customers' needs and aim to become a 100-year sustainable and evolving company.

## III. New Mid-Term Business Plan (YSP2023)

- Corporate Philosophy and Vision
- Mid-Term Business Plan (YSP2020) – review  
YoroZu Spiral-up Plan 2020
- New Mid-Term Business Plan (YSP2023)  
YoroZu Sustainability Plan 2023

## Consolidated Sales/Operating Income Ratio



## Mid-Term Business Plan (YSP2020) – Key Initiatives

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

(1) Enhance profitability	(2) Improve product competitiveness and development capabilities	(3) Enhance corporate capabilities
<ul style="list-style-type: none"> <li>Strengthen free cash flow management</li> <li>Strengthen project revenue management</li> <li>Innovate <i>monozukuri</i> operation</li> </ul>	<ul style="list-style-type: none"> <li>Improve competitiveness of suspension parts</li> <li>Approach new products utilizing our unique technologies</li> <li>Engage in proactive sales expansion in 3 axes (customers, products, regions)</li> </ul>	<ul style="list-style-type: none"> <li>Human resources development</li> <li>Organization review</li> <li>ESG management</li> </ul>
<ul style="list-style-type: none"> <li>Strengthen project-wise profit and cost management</li> <li>Reduce capital investment</li> <li>Tack welding and complete final welding method</li> </ul>	<ul style="list-style-type: none"> <li>Use high tensile strength materials in mass production to reduce weight</li> <li>Strengthen sales channels to Toyota and Mitsubishi</li> </ul>	<ul style="list-style-type: none"> <li>Eruboshi certification</li> <li>2021 Certified Health &amp; Productivity Management Outstanding Organization</li> <li>Project Control Dept., Research &amp; Development Dept., Production Equipment Sales Dept. (new departments)</li> <li>Addition of outside directors</li> <li>Release of Integrated Report</li> </ul>

### III. New Mid-Term Business Plan (YSP2023)

- Corporate Philosophy and Vision
- Mid-Term Business Plan (YSP2020) – review  
Yorozu Spiral-up Plan 2020
- New Mid-Term Business Plan (YSP2023)  
Yorozu Sustainability Plan 2023

### New Mid-Term Business Plan Yorozu Sustainability Plan 2023

#### Consolidated Performance Goals (FY2023)

**Sales**  
**150.0 billion yen**  
(FY2020 actual 118.8 B yen)

**Operating Income**  
**Ratio 5.0%**  
(FY2020 actual 0.3%)

**ROE 8.0%**  
(FY2020 actual -11.0%)

#### Management Policy

#### Engage in sound management that is resilient to changes

##### (1) ESG Management

Medium- to long-term sustainable growth  
Promotion of DX (digital transformation) aimed at changing the corporate culture

- E: Engage in earth-friendly *monozukuri*
- S: Create a healthy and engaging workplace
- G: Realize highly transparent governance

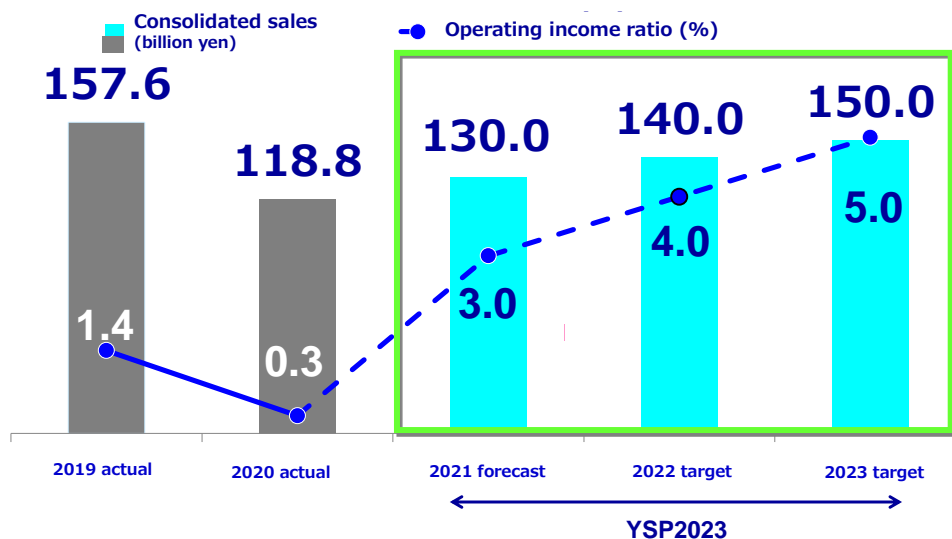
##### (2) Stable Profit

- Shift to optimum production capacity
- Recreate a strong gemba
- Strengthen cash flow management
- Build a robust corporate structure that is less affected by production volume

##### (3) New Technologies/Methods

- Develop products with high added value through weight reduction
- Propose products for EVs
- Engage in proactive sales expansion in 3 axes (customers, products, regions)
- Expand external sales of production equipment such as dies and tooling

## Consolidated Sales/Operating Income Ratio



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## Management Policy

The three pillars for realization of sound management that is resilient to changes

- (1) ESG Management
- (2) Stable Profit
- (3) New Technologies/Methods

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## Management Policy

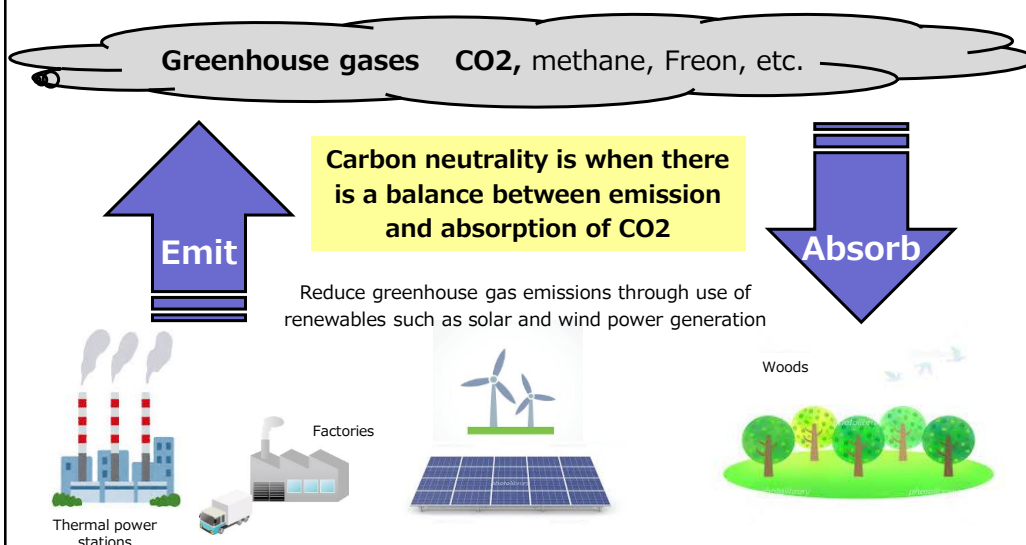
The three pillars for realization of sound management that is resilient to changes

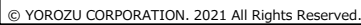
(1) ESG Management

(2) Stable Profit

(3) New Technologies/Methods

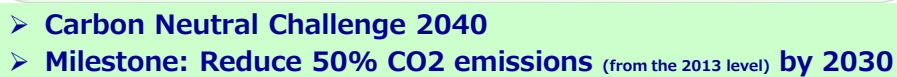
## What is carbon neutrality?





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## Reduction of CO2 emissions in the process



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## (1) ESG Management S: Social

Healthy and  
engaging workplace

- Secure human resources
- Promote work style reform and diversity
- Build a culture that respects diversity



For a healthy and engaging workplace




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## (1) ESG Management S: Social

Promotion of diversity

Timing	Accomplishments
2013 - 2015	Internal women's conference (once/month)
September 2014	Received Kanagawa Labor Bureau Chief award for excellence in promotion of equality
May 2018	Established HR Diversity Promotion Group
December 2018	Received <i>Eruboshi</i> certification
<b>FY2020</b>	<b>Women account for 22.2% of directors. 10.9% of managerial positions are held by women. (10% target achieved)</b> <b>Recognized as 2021 Excellent Enterprise of Health &amp; Productivity Management</b> <div style="text-align: right;">             No. 1 in the automotive industry         </div>



Future commitment to diversity



- Qualify for *Kurumin* certification
- Install a barrier-free WC (accessible restroom)
- Become a White 500 company under the Certified Health & Productivity Management Outstanding Organizations Certification Program

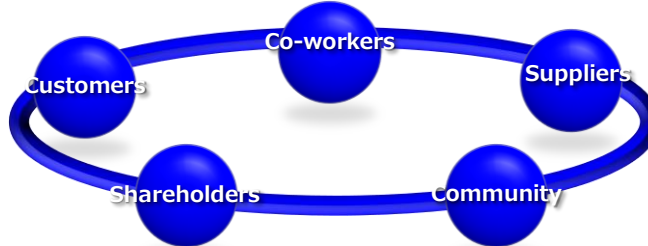
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## (1) ESG Management G: Governance

### Highly transparent governance



### Maintain the trust of all stakeholders



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## (1) ESG Management Contribute to achieving SDGs through ESG activities



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## Management Policy

The three pillars for realization of sound management that is resilient to changes

(1) ESG Management

**(2) Stable Profit**

(3) New Technologies/Methods

## (2) Stable Profit

Shift to optimum production capacity

### External environment

- Worldwide car sales: Recovery to the 2019 level\* remains uncertain
  - Unforeseeable challenges – the coronavirus pandemic impact and semiconductor shortage, etc. \*92.18M units before the new-coronavirus outbreak
- Major customer's plan
  - Reduction of global production capacity from 7.2M to 5.4M units  
(NISSAN NEXT, FY20-23 Transformation Plan)

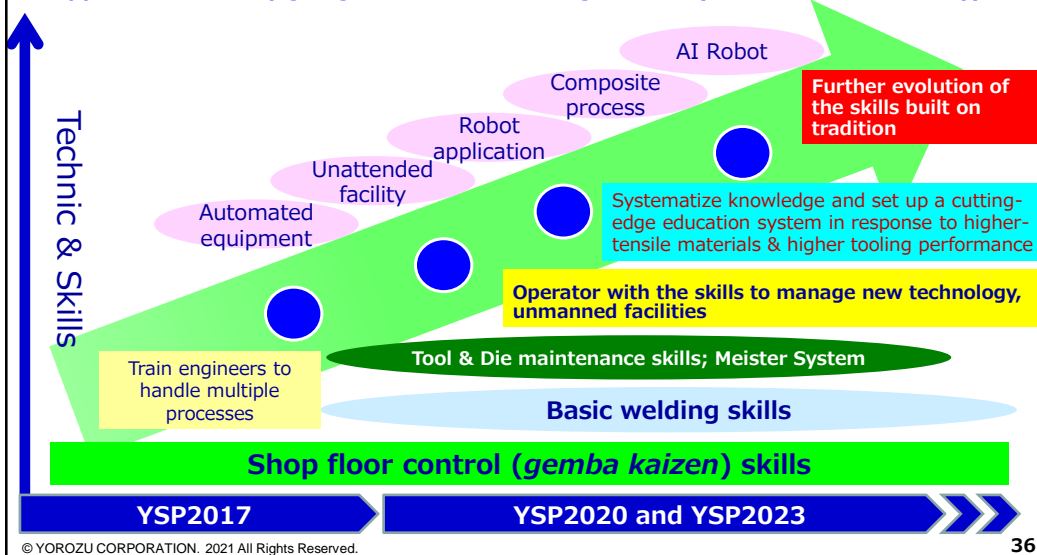
### Optimization of production capacity

- Optimize production capacity on a global basis
  - Reexamination of the production capacity from three perspectives, "Customer, Product, and Site," and rebuilding of the production system

## (2) Stable Profit

Recreate a strong *gemba* (shop floor)

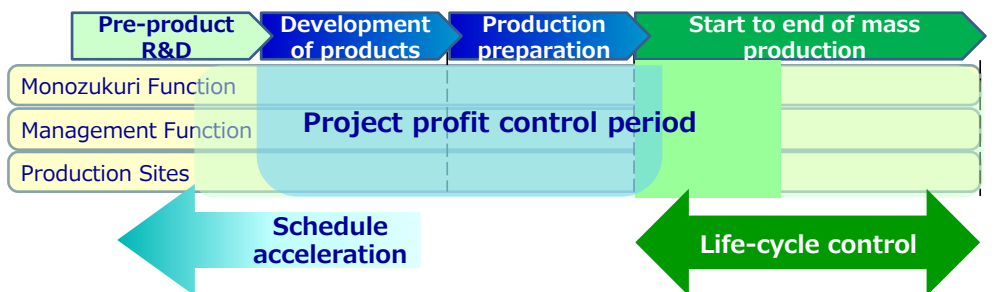
Boost the collaboration strength between “Manufacturing *Gemba*” and “*Monozukuri* Support Function” by going back where it all began: YPW (YoroZu Production Way)



## (2) Stable Profit

Strengthen cash flow management

### Life-cycle profit management of each project



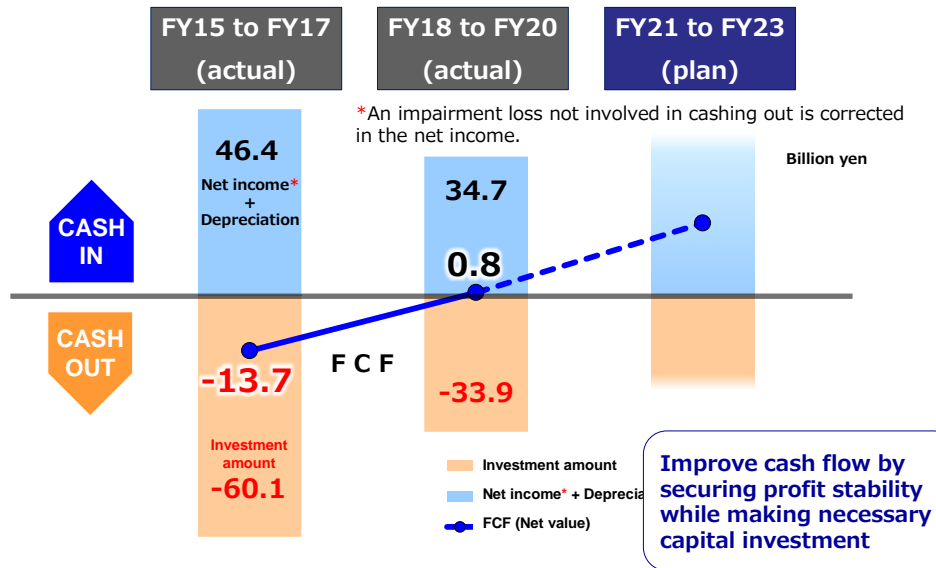
<Planning and development phase> <Transition to mass production phase>

- ◆ Advance feasibility study to further upstream process
  - Secure profits at the start of mass production by investment planning in the upstream process and target costing

- ◆ Life-cycle control until end of production
  - Life-cycle management of project profits by utilizing cost consolidation system
  - Continue cost *kaizen* activity

**(2) Stable Profit**

Strengthen cash flow management

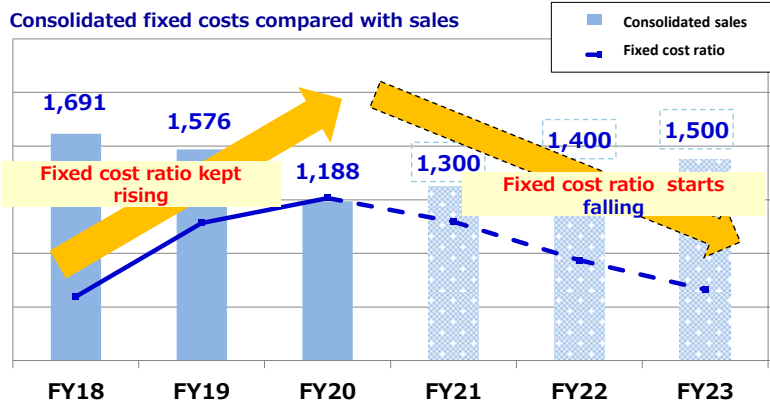


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**(2) Stable Profit**

Robust corporate structure not affected by sales units



- ◆ Slim down fixed costs by rationalization
- ◆ Thoroughly conduct analysis and monitoring of investment payoff
- ◆ Reduce additional capital investment by taking advantage of new technologies and methods

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## Management Policy

The three pillars for realization of sound management that is resilient to changes

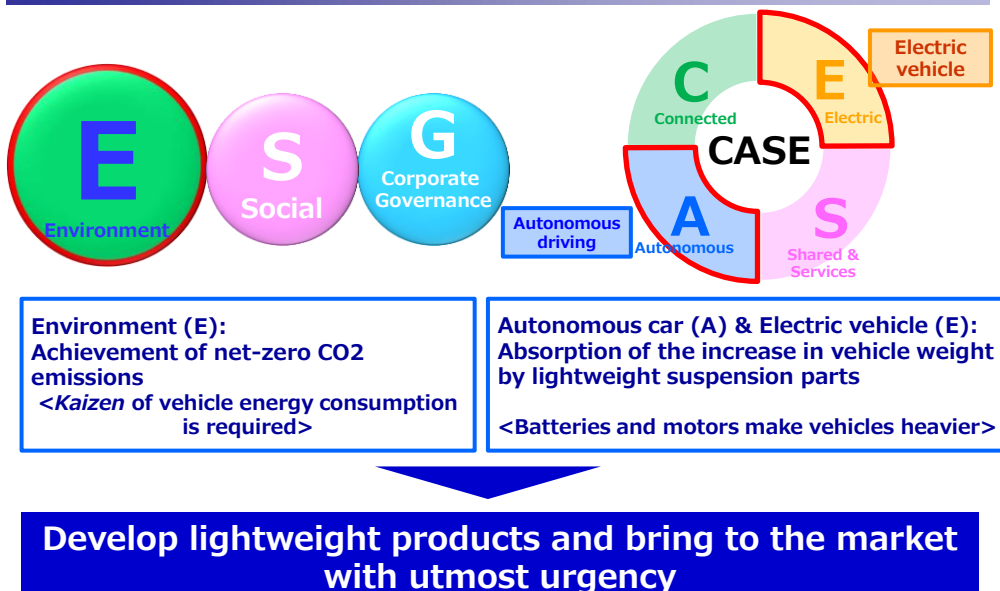
(1) ESG Management

(2) Stable Profit

(3) New Technologies/Methods

## (3) New Technologies/Methods

Business environment and development issues



### (3) New Technologies/Methods

Develop products with high added value through weight reduction

#### Lightweighting target for suspension parts

<2018~2020>

#### YSP2020

Design of lightweight and high-tensile suspension structure  
Steel sheet with a tensile of 780MPa grade

**Reduction of 15% achieved**

<2021~2023>

#### YSP2023

##### Design of ultra-light and ultrahigh-tensile suspension structure

- ① Steel sheet with a tensile of **980MPa** grade
- ② **All aluminum** stamping & welding structure
- ③ New multi materials & hybrid structure (steel sheet + aluminum/steel sheet + plastic)

**Reduction of 15% or above**

YSP2020 →

YSP2023 →

2018

2019

2020

2021

2022

2023

**Reduce weight by 30%**

### (3) New Technologies/Methods

Boost stamping innovation

**Shift towards autonomous/electric vehicles**

Growing demand for lightweight suspension parts

**Wider adoption of ultrahigh-tensile materials (780MPa, 980MPa)**

**Advancement of our exceptional stamping technology by upgrading underlying technologies**

Stamping technology for ultrahigh-tensile materials

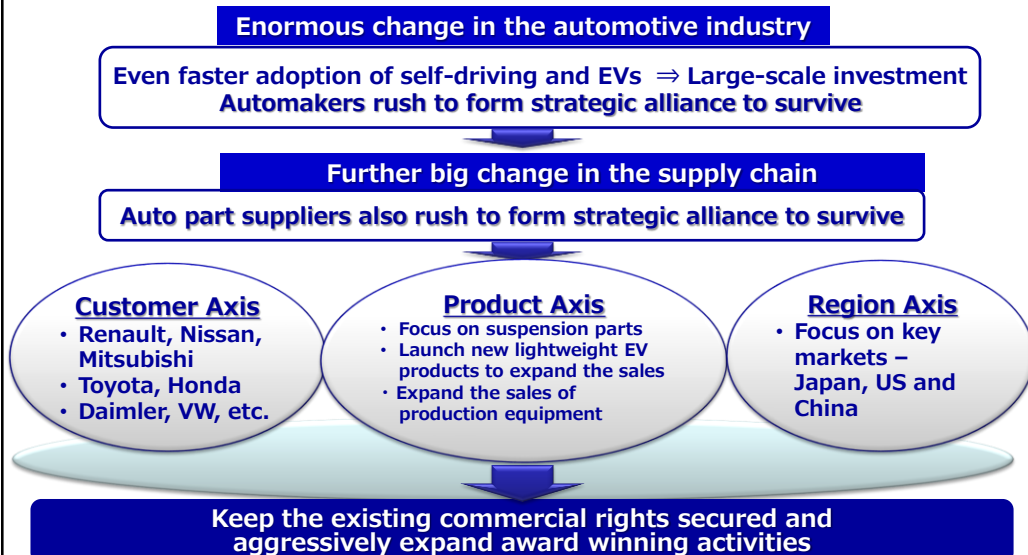
##### Underlying development

Forming analysis

Die structure

Die material

Die surface treatment

**(3) New Technologies/Methods** Proactively expand sales on the 3 axes**(3) New Technologies/Methods** Sales of production equipment**Background**

- ✓ Fostering innovation in tooling and equipment directly leads to a competitive advantage in the part business
- ✓ We are uncertain about the external environment as we have focused on internal-use tooling and equipment
- ✓ Fading demand in the domestic car market increases the risk that tooling and equipment output would fall

**Objectives of new external sales**

- **Improve competitiveness and technology of production equipment**
  - Learning from the outside and strengthening our in-house total production system
- **Grow production equipment business**
  - New business that supports the part business
- **Maintain employment and pass down skills in terms of HR**
  - Avoidance of skill fade in tooling

I . FY2020 Results

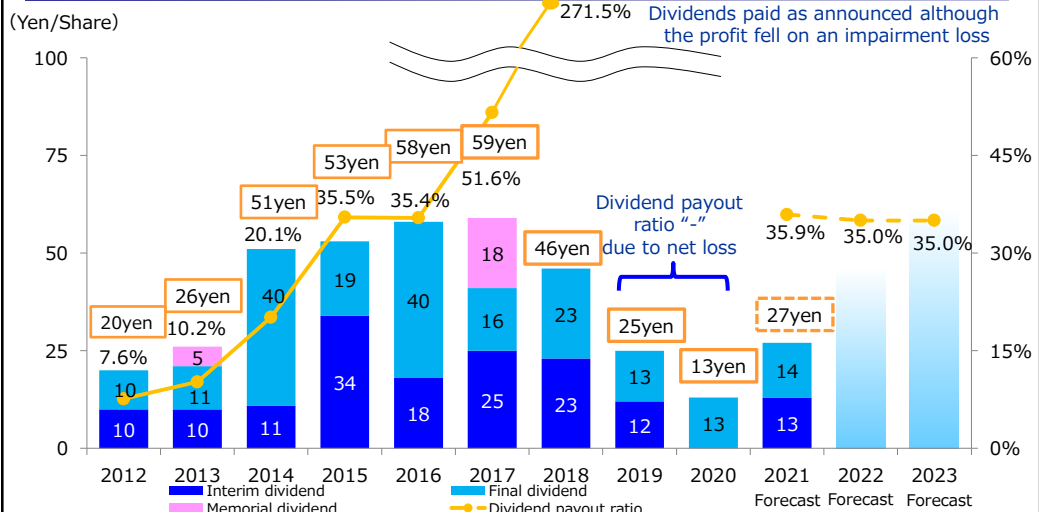
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New Mid-Term Business Plan YoroZu Sustainability Plan 2023

# IV. Shareholder Return



Our basic policy is the shareholder return that is based on dividends. The target is the sustainable dividend payment with the dividend payout ratio of 35% or above.



**End**

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

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

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