

# FY2021 First Half Financial Results

**Tsutomu Hiranaka, President & COO**  
**Yorozu Corporation**

This is an internal English translation of the YOROZU FY2021 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 三〇ズ

The first section of the Tokyo Stock Exchange (Securities Code: 7294)

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### 1H Results

- Strong recovery in global automotive production boosted increase in both revenue and profit year-over-year.
- In the second quarter, the impact of semiconductor and part shortage and re-emerging novel coronaviruses mainly in Southeast Asian countries triggered a sharp drop in production volume, which led to a large decline in sales and profits compared to the latest announcement.

### 2H Outlook

- We have revised the financial forecast downward in consideration of uncertainties in semiconductor shortage and car production recovery.
- We will steadily move forward along with YSP2023 by strengthening our initiatives to fulfill the needs of customers and society and to respond to accelerated decarbonization.

### Shareholder Return

- Payment of an interim dividend of 6 yen and year-end dividend of 7 yen per share is planned.

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## Consolidated Financial Summary for 1H FY2021 (Year-on-Year) **YOROZU**

Million yen	1H FY20	1H FY21	Year-on-Year	Latest Forecast for 1H 2021*2	Against Latest Forecast
<b>Sales</b>	43,930	60,049	+36.7%	64,000	-6.2%
<b>Operating Income</b>	-4,160	277	-	850	-67.4%
<b>Ordinary Income</b>	-3,615	307	-	900	-65.8%
<b>Net Income</b> *1	-3,234	-129	-	250	-

\*1 Net income attributable to parent company shareholders \*2 Estimated figures as of August 5, 2021

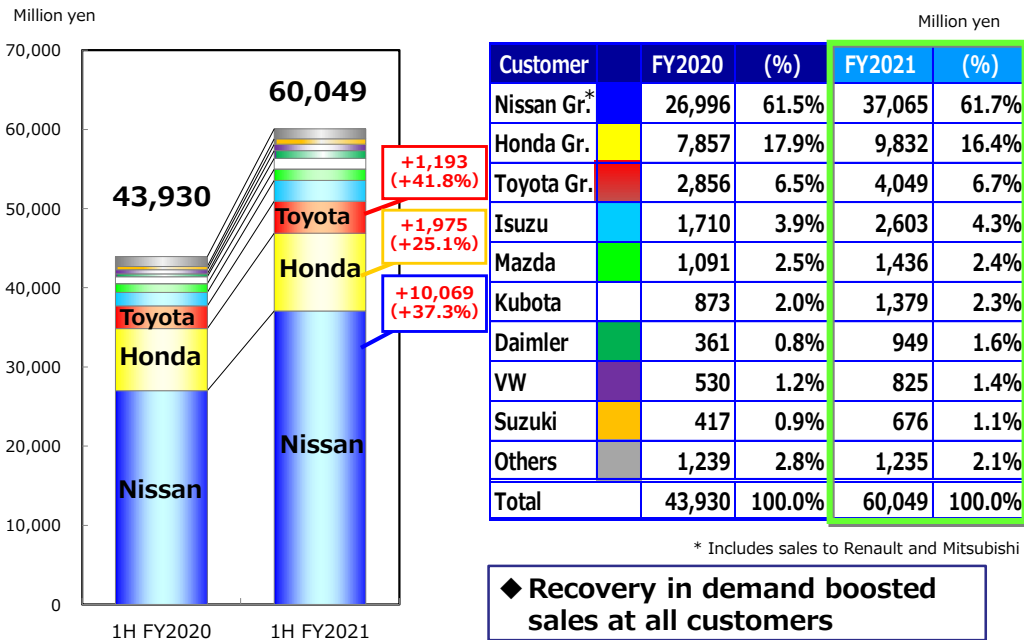
	FY2020 A	FY2021 B	Difference B-A	Percentage of Change
<b>Net Income per Share</b>	-135.40 yen	-5.41 yen	+129.99	-
<b>Exchange Rate Applied to Consolidated Statements</b>	108.23 yen/\$	107.82 yen/\$	-0.41 yen/\$	-0.4%

- ◆ **Sales:** Increased after recovery in demand in the automotive industry
- ◆ **Operating income:** Turned a profit after the sales increase and fixed cost reduction
- ◆ **Ordinary income:** An increase in revenue and employment adjustment subsidy boosted profits
- ◆ **Net income:** Improved significantly year-over-year despite of losses attributable to corporate income tax, etc.

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## Consolidated Sales by Customer (1H FY20 vs. 1H FY21) **YOROZU**



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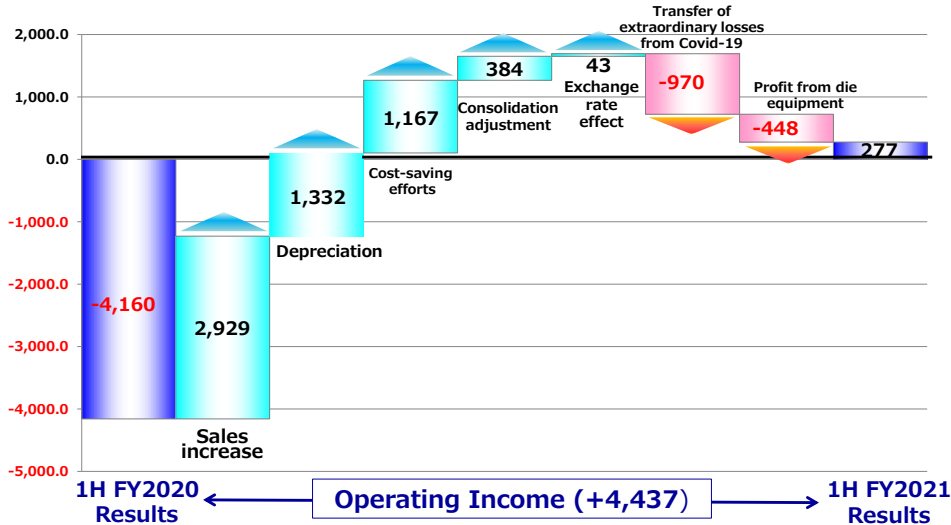
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# Analysis of Impact on Consolidated Operating Income



Million yen

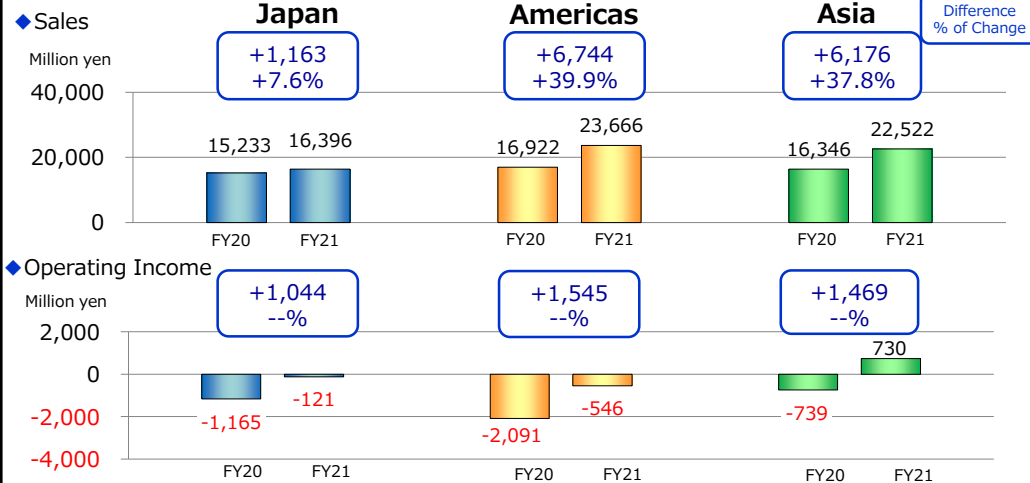
(1H FY20 vs. 1H FY21)



Become profitable on the back of an increase in sales that owes to recovery from the impact of Covid-19, a decrease in depreciation, and steadily implemented cost-saving measures, compared with the same period a year earlier

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# Sales and Operating Income by Region (Before Consolidation Adjustment, 1H FY20 vs. 1H FY21)



Sales increased in all segments compared to last year that was severely affected by Covid-19

- ◆ Japan: Significant improvement after increases in part sales and royalty fees despite a net loss
- ◆ Americas: Minimized losses for the sake of recovery in demand and improvement in the US and Mexico
- ◆ Asia: Brought the bottom line back in black mainly because of demand recovery in China

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## Financial Standing for the first half of FY2021 YOROZU

(Million yen)	Mar. 31, 2021 A	Sep. 30, 2021 B	Difference (B-A)	
Net Worth	53,383	55,139	+1,756	3.3%
Equity Ratio	D/E ratio 39.6%	41.3%	--	--
Interest-bearing Debt	0.84 44,769	0.72 39,821	-4,948	-11.1%
Net Interest-bearing Debt	NET D/E Ratio 0.29 15,509	0.16 8,651	-6,858	-44.2%
Total Assets	134,723	133,468	-1,255	-0.9%

(Million yen)	1H FY2020 A (Accumulated)	1H FY2021 B (Accumulated)	Difference (B-A)	
Cash Flow from Operating Activities	6,491	10,669	+4,178	64.4%
Cash flow from Investing Activities	-4,420	-3,902	+518	--
Cash Flow from Financing Activities	-904	-7,188	-6,284	--

**The net interest-bearing debt and the net D/E ratio were reduced largely and FCF was positive due to suppressed capital investment**

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## (Reference) Consolidated Balance Sheet Summary 1H FY2021 YOROZU

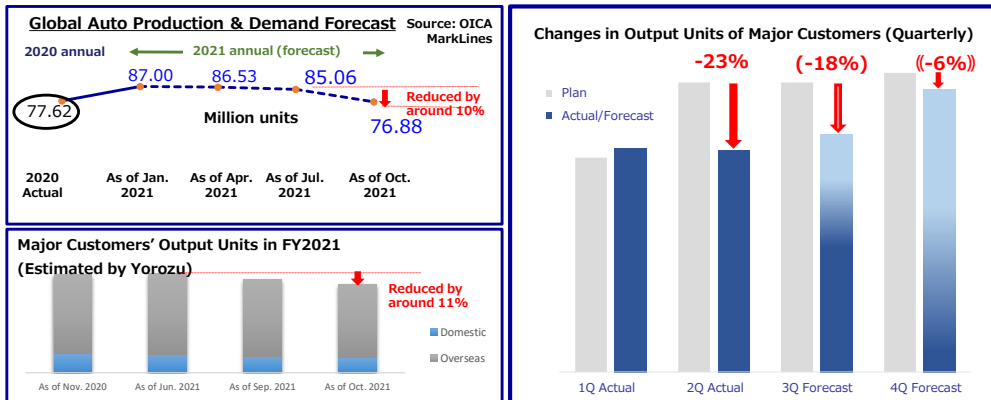
Million yen	Mar. 2021 A	Sep. 2021 B	Diff B-A	
Current Assets	63,721	62,589	-1,132	Cash & bank deposit +1,910 Notes & accounts receivable -4,520 Inventories +1,889
Fixed Assets	71,001	70,878	-123	Tangible fixed assets -634 Deferred tax assets +328
Total Assets	134,723	133,468	-1,255	
Current Liabilities	39,331	40,037	+706	Notes and accounts payable -2,797 Electronically recorded obligations +293 Long term debts due within 1 year -914 Others +4,167
Fixed Liabilities	29,653	25,506	-4,147	Long term debts -3,933
Total Liabilities	68,984	65,543	-3,441	
Shareholders' Equity	61,295	61,148	-147	
Accumulated Other Comprehensive Income	-7,912	-6,008	+1,904	Net income (loss) -129 Dividend payment -311 Earned surplus corrected at the start of the fiscal year +201
Non-controlling interest, etc.	12,355	12,784	+429	
Total Net Assets	65,738	67,924	+2,186	Foreign currency translation adjustment +1,883
Total Liabilities and Net Assets	134,723	133,468	-1,255	

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## FY2021 Automotive Output Trend



Apr.-Jul.: Car makers has adjusted production due to concerns over semiconductor shortage in the first half but **stay on the yearly output target**, expecting recovery in production in the latter half

Aug.-Sep.: **Adjustment of production occurred frequently and globally on a weekly basis** as compositively affected by re-emerging novel corona viruses in Southeast Asia

Q3 (Forecast): **A decrease in production will continue in October and beyond** while improvement in the situation is anticipated

Q4 (Forecast) **Recovery plans cannot be formulated due to long-term uncertainties**

## FY2021 Consolidated Financial Forecast Summary

**YOROZU**

### ◆ Profit and Loss (Year-on-Year)

Million yen

	FY2020 Results	FY2021 Forecast	Difference (Year-on-Year)	FY2021 Forecast* <sup>2</sup>	Difference from Forecast
Sales	118,863	126,000	(+6.0%) +7,137	130,000	-4,000
Operating Income	377	1,260	(+234.2%) +883	3,900	-2,640
Ordinary Income	1,449	1,240	(-14.4%) -209	3,600	-2,360
Net Income * <sup>1</sup>	-6,195	650	+6,845	1,800	-1,150

	FY2020 Results	FY2021 Forecast	Difference	% of Changes
Net Income per Share	-259.07 yen	27.09 yen	+286.16 yen	-
Exchange Rate Applied to Consolidate Statements	106.76 yen/\$	108.50 yen/\$	+1.74 yen/\$	+1.6%

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

\*2 Estimated figures disclosed on Aug. 5, 2021

Sales: Will barely secure 6% growth in 2H (YOY) during the impact of semiconductor shortage  
 Operating income: A significant increase is expected owing to the cumulative profit kaizen effects while recovery of production is likely to be not strong  
 Ordinary income: Will remain at the same level as the operating income due to foreign exchange losses (exchange profits were posted in FY2020) and a decrease in employment adjustment subsidy  
 Net income: Will be profitable with significant recovery from FY2020 in which impairment losses occurred

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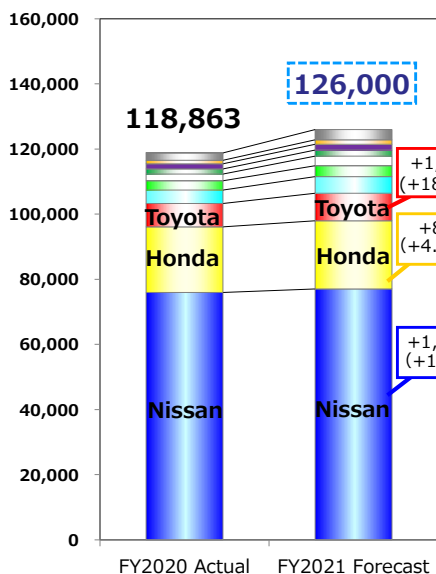
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## Consolidated Sales by Customer (FY20 Results vs. FY21 Forecast)

**YOROZU**

Million yen

Million yen



Customer	FY2020	(%)	FY2021	(%)
Nissan Gr.*	75,994	63.9%	77,040	61.1%
Honda Gr.	20,070	16.9%	20,907	16.6%
Toyota Gr.	7,191	6.0%	8,500	6.7%
Isuzu	4,188	3.5%	5,117	4.1%
Mazda	2,855	2.4%	3,286	2.6%
Kubota	2,027	1.7%	3,001	2.4%
Daimler	1,539	1.3%	1,865	1.5%
VW	1,576	1.3%	1,779	1.4%
Suzuki	1,068	0.9%	1,373	1.1%
Others	2,355	2.1%	3,132	2.5%
<b>Total</b>	<b>118,863</b>	<b>100.0%</b>	<b>126,000</b>	<b>100.0%</b>

\* Includes sales to Renault and Mitsubishi

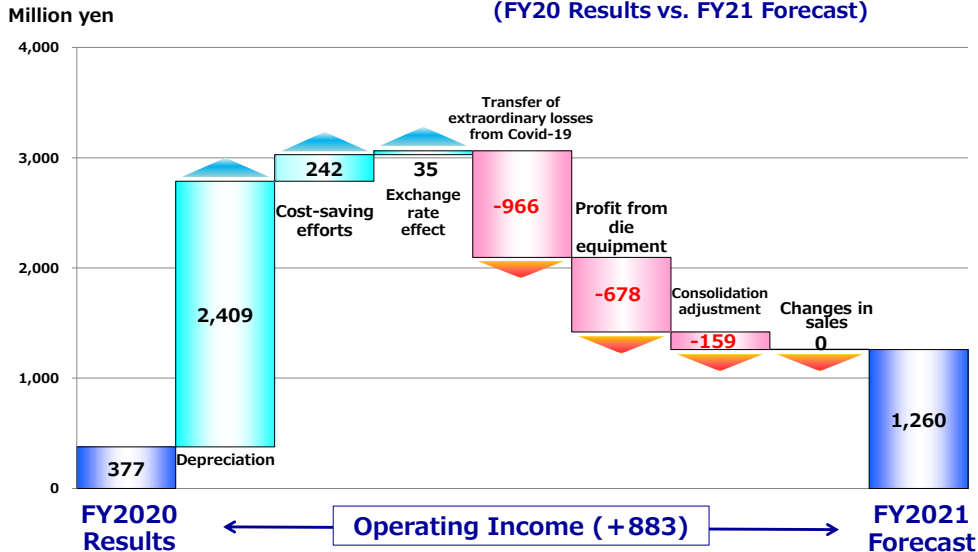
- ◆ Sales to all customers, especially Honda and Toyota, will increase
- ◆ Thus, Nissan's composition ratio will become lower than FY20

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## Analysis of Impact on Consolidated Operating Income **YOROZU**

(FY20 Results vs. FY21 Forecast)



A significant increase is expected for the year through decreasing fixed costs such as depreciation and effective cost-savings although profit growth is not likely to occur due to uncertainties in sales recovery

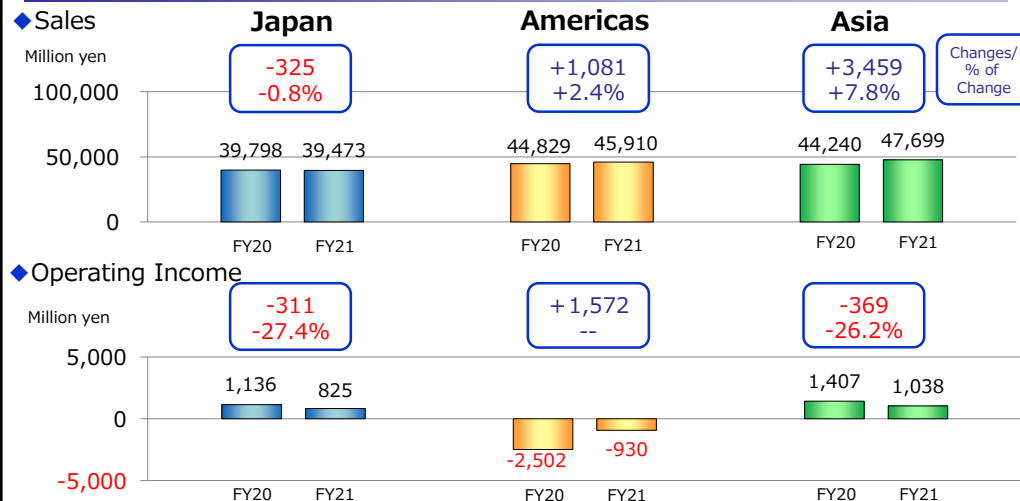
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## Sales and Operating Income by Region (Before Consolidation Adjustment)

(FY20 Results vs. FY21 Forecast)

**YOROZU**



- ◆ Japan: A profit fall is expected due to a decrease in sales of die equipment and impact of output reduction by automakers
- ◆ Americas: Improvement in the US market and a fixed cost cut will effectively cover substantial decrease in earnings
- ◆ Asia: A profit fall is expected due to new model launch costs and output reduction in China

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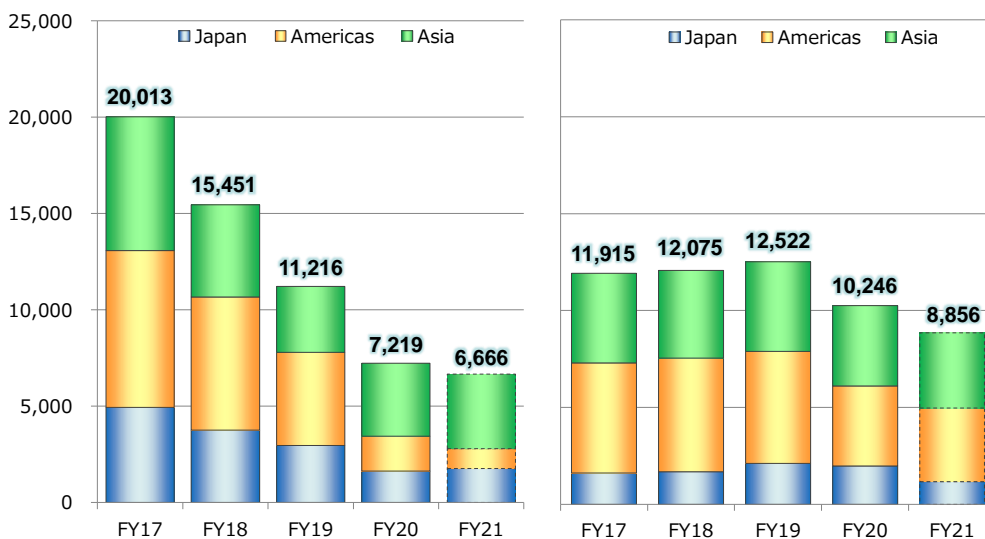


## Capital Investment and Depreciation

### Capital Investment by Region

### Depreciation by Region

Million yen



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## Medium-Term Business Plan Yorozu Sustainability Plan 2023

### Consolidated Performance Goals (FY2023)

<b>Sales</b> <b>150.0 billion yen</b> (FY2020 actual 118.8 B yen)	<b>Operating Income Ratio 5.0%</b> (FY2020 actual 0.3%)	<b>ROE 8.0%</b> (FY2020 actual -11.0%)
-------------------------------------------------------------------------	------------------------------------------------------------	-------------------------------------------

### Management Policy

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

(1) ESG Management	(2) Stable Profit	(3) New Technologies/Methods
Medium- to long-term sustainable growth Promotion of DX (digital transformation) aimed at changing the corporate culture <ul style="list-style-type: none"> <li>• E: Engage in earth-friendly <i>monozukuri</i></li> <li>• S: Create a healthy and engaging workplace</li> <li>• G: Realize highly transparent governance</li> </ul>	<ul style="list-style-type: none"> <li>• Shift to optimum production capacity</li> <li>• Recreate a strong gemba</li> <li>• Strengthen cash flow management</li> <li>• Build a robust corporate structure that is less affected by production volume</li> </ul>	<ul style="list-style-type: none"> <li>• Develop products with high added value through weight reduction</li> <li>• Propose products for EVs</li> <li>• Engage in proactive sales expansion in 3 axes (customers, products, regions)</li> <li>• Expand external sales of production equipment such as dies and tooling</li> </ul>

### Topics for First Half of FY2021

Policies	Topics for the First Half of FY2021	Page
<b>Overall</b>	● Published Integrated Report (Sep.)	
<b>ESG Management</b>	<b>Environmental</b> ● Formulated and publicized Environmental Vision 2040 (Aug.) ● Expressed our support for the TCFD recommendations (Sep.)	
	<b>Social</b> ● Implemented measures to establish the way to be more engaged at work rather than the work style reform	21
	<b>Governance</b> ● Officially announced listing on TSE Prime Market as our compliance with the criteria was approved (Aug.)	23
	<b>Digital Transformation</b> ● Officially announced Yorozu's DX Initiatives (Aug.)	24
<b>Stable Profit</b>	● Production system that ensures "squeeze & stop" to cope with decreases in volume ● Kept production running during Covid-19 pandemic ● Accelerated the schedule of Project Revenue Management	26
<b>New Technologies /Methods</b>	● Established low emission technologies through LCA to contribute to society and customers · CO2 reduction by lightweighting products · CO2 reduction by replacing materials	28

## Social: Create a Healthy and Engaging Workplace

From **Work Style Reform** to **How to be More Engaged at Work**

### Systems to Help Feel Fulfilled at Work

- Clarify the evaluation system and goals (set the KPI)
- Enhance the proposal system (culture of praise)
- Continue offering teleworking
- Introduce flexible working hours without core hours
- Pay a working from home allowance
- Pay actual cost for commuting allowance



### Workplace Environment

- Modernize office layout
- Remote working systems
- Allocate IP phone number on an individual basis in HQ (Yokohama and Oyama)



### Coexistence with Local Communities

- Buy lunch from local welfare facilities
- Explore lending solutions for office floors that remain empty

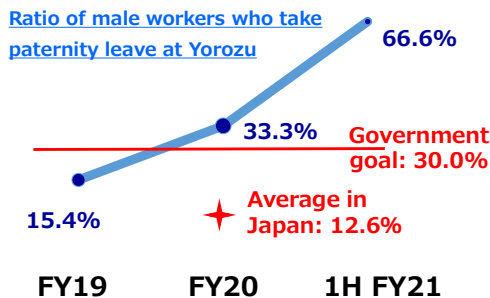
- Increase motivation
- "I want to continue working at this company"
- "I'm happy to work here"
- Create the workplace that gives everyone a feeling of fulfillment



## Social: Create a Healthy and Engaging Workplace (Supplementary Information)

### Maintain and Improve the Ratio of Male Employees Who Take Childcare Leave

Only 12.6% of Japanese male workers took the paternity leave in FY2020, according to the Ministry of Health, Labor and Welfare  
**The government's target: 30% by FY2025**



[Steps taken to help men go on paternity leave]

- Set up the General Employers Action Plan
- Raise awareness in the house journal
- Training programs for managers
- Posted on the intranet site



Reasons behind a Successful Working Dad



## G: Governance – TSE Prime Market and the Revised CG Code

• Compliance with the TSE Prime Market listing criteria : Application for selection filed

	Item	Continued Listing Requirements	YoroZu
Liquidity	Number of tradable shares	At least 20,000 units	Primary judgment  All requirements were met
	Tradable share market capital	At least JPY 10 billion	
	Trading value	At least daily avg. JPY 20 million	
Governance	Tradable share ratio	At least 35%	

• Response to revised CG Code: Independence of the function of the Board of Directors

Independent Outside Directors	4 out of 9 directors are outside directors
Nomination Committee	Chair: Masashi Oshita (Outside Director) 4 out of 7 members are outside directors
Compensation Committee	Chair: Chieko Ogawa (Outside Director) 4 out of 7 members are outside directors

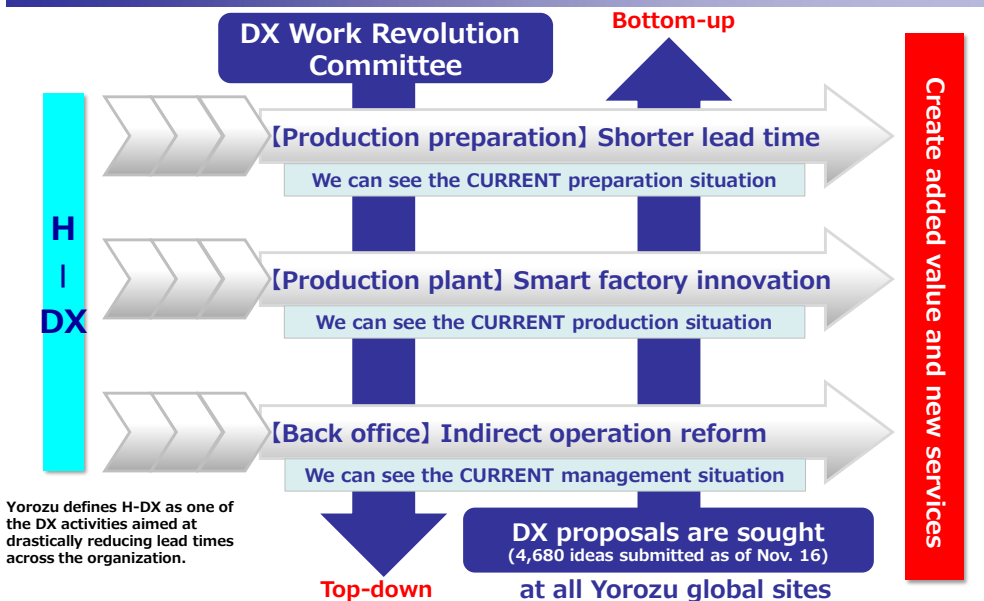
## ESG Management – DX Promotion Level

DX Promotion Level	Purpose and Method
A2D (Analog to Digital) Digitization	Delete analog data permanently <b>Digitization of information</b>
V-DX (Vertical) Digitalization	Make individual work more efficient <b>Digitalization of working process</b>
H-DX (Horizontal) Digital Transformation (DX)	Reduce lead time drastically in a cross-organizational manner <b>Digitalization of entire work/ manufacturing process</b>



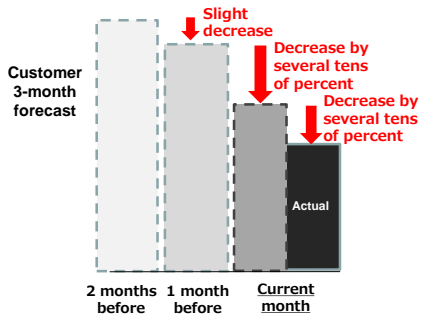
**Create added value and new services that make us continue to win**

**DX Initiatives – Status of Activities**



**Stable Profit**

Building a robust corporate structure not easily affected by production volume



Shortage of semi-conductors in the latter 2Q led to a significant drop in the production of auto parts at all sites.

- Situation characterized by:
- Last minute changes (decrease)
  - Dramatic change to the firm order in the delivery month
  - Frequent adjustments to staffing required

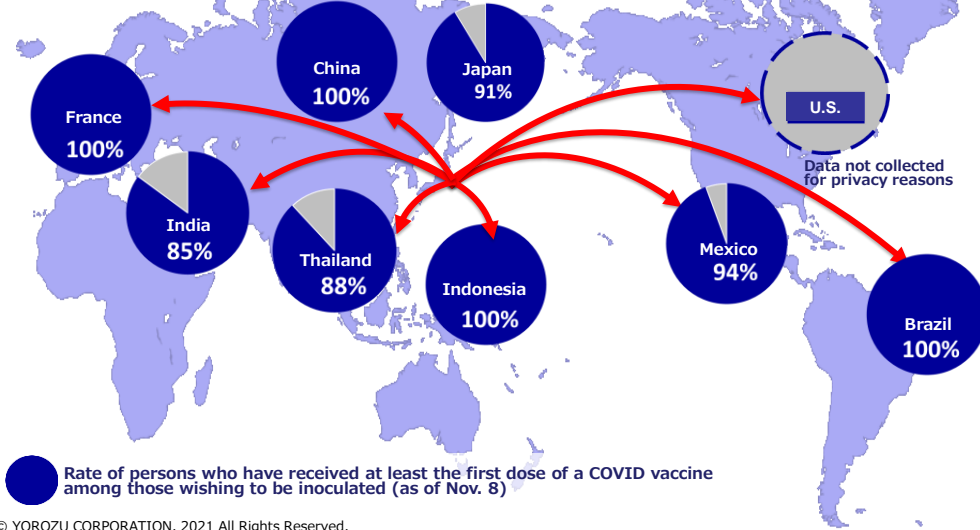
Keep costs down by adopting a “squeeze & stop” system to cope with the fluctuation in production volume

Example	Week ● Operating day	Mon	Tue	Wed	Thu	Fri
Customer		●	●	●	●	●
Yorozu		●	●	●		

← Squeeze & stop production

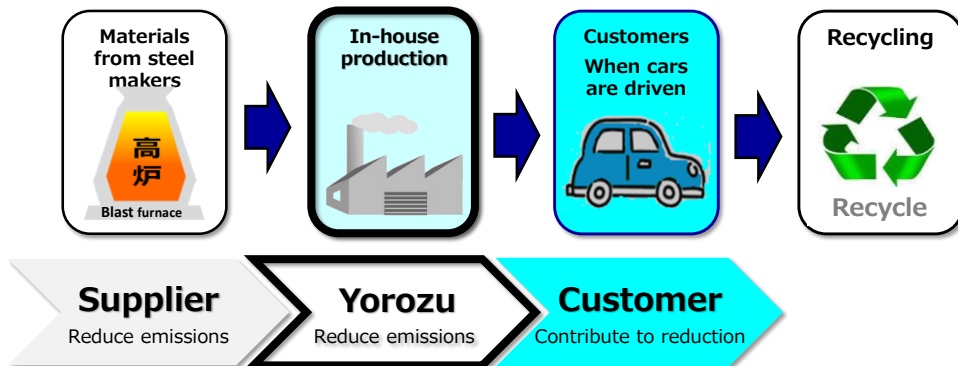
**Stable Profit Production amid COVID-19 Pandemic**

Thorough infection prevention measures considering regional factors were taken and vaccination was advised to ensure the safety of employees. Closer communication was established between HQ and sites to ensure effective remote support at launch.

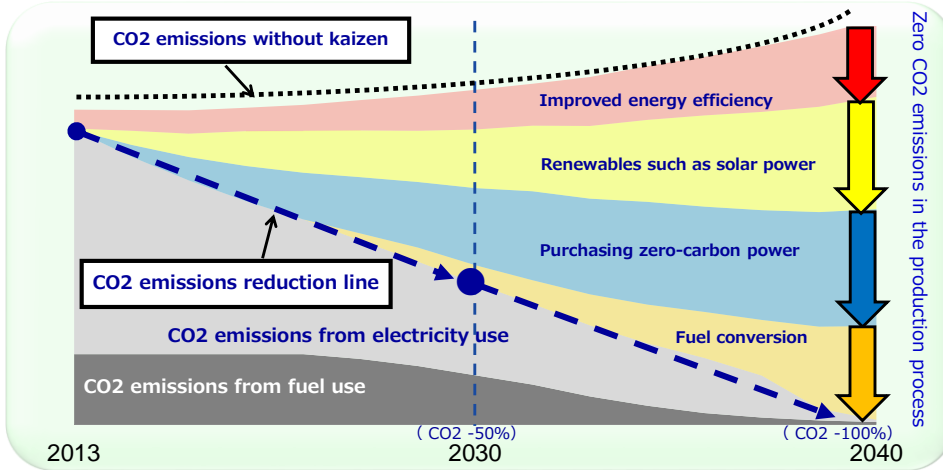


**New Technologies/Methods – Life Cycle Assessment (LCA)**

**Accelerate development of products that contribute to reducing CO2 emissions**

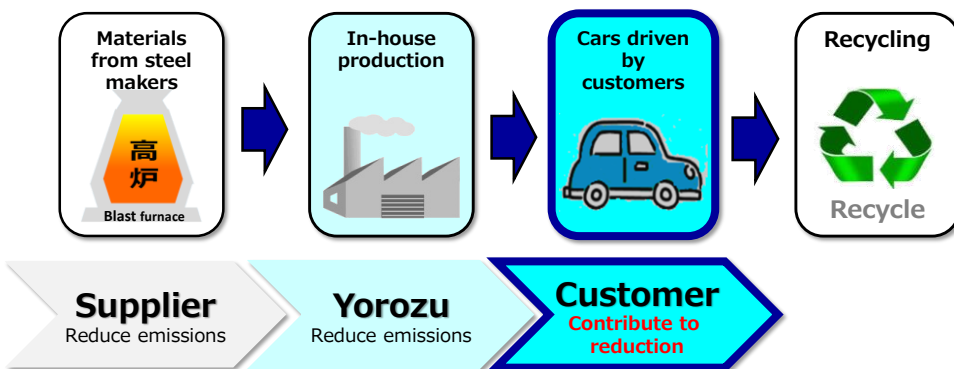


## Achieving Carbon Neutrality in the Production Process



- Carbon Neutral Challenge 2040
- 2030 Milestone: Reduce CO2 emissions by 50% (from the 2013 level)

## New Technologies/Methods – Improving Competitiveness



- ◆ Proactively promote development of products that contribute to customer's CO2 reduction activities as well as cut CO2 emissions in our production processes
- ◆ Develop products that customers will be willing to select by meeting their environmental, performance, and price requirements

## New Technologies/Methods – Lower CO2 Products

The SDGs concerned



		Lighter weight	Material replacement
Contribution through the use of steel products		See ① in the next pages	
1	ARM adopting new stamping structure	●	
2	Ultrahigh tensile strength ARM (980 MPa material)	●	
3	ARM made of replaced material (aluminum→steel)		●
Contribution through the use of lighter materials and hybrid products		See ② in the next pages	
4	Resin-Steel hybrid products	●	●
5	Aluminum-Steel hybrid products	●	
6	All-Aluminum products	●	

## New Technologies/Methods – Development ①

- Development of manufacturing methods using steel parts and structure designed to reduce the number of manufacturing processes
- Press forming/welding technology enabling the use of thinner ultrahigh tensile sheets

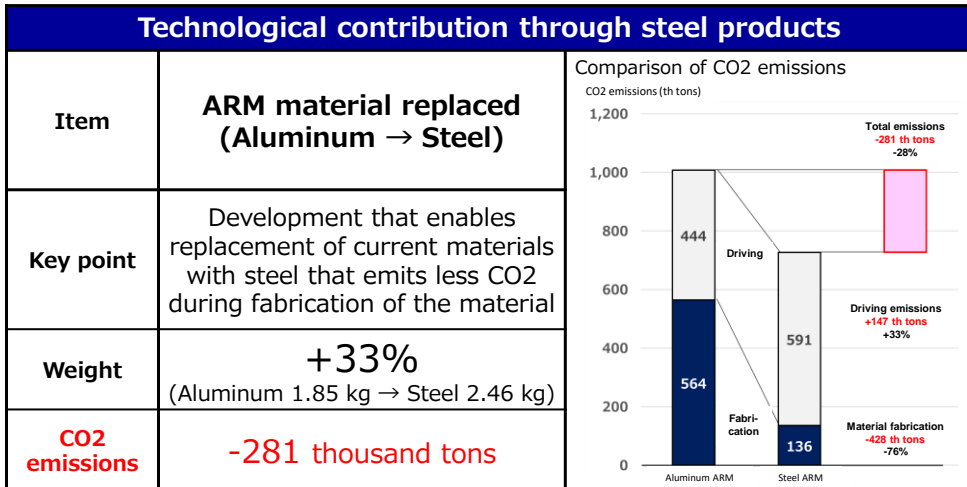
Technological contribution through steel products		
Item	ARM with a new stamping structure	Ultrahigh tensile ARM (980 MPa material)
Key point	Development of structures/methods enabling a single stamping part to also function as links	Development of press forming/welding technology enabling the use of thinner but highly rigid materials
Weight	-15% (0.57 kg → 0.48 kg)	-19% (9.02 kg → 7.32 kg)
CO2 emissions	-25 thousand tons	-502 thousand tons

\*Estimate based on a model with a 6-year life cycle and 200,000 units/year volume



### New Technologies/Methods – Development ①

Considering total CO2 emissions, we propose replacing aluminum with steel materials that results in overall lower CO2 emissions during material fabrication though it increases the weight of the product



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### New Technologies/Methods – Development ②

Promotion of technologies using light-weight materials in our product portfolio featuring safety, high quality and high productivity that contributes to reduction of CO2 emissions

Technologies contributed through light weight materials and hybrid products			
Item	Resin-Steel hybrid parts	Aluminum-Steel hybrid parts	All-Aluminum parts
<b>Key point</b>	Development of resin brackets that have the same performance level as steel	Development of a technology to join aluminum and steel materials	Evolution of the existing technology of stamping and welding aluminum (more cost competitive)
<b>Weight</b>	<b>-36%</b> (Steel 0.75 kg → Hybrid 0.48 kg)	<b>-34%</b> (Steel 23.3 kg → Hybrid 15.4 kg)	<b>-28%</b> (Steel 15.3 kg → Aluminum 11.0 kg)
<b>CO2 emissions</b>	<b>-33 thousand tons</b>	<b>-948 thousand tons</b>	<b>-516 thousand tons</b>

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**New Technologies/Methods – Light Products** (High added value)

**Weight Reduction Target for Suspension Parts**

<2018~2020>

**YSP2020**

Light & highly rigid suspension structure and design  
780 MPa class steel sheets  
**Achieved 15% weight reduction**

<2021~2023>

**YSP2023**

**Ultra light weight & highly rigid suspension structure & design**  
① Steel sheets **980 MPa class**  
② **All-Aluminum** stamping/welding structure  
③ New multi-material/hybrid structure (Steel sheet + Aluminum / Steel sheet + Resin)  
**Weight reduction 15% or more**

YSP2020 →

YSP2023 →

2018

2019

2020

2021

2022

2023

**Weight reduced by 30%**

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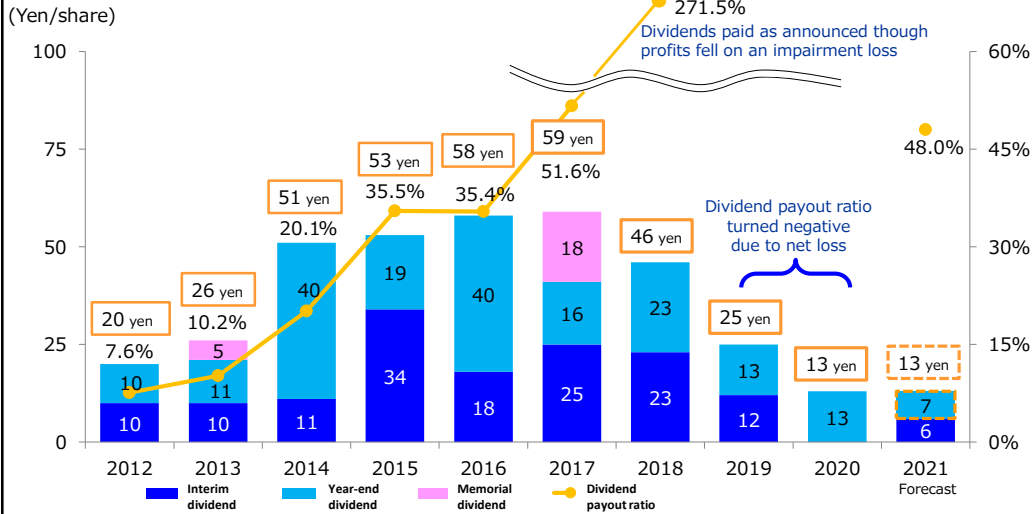
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## V. Shareholder Return



**We strive to ensure sustainable shareholder returns having set the dividend payout ratio at 35% or more. As in the first half, dividend of 13 yen per share is expected for FY2021.**

— End —

FY2021 First Half **YOROZU** Financial Results

Thank you for your attention

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

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