# Consolidated Financial Results for the Six Months Ended September 30, 2021

## DaikyoNishikawa Corporation

November, 2021

DaikyoNishikawa Corporation

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# 1. Financial Results

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# Highlights

- Although production volume of major customers increased from the previous year when production was significantly reduced due to the COVID-19, sales decreased due to the impact of changes in accounting standards.

- Operating income was a loss of 1,443 million yen due to the impact of operational preparation costs for the new plant in the United States and operation loss because of sudden fluctuations in production.

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# Consolidated Profit and Loss Statement

Although production volume of major customers increased, sales decreased due to the impact of changes in accounting standards. Profit declined due to factors such as operational preparation costs for the new plant in the United States.

**(Millions of yen)**

| | Financial Results Ended Sept.30, 2020 | Financial Results Ended Sept.30, 2021 | Changes (Y on Y) | Changes (%) |
|---|---|---|---|---|
| Net Sales | 62,999 | 54,644 | -8,355 | -13.3% |
| Operating Income | 57 | -1,443 | -1,500 | — |
| Ordinary Income | 231 | -1,147 | -1,379 | — |
| Net Income Attributable to Owners of Parent | -159 | -1,307 | -1,147 | — |
| Net Income per Share | -2.25yen | -18.41yen | -16.16yen | — |

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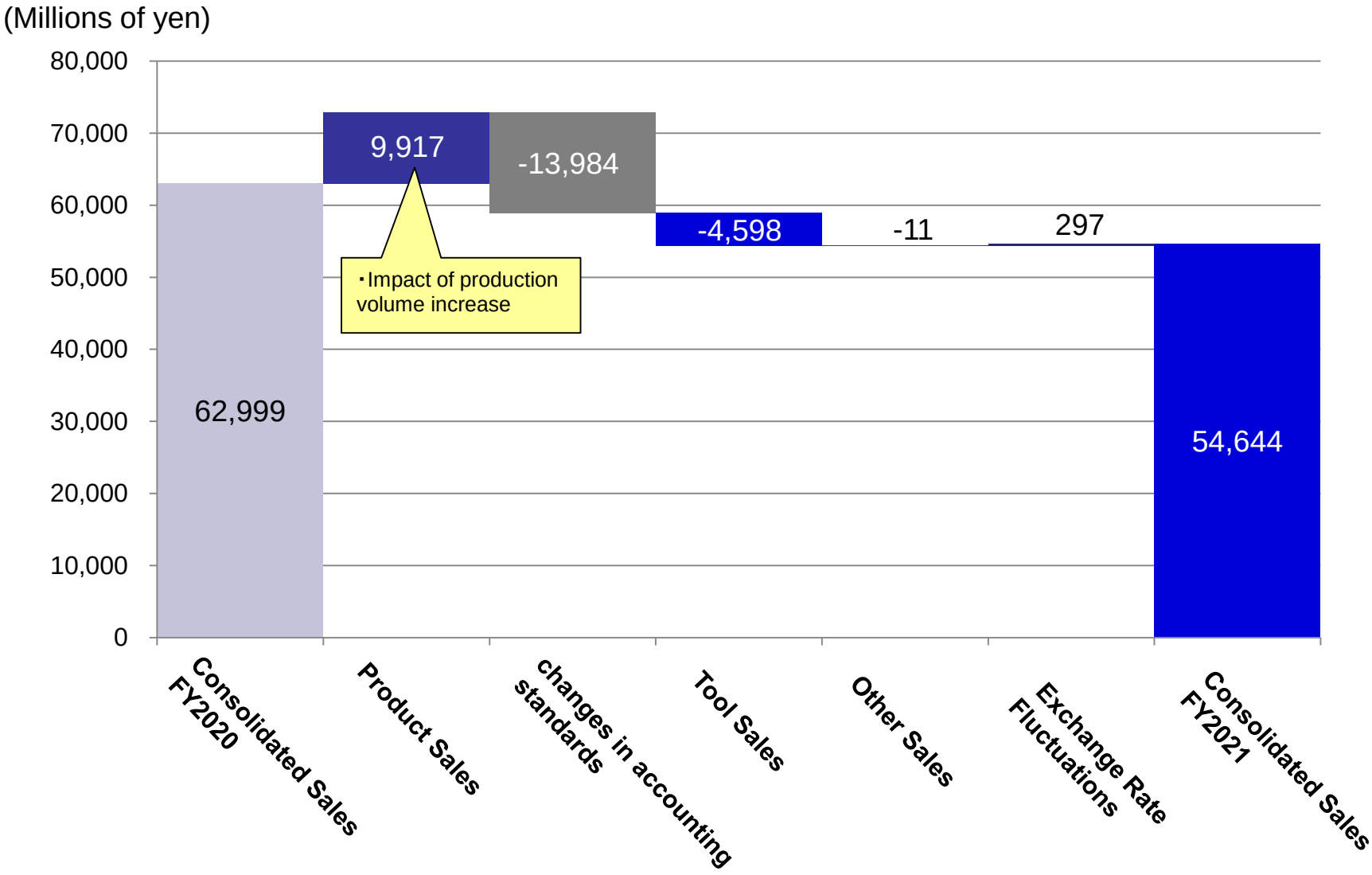
# Net sales increase or decrease factor

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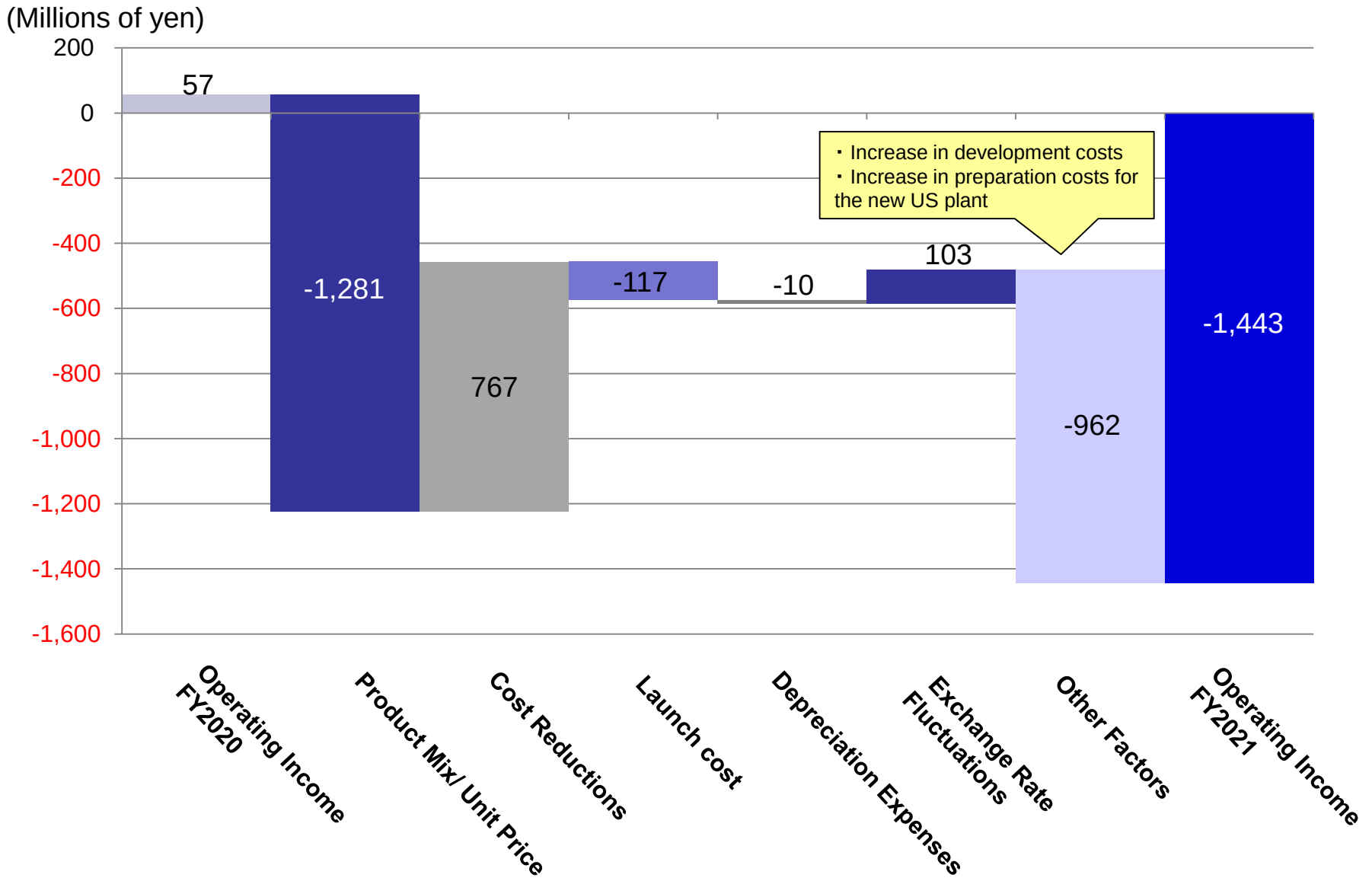
# Operating income increase or decrease factor

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# Outline of segment business performance

| Segment | Outline of business performance |
|---|---|
| Japan | ■ SALES：Although production volume of major customers increased, sales decreased due to changes in accounting standards<br>■ PROFIT：Loss of 950 million yen due to an increase in development costs |
| China/Korea | ■ SALES：Sales increased due to mold sales in China and the impact of Japanese currency conversion<br>■ PROFIT：Increased due to cost reduction effect and an increase in mold sales |
| ASEAN | ■ SALES：Although production volume of major customers increased, sales decreased due to a decrease in mold sales in Thailand<br>■ PROFIT：Increased due to cost reduction effect in Thailand |
| Americas | ■ SALES：Although production volume in Mexico increased, sales decreased due to a decrease in mold sales.<br>■ PROFIT：Loss of 677 million yen due to an increase in operational preparation costs for the new plant in the United States |

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# Sales by Region

Although production volume of major customers increased,
sales decreased in Japan and Americas segments
due to changes in accounting standards and a decrease in mold sales.

Net sales to outside clients

(Millions of yen)

| | | Financial Results Ended Sept. 30, 2020 | Financial Results Ended Sept. 30, 2021 | Changes (Y on Y) | Changes (%) |
|---|---|---|---|---|---|
| Domestic | Japan (component ratio) | 45,354 (72.0) | 39,818 (72.9) | -5,536 (0.9Pts) | -12.2% |
| Overseas | China/Korea | 2,360 | 2,849 | 489 | 20.7% |
| | ASEAN | 4,393 | 4,818 | 425 | 9.7% |
| | Americas | 10,891 | 7,157 | -3,733 | -34.3% |
| | Sub total (component ratio) | 17,644 (28.0) | 14,825 (27.1) | -2,819 (-0.9Pts) | -16.0% |
| | Total | 62,999 | 54,644 | -8,355 | -13.3% |

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# Operating Income by Region

**Losses in Japan and Americas segments due to an increase in operational preparation costs for the new plant in the United States and operation loss because of sudden fluctuations in production**

(Millions of yen)

| | | Financial Results Ended Sept. 30, 2020 | Financial Results Ended Sept. 30, 2021 | Changes (Y on Y) | Changes (%) |
|---|---|---|---|---|---|
| Domestic | Japan (component ratio) | -1,000 (—) | -950 (—) | 50 (—) | — |
| Overseas | China/Korea | 92 | 132 | 39 | 43.1% |
| | ASEAN | 138 | 185 | 46 | 33.6% |
| | Americas | 565 | -677 | -1,242 | — |
| | Sub total (component ratio) | 796 (—) | -359 (—) | -1,156 (—) | — |
| | Total | -204 | -1,309 | -1,105 | — |

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# 2. Financial Forecast for Fiscal 2021

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# Highlights

## 【Summary of business forecast】

■Although production volume in the second half was on a downward trend, it is expected to recover, so the estimated volume in the second half as of August 4, 2021 will remain unchanged.

■In terms of profit, although we will incorporate further cost reduction activities in the second half, it is expected to be lower than the previous forecast due to the impact of production cuts in the first half.

■Initially, operational preparation costs for the new plant in the United States was expected to be 4.9 billion yen (depreciation cost, labor cost, development cost, etc.) for the full year, but it is expected to fall below the plan due to a decrease in depreciation cost.

## 【Full-year efforts】

■While implementing the medium-term management plan, further improve efficiency throughout the company and further promote cost improvement by eliminating losses.

■The new plant in the United States has achieved a smooth launch of models for Toyota, and is currently making good progress toward the launch of models for Mazda in January 2022.


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# Financial Forecast for Fiscal 2021

Although production volume in the second half was on a downward trend, the expected volume will remain unchanged because future recovery is expected, and cost reduction activities are continued.

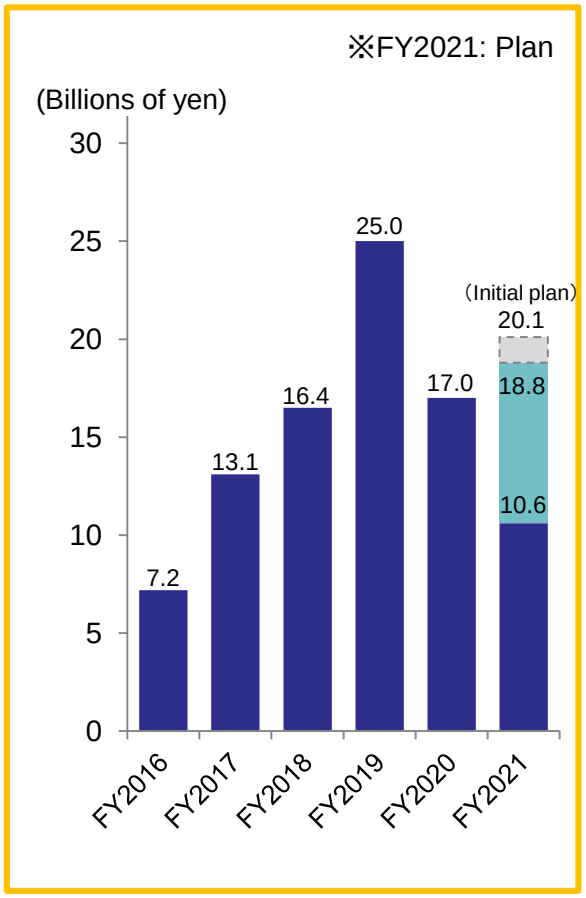
| | FY2021 Forecast (as of Aug 4th) | FY2021 Forecast (Amended) | Changes | Changes (%) |
|---|---|---|---|---|
| Net Sales | *131,000 | *124,000 | -7,000 | -5.3% |
| Operating Income | 1,800 | 400 | -1,400 | -77.8% |
| Ordinary Income | 3,100 | 1,700 | -1,400 | -45.2% |
| Profit Attributable to Owners of Parent | 1,000 | 0 | -1,000 | -100.0% |
| Operating profit margin | 1.4% | 0.3% | — | — |
| Net Income per Share | 14.09yen | 0.00yen | -14.09yen | — |

*Since the accounting standard for revenue recognition has been applied from the fiscal year ending March 2022, the consolidated earnings forecast for the fiscal year ending March 2022 is based on this standard.

# Capital Investment, Depreciation and R&D Expenses

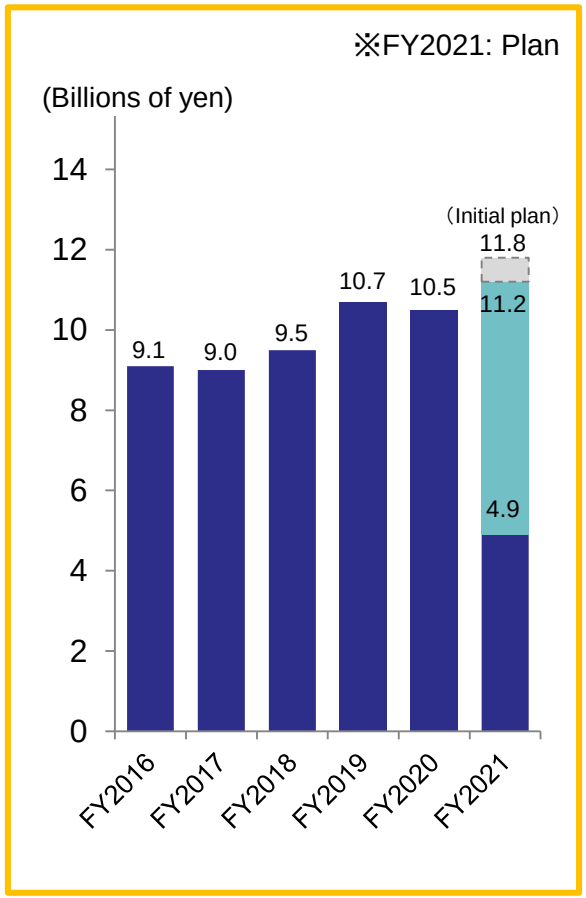
## ≪Capital Investment≫

Decrease due to changes in development and investment timing, and pursuance of efficiency



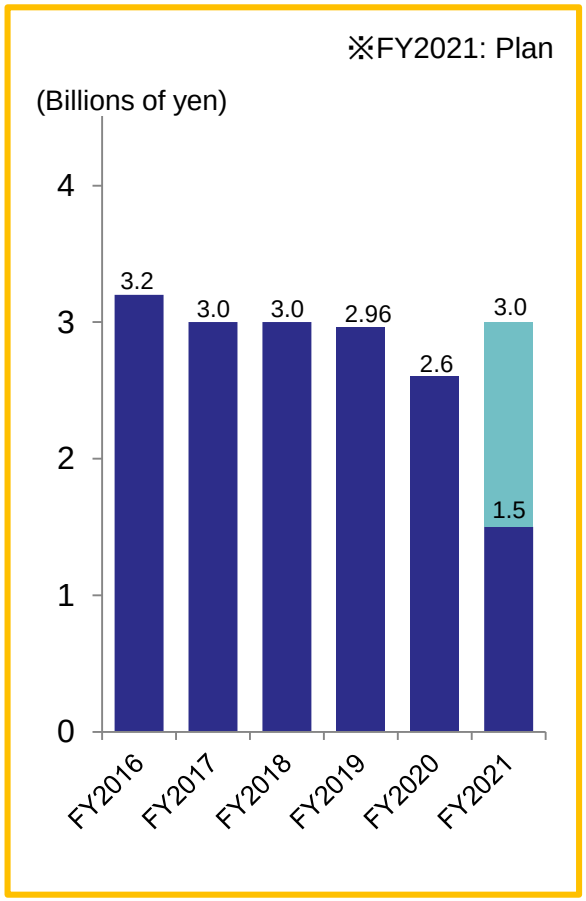

## ≪Depreciation≫

Decrease due to review of amortization period of the new US plant




## ≪R&D Expenses≫

Re-accelerate R & D to create products that exceed the expectations of society and customers

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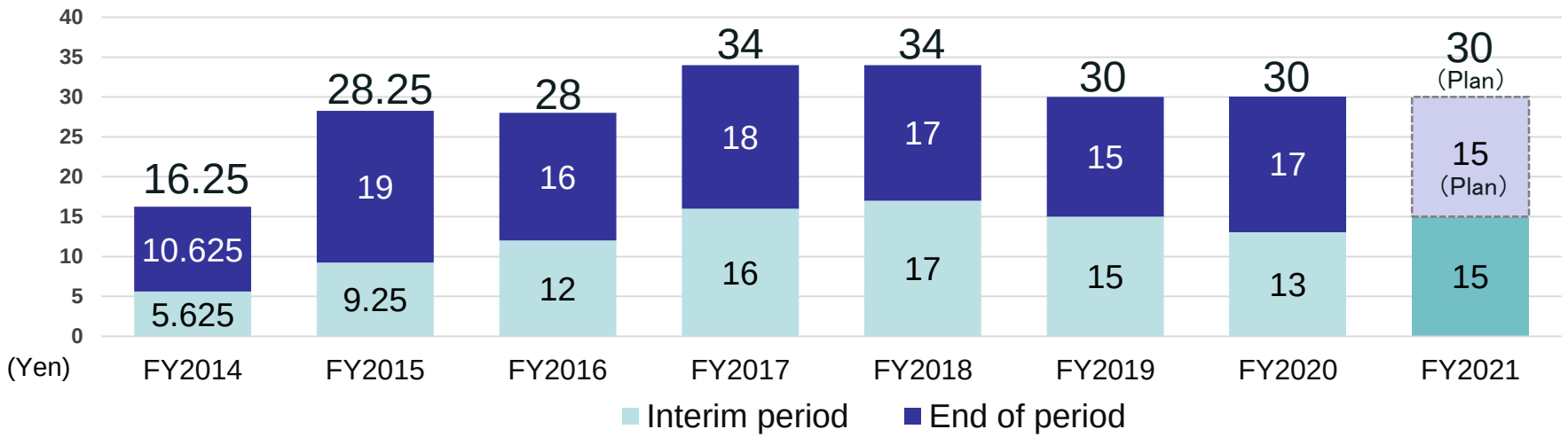
# 配当

**Interim dividends is 15yen as planned,
year-end dividends forecast remains unchanged**

## Dividends per share




※On January 1, 2016, we split its common stock into four shares.
The annual dividends for FY2014 and the interim dividends for FY2015 are calculated as dividends per share, assuming that a stock split was conducted.

## Payout Ratio

| FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 (Plan) |
|---|---|---|---|---|---|---|---|
| 17.0% | 17.7% | 18.9% | 19.3% | 23.2% | 43.3% | 83.9% | — |

※FY2016：Excluding commemorative dividend

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# 3. Starting Operation in U.S.A.

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# DNUS Started its Operation

**From September 2021, DNUS started production for MTMUS**

- Started production of bumpers for Toyota "Corolla Cross"
- First time for DaikyoNishikawa group to supply the resin bumpers adopted in Toyota passenger cars

Contribute to US made Corolla Cross's imposing and powerful front/rear exterior design

Pursuing thorough loss reduction and the shortest production process to maximize productivity by incorporating production process cultivated at its domestic bases

Image courtesy by Toyota Motor Corporation

| | | |
|---|---|---|
| 1. | Model Name | Toyota Corolla Cross |
| 2. | Production site | DaikyoNishikawa USA Inc. (DNUS) |
| 3. | Destination | Mazda Toyota Manufacturing, U.S.A., Inc. (MTMUS) |

# DNUS Started its Operation

**Realized a variable production system that mixes products for each OEM manufacturer**

- With smooth start-up, delivery started as planned
- Preparations for launching a model for Mazda are also progressing steadily for production start in January 2022.

【Building exterior】

【”OBEYA” Activity】

【Morning assembly】

【Injection Molding】

【Painting】

【Assembly】

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# 4. Resin Backdoor / Tailgate Updated Status

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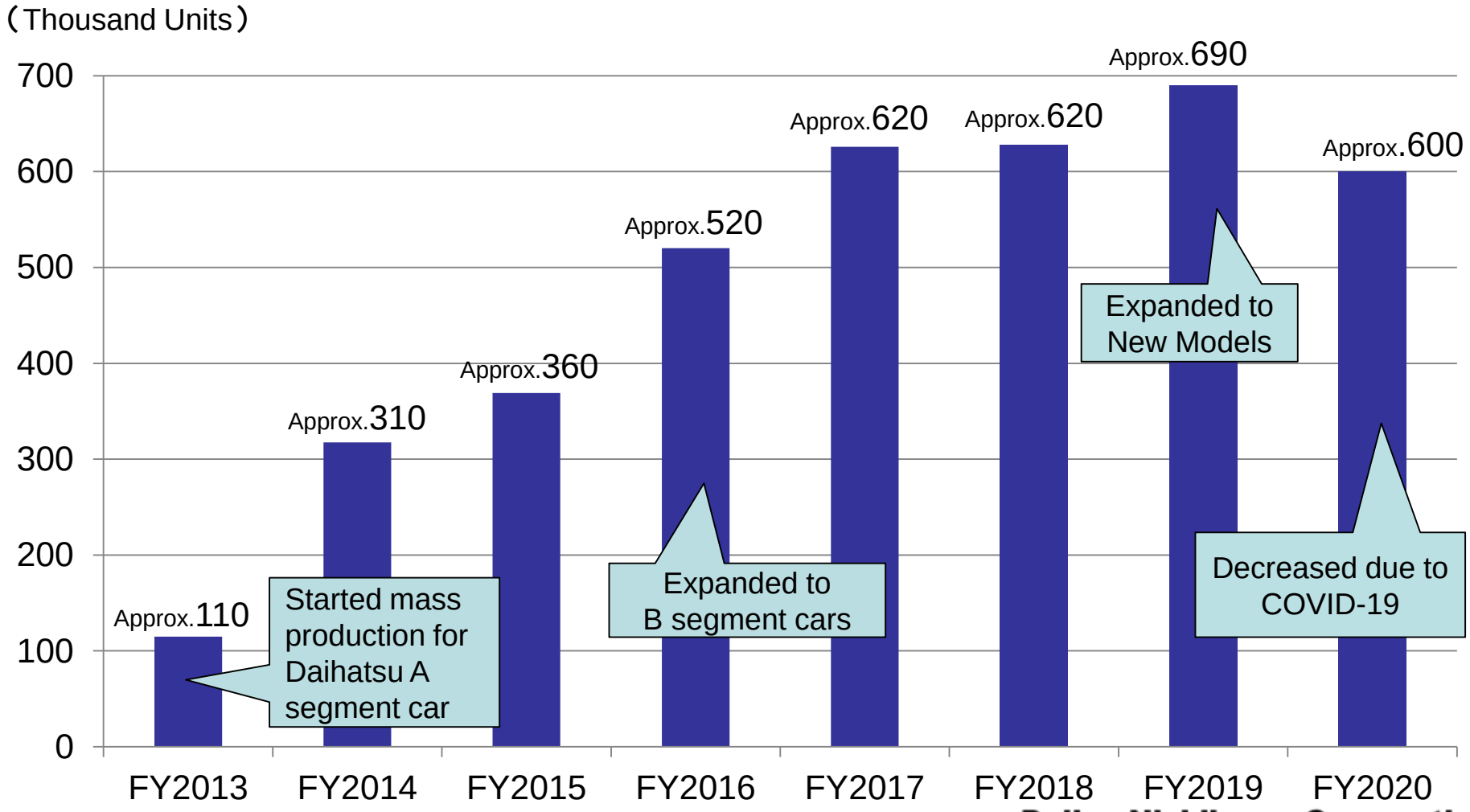
# Resin Backdoor / Tailgate
# Number of units for Daihatsu Motor Corporation

**Focus on expanding sales with the aim of expanding adoption**

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# Resin Backdoor / Tailgate
# For Expanding Business Opportunities

## Started to supply for Honda all new CIVIC

- Realizing a highly complexed curvy design
- Reduction of parts unit for more cost improvement by integrating components


Image courtesy by Honda Motor Co., Ltd.

Going forward, we will continue to further strengthen our resin backdoor / tailgate business to contribute to the eco-friendly mobility society through weight reduction.

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# 5. Sustainability Initiative

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# Towards a sustainable society

Contribute to a sustainable society through our business activities, we will strengthen and implement measures to achieve our goals under the SDGs Declaration.

- Announced SDGs Declaration in May 2021 based on our corporate philosophy
- Further strengthen social contribution through business activities by incorporating the corporate philosophy into each measure
- Work to promote sustainability within the company and promote awareness reforms for each and every employee
- In order to further revitalize activities, we will identify current issues, formulate basic policies, and consider incorporating them into measures.

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# Examples of SDGs efforts 1：Contribution to a material-cycle society

Establish a committee and started company-wide activities to minimize waste plastic generated in the manufacturing process

【Waste plastic reduction activity target】
FY2020：25％Reduction compare to FY2019
FY2021：50％Reduction compare to FY2019

## ■ Promotion of material recycling


【Main efforts】

- System assessment from upstream to downstream of the production process in order to expand the use of recycled materials
- Reduction of material types by material integration
- Establishment of quality assurance method for utilization of recycled materials
- Introduction of production equipment for recycling

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# Examples of SDGs efforts 1：Contribution to a material-cycle society

## ■ Reduction of waste loss


【Main efforts】

- Expansion of material recycling
- Minimization of processing and material replacement loss
- Countermeasures for the source of defects

【Outcome】

- Increased recycling rate to 95% by promoting recycling
- Significant reduction in defect rate and material replacement loss

※As a result, the 2020 target of 25% reduction was achieved

【Future goals】

- Further spiral improvement of past efforts
- Establishment and operation of recycling technology for painted products, scraps, composite materials, which were difficult to recycle until now

※Aim for 50% reduction in 2021 target

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# Examples of SDGs efforts 2：
# Lectures at technical societies and universities

## Lecture at Universities

June　Hiroshima University of Economics /
Hiroshima Institute of Technology

August　Fukuyama University

October　Kindai University “Higashi Hiroshima Studies”
DaikyoNishikawa's efforts to develop added value for automobile parts

## Lecture at Technical Societies

March　Next Generation Plastic Formation Technology Study Group
Efforts to develop resin materials to reduce the weight of automobile parts

May　Society of Automotive Engineers of Japan, Inc.
2021 Spring Conference Academic Lecture
Development of thermal management /
NV control material model technology by MBR

June　Plastic Molding Society（32nd Annual Convention）
Research on automobile parts of unidirectional filler strengthening agent

November　Technical Information Association (Technical seminar)
Interfacial properties of carbon fiber reinforced polypropylene and consideration of application to automobile parts

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# 6. Carbon Neutral Strategies

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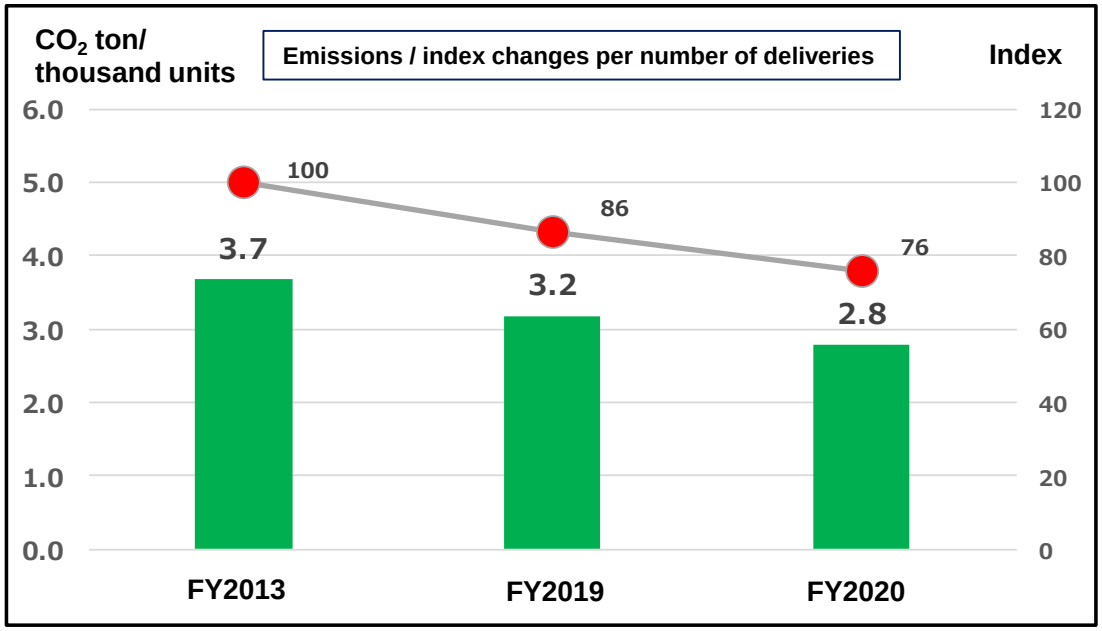
# Efforts for carbon neutrality

**【Main contents of DaikyoNishikawa's efforts】**

- ●Continuous productivity improvement activities
  （Cycle shortening • Improved utilization rate • TPM activities）
- ●Introduction / update of energy-saving equipment
  （Electric molding machines • Energy saving painting equipment）
  New head office / head office factory constructed with the latest energy saving
- ●Promotion of weight reduction development⇒Reduction of physical quantity
- ●Continuous promotion of energy saving activities




Results:
Compared to FY2013
24%Reduction

Toward halving in FY2030
Detailed investigation of the current status and planning of a roadmap ...

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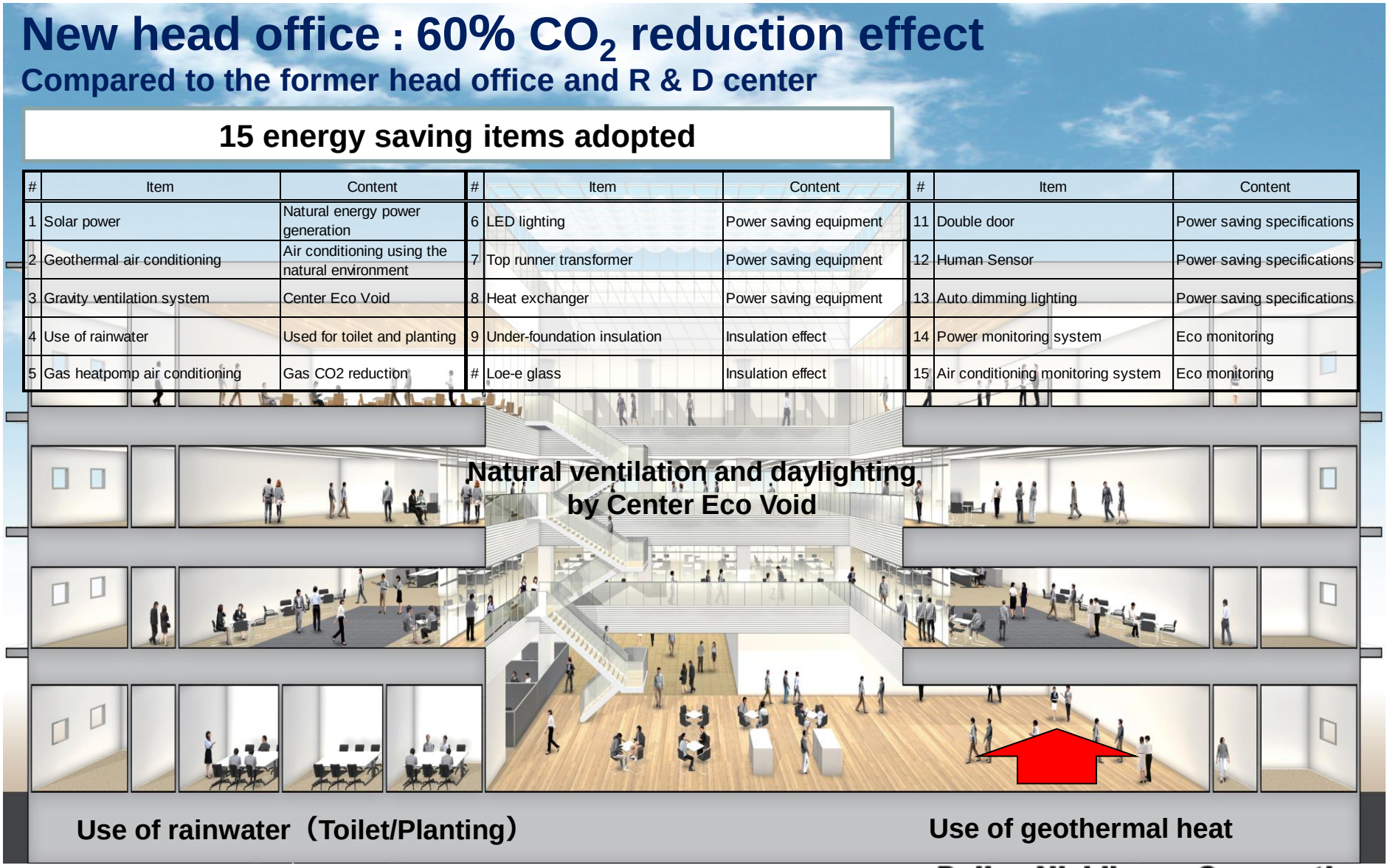
# Examples of efforts 【Head office building】

## New head office : 60% $CO_2$ reduction effect

### Compared to the former head office and R & D center

**15 energy saving items adopted**

| # | Item | Content | # | Item | Content | # | Item | Content |
|---|---|---|---|---|---|---|---|---|
| 1 | Solar power | Natural energy power generation | 6 | LED lighting | Power saving equipment | 11 | Double door | Power saving specifications |
| 2 | Geothermal air conditioning | Air conditioning using the natural environment | 7 | Top runner transformer | Power saving equipment | 12 | Human Sensor | Power saving specifications |
| 3 | Gravity ventilation system | Center Eco Void | 8 | Heat exchanger | Power saving equipment | 13 | Auto dimming lighting | Power saving specifications |
| 4 | Use of rainwater | Used for toilet and planting | 9 | Under-foundation insulation | Insulation effect | 14 | Power monitoring system | Eco monitoring |
| 5 | Gas heatpomp air conditioning | Gas CO2 reduction | # | Loe-e glass | Insulation effect | 15 | Air conditioning monitoring system | Eco monitoring |

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# Examples of efforts 【Painting process line】

**Conventional all-exhaust booth**

Conventional painting booth
- Contamination（Paint mist）
- Solvent concentration

Couldn't control them
→was exhausting everything

Introducing a controllable system
Introduction of energy saving equipment

Achieved 80% Recycle

**Introduction of circulation booth**

- Utility equipment⇒Energy saving support
- Achieve 1.5 times productivity
- Electricity usage fee 64% reduction
- $CO_2$ reduction : 60% or more reduction

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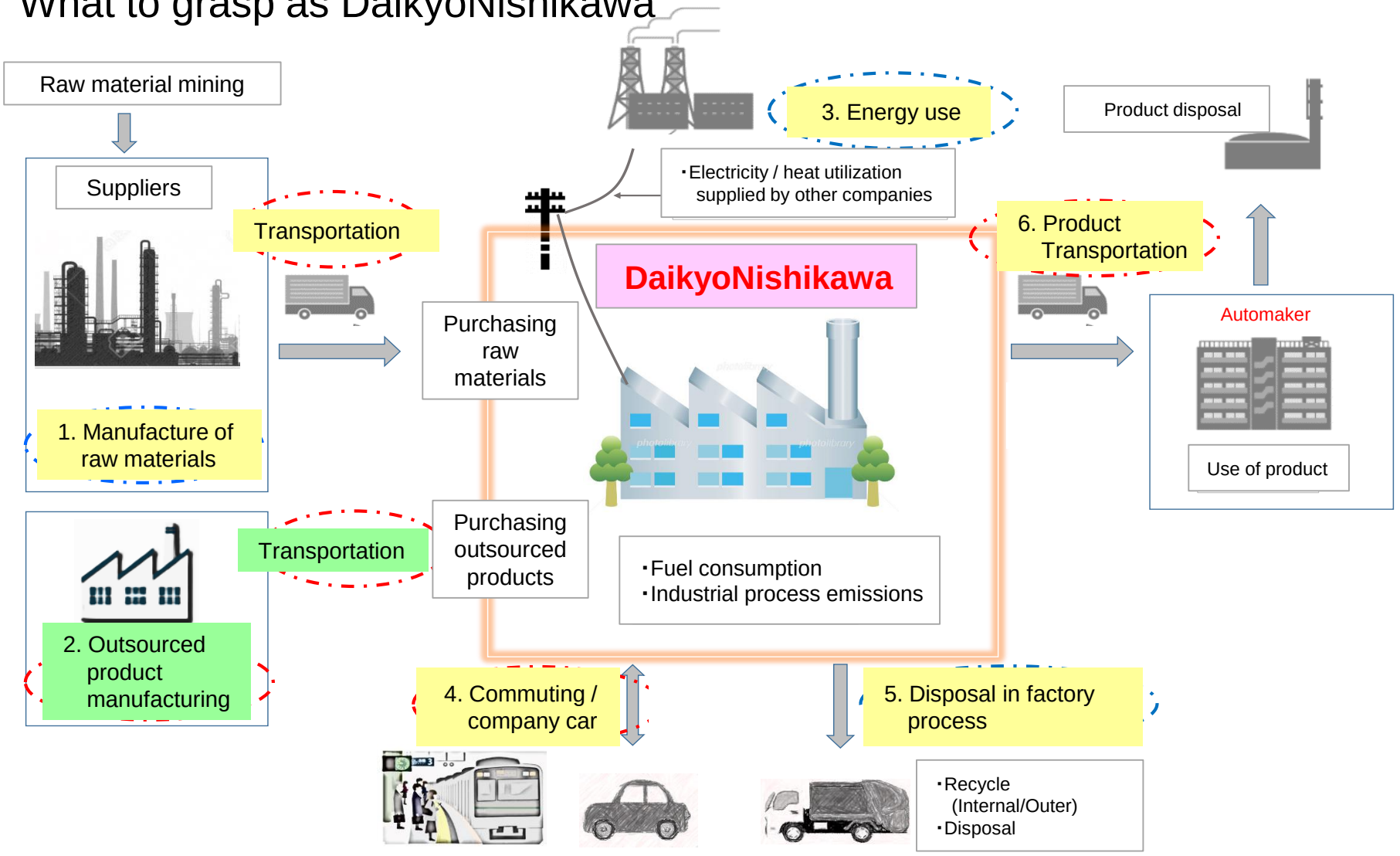
# Future efforts

## What to grasp as DaikyoNishikawa

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# Future efforts

## 【Efforts to achieve carbon neutrality】

1. Planning and implementation of renewable energy equipment introduction plan

2. Accelerate weight reduction development
   ⇒Biomaterial development / injection foam-molding technology
   ⇒Reduction of material usage

3. Establish system for re-using $CO_2$ (heat) generated in the production process

4. Accelerate energy saving activities and continuous productivity improvement activities

5. Zero waste generated in factory processes

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