

YOROZU INTEGRATED REPORT 2023

YORZU

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Toward the Future of *Monozukuri*



YORZU

Becoming a Byword for Suspensions

Yorozu has earned the trust of domestic and foreign automakers as a premier supplier of suspensions, having honed its technologies as an auto parts maker with a focus on suspensions. Leveraging its advanced developmental and technological capabilities, Yorozu will continue to expand globally as a suspension system manufacturer with a fully integrated production system, from performance development to mass production, for suspension parts and peripheral components.

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.

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 our corporate activities.
5. Risky endeavors are to be avoided while genuine endeavors are to be embraced.

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Editorial Policy

This is our fifth integrated report since we first published it in 2019. We see this report as a communication tool for promoting a better understanding of our corporate value and growth potential, aiming to convey in an easy-to-understand format our various initiatives to realize a sustainable society, as well as the Group's management policies, business strategies, and financial information, to all of our stakeholders, including shareholders, investors, suppliers, local communities, and employees.

The Yorozu Group will endeavor to provide its stakeholders with better reports to deepen their understanding of the Group. Please visit our official website for the most recent information.

Yorozu Corporation Website
<https://www.yorozu-corp.co.jp/en/>

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Period and Scope of Reporting

- Period: Fiscal 2022 (April 1, 2022–March 31, 2023) (Some information from outside this period is also included.)
- Scope: Yorozu Corporation and its Group companies

Guidelines and Entities Referenced

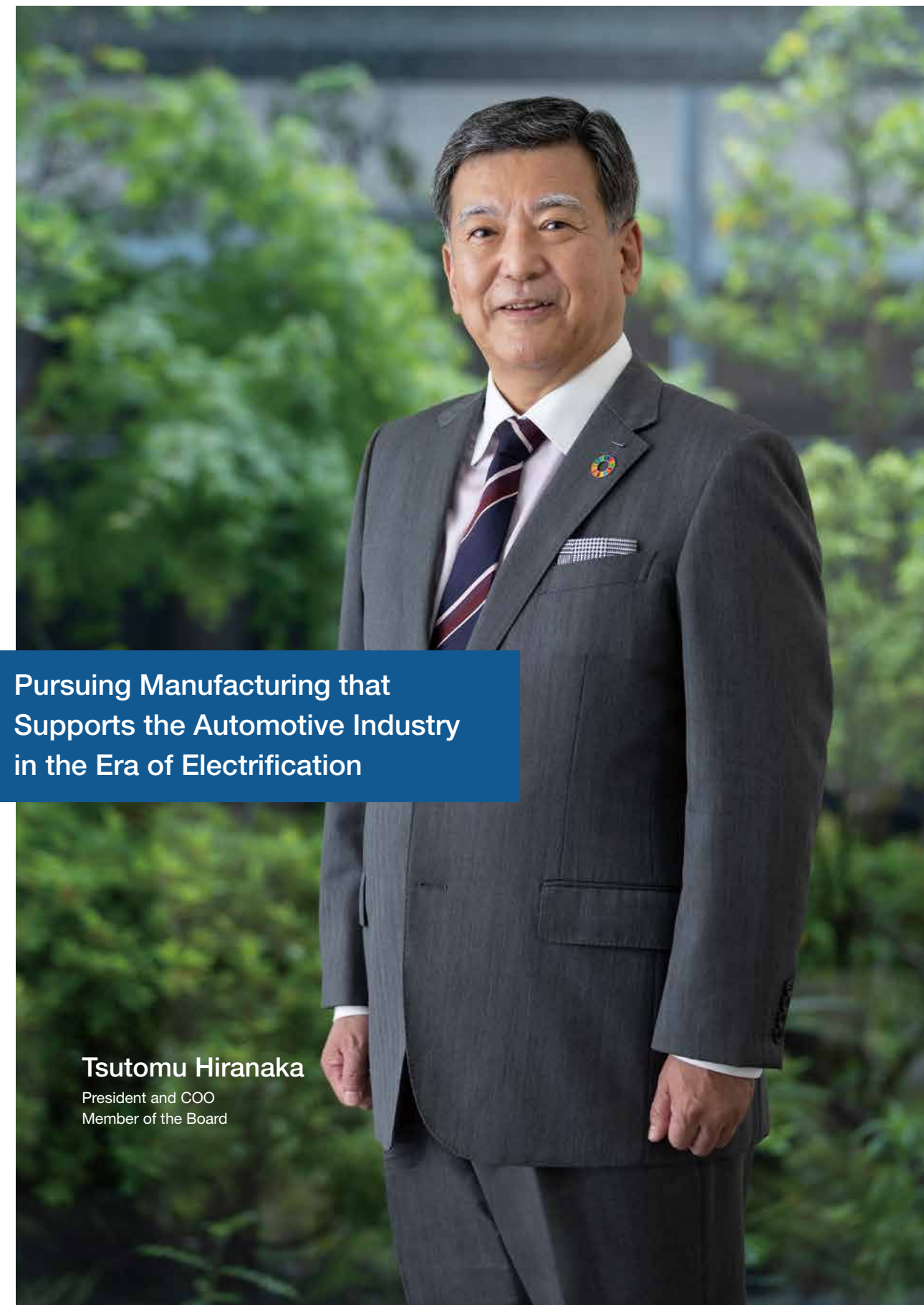
- The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation



Disclaimer Regarding Forward-Looking Statements

This integrated report contains forward-looking statements, including the Company's current plans, projections, and strategies, based on information available at the time this report was created. Actual performance may differ significantly from these projections due to a variety of factors.

Message from the President



Tsutomu Hiranaka

President and COO
Member of the Board

Reflecting on Fiscal 2022

Achieved Sales and Profit Growth and Established Innovative Technologies That Contribute to the Environment

Fiscal 2022 (ended March 31, 2023) marked a period where the global surge in inflation, propelled by escalating raw material and logistics expenses, coupled with monetary tightening measures enacted by various nations, impacted economic recovery. Moreover, the production of automobiles, to which the Yorozu Group's business is closely related, was sluggish due to semiconductor shortages and other factors. As a result, the production volume was on par with the level of the previous fiscal year. Amid these circumstances, the Yorozu Group's commitment to enhancing profitability bore fruit. For fiscal 2022, consolidated sales grew 26.1%, and operating income surged 47.3% year on year, marking growth in both sales and profit.

During fiscal 2022, the second year of the three-year medium-term business plan, Yorozu Sustainability Plan 2023 (YSP2023), initiated in fiscal 2021 (see page 16), we successfully developed new technologies aimed at reducing CO2 emissions through life cycle assessment (LCA). YSP2023 prioritizes growth strategies centered on new technologies and methods contributing to the electrification of society and sales expansion. Notably, we developed two patented technologies for the Arm with a New Stamping Structure and the Arm Using Alternative Materials. These innovations were integrated into new products adopted by Nissan Motor Co., Ltd. and Toyota Motor Corporation for their latest electric vehicles (EVs).

In fiscal 2023, the final year of YSP2023, plans are under way for the launch of the new Tokai base, which has been positioned as a pivotal hub for sales expansion. This facility's energy requirements will be met entirely through green energy, including on-site solar power generation, ensuring zero CO2 emissions from even the heat source for boilers used in the coating facilities. As the entire automotive industry intensifies its efforts toward decarbonization, we acknowledge that competitive evaluation

encompasses not only the product's quality, cost, and delivery (QCD) but also the processes driving its creation. With this holistic approach to customers, we aim to supply products for the numerous EVs in their pipeline.

The World Yorozu Aims to Create

Contributing to Stakeholders through Sustained Growth

Our Corporate Vision states, "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." In line with this vision, our aim is particularly focused on contributing to stakeholders through sustainable growth.

Drawing on the expertise accumulated since our founding as a *monozukuri* company (manufacturer), we have supplied parts of exceptional quality, recognized for their reliability and safety, to the global market by creating optimal designs and production technologies. This stands as our core strength and a testament to the trust we have garnered from our customers. Moving forward, we will continue to refine the development of new technologies and methods, provide the global market with highly competitive suspension components that outperform the products of others, and meet our customers' expectations. The phrase "becoming a 100-year-old company" encapsulates our desire to be a business entity recognized over the long term by society.

To achieve our vision, it is crucial to effectively implement the various measures set forth in YSP2023 and solidify our ESG management foundation. This will lead to consistent performance and serve as the driving force toward further growth. In this endeavor, I believe that the role of human capital is of immense significance. It is crucial that every employee can adeptly respond to global shifts through their thoughts, actions, and sensibilities. Guided by my leadership, the entire company will unite to address a wide array of challenges.

Long-Term Business Development

As a Driving Force behind the Era of Electrification

By around 2040, the global automotive industry is expected to see various countries strengthen environmental regulations to realize a decarbonized society. This could lead to EVs accounting for half or more of the automobile market. Moreover, as Mobility as a Service (MaaS) gains momentum, we can expect a transition from individual “ownership” of vehicles to an era of collective “sharing.”

Amid these impending environmental shifts, we identify opportunities in two key domains: “increasingly sophisticated technological requirements such as weight reduction and addressing issues of sound and vibration” and “the growing prevalence of EV-related components.” These developments open doors for us to explore new avenues beyond our established domains. Conversely, potential threats include “the likelihood of a decrease in automotive production volume” and “changes in the structure of the automotive industry, such as a shift from vertical integration to horizontal specialization.”

Even as EVs become more prevalent, automobile suspensions will remain essential, and the expectations for strength and ride comfort will evolve to more advanced levels. In addition, given the essential role of experience and a track record in manufacturing to shape the core performance of automobiles, we expect a growing reliance on specialized suspension manufacturers for development as automakers grapple with the challenges posed by CASE (connected, autonomous, shared, electric) technologies.

We contribute to our customers’ vehicle development not just as a manufacturing entity but also as a participant in upstream processes such as automakers’ vehicle conceptualization by leveraging our accumulated data and expertise. Furthermore, guided by the “Yorozu Production Way (YPW),” which defines our approach and vision for manufacturing, we pursue standardization of all production equipment, dies, and all procedures to ensure safe and stable production with uniform quality world-

wide. We are dedicated to further enhancing our strengths and focusing on technology development, including ongoing patent acquisitions, to establish an overwhelming competitive edge. By doing so, we aim to strengthen our presence as a pivotal player supporting the automotive industry in the forthcoming era of electrification.

Prospects for the Next Medium-Term Business Plan

Broadening Management Scope through Enhanced ESG Management and Creation of a Collaboration System

To enhance corporate value in the advancing electrified society, we aim to strengthen ESG management while also building a collaboration system encompassing joint development projects to bolster new technologies and methods that drive growth. By promoting new initiatives in collaboration with business partners based on our in-house technological development, we will achieve an expansive management approach that is resilient to environmental changes.

While addressing the aforementioned threats, we are committed to pursuing multiple opportunities by following four Company-wide measures: “Step up the technology of applying ultra-high-tensile materials (980 MPa),” “Develop new items for automotive parts,” “Develop new items from new materials,” and “Go into the non-automotive parts business.”

At the core of these endeavors lies the deepening of ESG management. I believe that further advancing harmony with nature, boosting employee engagement, and fostering strong governance are indispensable for achieving sustained growth.

In terms of the environment, we completed the transition to 100% green energy for the electricity consumption of four domestic facilities (Yorozu Oita, headquarters, Shonai Yorozu, and Yorozu Engineering) by fiscal 2022, and will continue to progressively transition existing global factories to green energy based on our plan. With a sense of pride as a leading company in carbon neutrality, we

will continue to dedicate company-wide efforts toward this goal.

In our human resources strategy, we have shifted our focus from “workstyle reform” to “employee engagement reform.” My goal is for every individual to experience the desire to work with us for his/her entire career and feel proud to be a part of our company. While embracing diversity, we will leverage the talent management system to gain a holistic view of our human resources portfolio and establish a human resources strategy that aligns with our business strategy.

To strengthen governance, we will ensure proper opportunities for the involvement and advice of independent outside directors. We will also aim to further enhance the transparency and objectivity of decision-making processes within the Board of Directors. In fiscal 2022, we assessed the effectiveness of the Board of Directors through an evaluation by a third-party institution. Moving ahead, we will identify areas for improvement, consider appropriate measures, and put them into action.

To All Stakeholders

Toward a 100-Year-Old Company That Continues to Develop on the Dual Wheels of Social Contribution and Growth Strategy

As stated in our Corporate Philosophy, “Our primary mission is to contribute to society by continually striving to deliver technological innovation and create products that are beneficial to people.” We have persevered and thrived because of our ability to contribute to society through manufacturing that others cannot emulate, and I am confident that we can continue along this path of sustained growth. Our commitment remains unwavering—to continue supporting the automotive industry by providing suspensions of exceptional quality, recognized for their reliability and safety, throughout the world.

When considering the current landscape, I sense various uncertainties, such as the rise in geopolitical risks, supply-demand tensions for raw materials, and surging energy prices. However, from a long-term



perspective, the trend toward the electrification of automobiles remains unshakable. To build Yorozu’s growth strategy and demonstrate our solid presence in the age of electrification, we will accelerate the internally defined “5G (Growth, Green, diGital, Governance, Grit)” initiatives that we have been promoting since the previous fiscal year. Through a new growth strategy focused on harnessing the advantages of new technologies and methods toward sales expansion, we aim to become a 100-year-old company that will grow continuously. We will also initiate new endeavors that pave the way for the next medium-term business plan.

We will further strengthen our investor relations and communication activities to ensure a better understanding of our efforts to achieve medium-/long-term, sustained growth and enhance corporate value for the Yorozu Group. I look forward to hearing the opinions of our stakeholders as we seek to meet and exceed your expectations.

President and COO
Member of the Board

Message from the CFO



Continuing to Grow and Increase Corporate Value through Sound Management Resilient to Changes

Norio Hirano

Executive Vice President
Member of the Board (CFO)

Review of Fiscal 2022 and Progress of the Medium-Term Business Plan

Fiscal 2022 was a challenging year marked by the ongoing impact of semiconductor shortages on production volumes and the cost increases resulting from the escalation of raw material and logistics expenses triggered by the Russian invasion of Ukraine. Sales increased by 26.1% to ¥160.5 billion over the previous fiscal year. However, this sales figure reflects the impact of the depreciating Japanese yen and soaring prices in the steel market, and the actual production volume remained roughly on par with the previous fiscal year. Operating income, meanwhile, grew by 47.3% year on year to approximately ¥3.0 billion, owing to our efforts to flexibly change the production volume in line with demand, reduce fixed costs, and partially pass the energy cost hikes on product prices.

The challenging environment we currently face will pose difficulties in attaining the targets set in our medium-term business plan, Yorozu Sustainability Plan 2023 (YSP2023), unveiled in May 2021, including sales of ¥150 billion, an operating income ratio of 5.0%, and a return on equity (ROE) of 8.0%. In fiscal 2023, ending March 31, 2024, we forecast sales of ¥160 billion, which factors in the impact of rising steel prices and the depreciating yen. Excluding these factors, the “net” sales figure is expected to be around ¥130 billion. On the other hand, our efforts to engage in ESG management, ensure stable profits, and develop new technologies and methods are proceeding smoothly. Our objectives for achieving carbon neutrality and weight reduction are progressing as planned and positively impacting our sales growth.

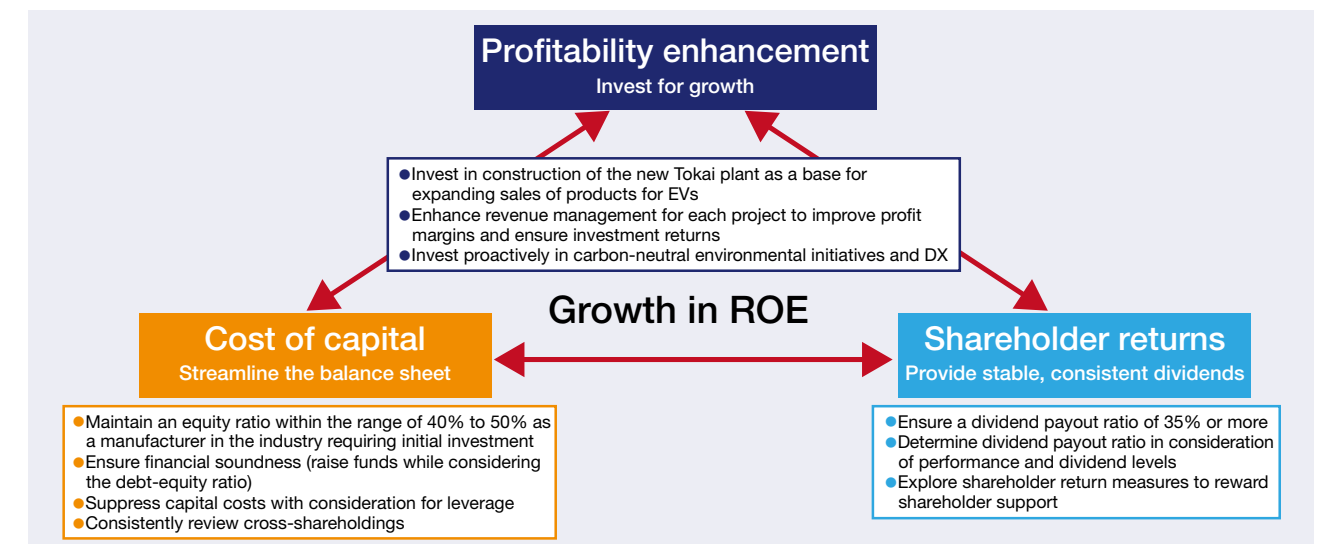
Toward Attainment of Our ROE Target

●Cash Flow Management

Yorozu strives to strengthen cash flow management as a financial strategy under YSP2023. In pursuit of our ROE target, it is important to enhance profitability and simultaneously improve the total asset turnover ratio. To this end, we will focus on making capital investments that consider cash flows. In addition to investment assessments based on the internal rate of return (IRR) and the net present value (NPV) of future cash flows, we will establish a depreciation-to-sales ratio target and make efficient investments within that range. By doing so, we aim to reduce depreciation expenses, control total assets, and improve ROE.

●Enhancing Profitability

We are striving to strengthen our project revenue management to boost profits. Enhancing the revenue of individual projects contributes to greater profitability at each site, ultimately driving improvement in Group profitability. Moreover, we will expedite the achievement of milestones for each project and enhance coordination with different departments and sites to achieve target profits and ensure investment returns. We will also continue to conduct simultaneous engineering activities, in which all departments participating in product development are involved in the design process from the initial stages, and make use of our cost consolidation system.



Cash Allocation

●Ensuring Financial Soundness

Our core products are suspensions, which entail substantial capital investments due to their significant size and weight. Furthermore, given that suspensions are critical for ensuring vehicle safety, maintaining a solid and stable financial foundation is essential for their consistent supply. Accordingly, we deem it necessary to maintain an equity ratio within the range of 40% to 50%.

In our capital policy, we recognize capital costs, such as the weighted average cost of capital (WACC) and shareholder capital costs. We also strive to increase overall corporate value by enhancing the return on capital, including return on invested capital (ROIC) and ROE. For our capital investments, we have established a target for the depreciation-to-sales ratio and set limits on general investments and project investments to ensure control and restraint. Moreover, by prioritizing investment items, we can make investments that align with changing sales patterns.

●Investing in Growth Areas that Address Social Challenges

With the progression of automotive electrification, customers are increasingly seeking improvements in weight reduction and quietness. At the new Tokai base scheduled to commence operation at the end of fiscal 2023, we will reinforce equipment for processing thin and lightweight high-tensile materials to meet these demands. In addition, we are preparing to achieve carbon neutrality by introducing 100% green energy. We take a proactive approach toward investments that enhance our competitiveness and address social challenges, such as initiatives for

digital transformation (DX) and carbon neutrality, as well as investments for developing new technologies and methods that drive future growth.

Returning Profit to Shareholders

At Yorozu, our basic policy is to return profits to shareholders based mainly on dividend payments upon ensuring an optimal balance with investments aimed at realizing financial soundness and growth. We are targeting a dividend payout ratio of 35% or more and aim to pay stable and consistent dividends based on our desire to share with all our shareholders the benefits of medium- to long-term increases in corporate value. We will continue to consider the business performance and dividend levels when determining the dividend payout ratio.

For fiscal 2023, we project sales to be on par with the previous fiscal year. However, the ratio of sales to Toyota Motor Corporation is expected to exceed 10% for the first time in our history. While there will be costs associated with facilitating growth, such as the establishment of the new Tokai base, the development of new technologies and methods for EVs, and expenses related to new model launches, all employees are united in implementing strategies to achieve our goals.

We look forward to your continued support as we embark on the final year of YSP2023.

Executive Vice President
Member of the Board (CFO)

Yorozu's Main Products

Our outstanding performance in all aspects of quality, cost, and delivery (QCD) has earned us a high reputation from the world's automakers as a reliable supplier of suspensions, for which we have the top-class market share in Japan.

Even in the age of electric vehicles (EVs), suspensions continue to be a vital component, and Yorozu's efforts in reducing weight (achieving a 30% reduction compared to fiscal 2018) for improved fuel efficiency contribute to carbon neutrality.

Passenger Vehicle Products



1 Brake pedal



The brake pedal is a vital safety component that allows the driver to control the vehicle's speed through foot operation alone. It serves as a direct interface with the driver, requiring strength and rigidity to withstand input from the foot. The lever contributes to reduced vehicle weight through various designs, including thick plates, pipes, and thin plate welding.

2 Front suspension member



This component serves as the framework that consolidates the mounting points for various elements, such as the front suspension links, steering gearbox, and engine. It needs to provide strength, rigidity, and impact absorption during collisions to withstand the various forces exerted by the tires through the mounting points. To meet these requirements, suitable materials are strategically positioned to ensure optimal performance.

3 Rear suspension member



This component serves as the framework that consolidates the mounting points for elements, such as the rear suspension links and differential gears. It requires strength and rigidity to withstand various forces from the tires through the mounting points. By using high-tensile-strength materials, we achieve lightweight construction.

4 Rear beam



This is the predominant configuration for the rear suspension in small- and medium-sized passenger vehicles. The twisting central crossbeam allows independent movement of the left and right trailing arms, resulting in characteristics similar to an independent suspension. This component accommodates various structures, contributing to lightweight construction.

5 Link



Positioned between the tires and the vehicle body, this is a vital safety component that determines the posture of the tire. It requires strength and rigidity to withstand the various forces from the tires. Through advanced stamping techniques, we have developed an integrated link structure that balances strength and rigidity while contributing to lightweight construction.



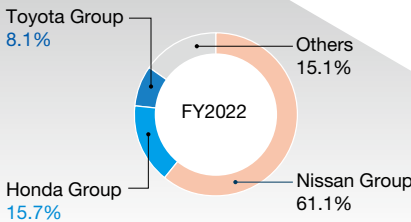
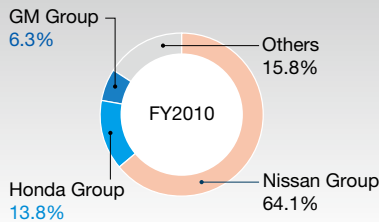
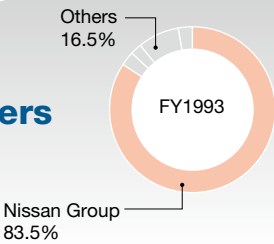
History of Value Creation

Founded as Yorozu Automobile Works in April 1948, the Company has developed its business by specializing in suspensions, mainly in the area of automotive undercarriage mechanisms. As Yorozu has grown alongside the automotive industry, it has experienced a series of turbulent times over the years, defined by severe changes in its external business environment arising from the Nissan Revival Plan, the global financial crisis of 2008, and the COVID-19 pandemic.

However, despite the twists and turns, the Company has overcome a number of crises by promoting reforms and streamlining measures through the concerted efforts of all employees. Moving ahead, we will continue to enforce strategies that leverage the resilience, strengths, and advantages that have been fostered through this process of overcoming hardships to realize our vision of becoming a 100-year-old company.



Change in Customers



Four Defining Periods of Our Business

2000
Yorozu Survival Plan

2008
Urgent Profit Improvement Measures

2011
Active Expansion of Overseas Business

2019
COVID-19 and Measures to Improve Profitability

External Factors

Nissan Revival Plan
When Nissan Motor formed an alliance with French automaker Renault, then COO Carlos Ghosn announced the Nissan Revival Plan as its restructuring plan. It entailed the achievement of ¥1 trillion in cost reductions by fiscal 2002 on a consolidated basis and a reduction of interest-bearing debt, excluding sales finance, from ¥1.4 trillion to less than ¥700 billion.

Global Financial Crisis of 2008
The bankruptcy of Lehman Brothers Inc. in the U.S. triggered a global economic downturn, which had a massive impact on Japan's automotive industry as automakers incurred losses and posted substantially less profits.

Nissan's Aggressive Overseas Expansion Strategy (Nissan Power 88)
In June 2011, Nissan Motor introduced a mid-term plan in pursuit of a global market share of 8% and operating margin of 8%. As one of its measures, the company actively introduced new models and expanded production capacity in China, the ASEAN region, Brazil, and North America.

COVID-19 Pandemic
Automakers were also forced to temporarily suspend operations of plants or adjust production due to the unstable supply of parts and the sluggish global demand caused by the pandemic.

Countermeasures by Yorozu

The Nissan Revival Plan, which called for a 20% reduction in purchasing costs in three years and the disbanding of affiliated companies, compelled us to formulate the Yorozu Survival Plan.

Cost reductions:

- Streamlined production and reduced personnel
- Introduced the Toyota Production System
- Implemented a function-based matrix management system
→ These measures enabled us to achieve cost reductions of ¥5.8 billion and counteract the disbanding of Nissan's affiliated companies.
- Formed a capital alliance with Tower Automotive, Inc., a U.S.-based automotive parts manufacturer to become a foreign-affiliated company
- Expanded overseas operations to increase orders for automotive parts from Japanese companies other than Nissan Motor

The global financial crisis had a severe impact on automakers and sparked a rapid appreciation of the Japanese yen, cutting our sales by half. However, we took measures to improve profitability based on a policy of "achieving maximum efficiency with bare minimum cost."

- Closed down one of the subsidiaries in North America
- Streamlined our production system
- Drastically reduced costs through urgent profit improvement activities
- Implemented reforms to reinforce the management structure, including *monozukuri* (manufacturing) and educational reforms
- Relocated the R&D functions and related departments to Tochigi Prefecture to develop globally competitive products

As a result, we successfully posted positive earnings with an operating income of ¥4.8 billion, eclipsing the operating loss of ¥0.7 billion we had initially forecast.

In response to the Nissan Power 88 plan, Yorozu pursued proactive overseas expansion.

- Established six production facilities, mainly in emerging countries, in three years from 2011
- Expanded two existing production sites each in China and Mexico and increased their production capacity to maximize returns on investment
- Launched operations of our second production site in Alabama, U.S., in 2015
- Launched operations of a second plant at one of our production bases in China in 2019

These measures resulted in gaining additional customers, particularly overseas, and increasing the percentage of our sales abroad.

While some production sites temporarily faced operational difficulties due to the global spread of COVID-19, we dealt with the situation through the following measures.

- Identified the degree of risk on our products' lead time
- Reviewed proper inventory standards
- Encouraged the development of personnel who can multitask
- Promoted the standardization and globalization of our business, which led to the establishment of a system that enables production and delivery processes to be alternatively conducted at other facilities

As a result, we achieved the safety of our employees and fulfilled our responsibility of supplying parts.

Hydroforming (1998-)

A metal-forming process in which hydraulic pressure is applied to the inside of pipe materials to form the pipe into the mold's inner shape. It can be made into complex shapes, leading to improved shape precision and reduced welding time.

Aluminum Welding (2001-)

While aluminum was previously considered more difficult to process and weld than steel, the optimization of each process has significantly reduced the number of processing steps as well as costs.

Full-Curl Method (2004-)

A method of shaping sheet metal into a three-dimensional hollow shape. Reduces welding overlap and welding length by half compared with the conventional structure consisting of upper and lower parts (*monaka* structure).

Tailor Welded Blanking Technology (2006-)

A technology used to weld sheet metals of different thicknesses into a single panel, which is then press-formed, eliminating the need for reinforcement previously required

High-Tensile-Strength Materials for Suspension Parts

Although high-tensile-strength materials have lower press formability, we have addressed the issue by improving design and forming technology. The application of this material has been expanded to major structural components such as frames and arms.

Complete Tack Welding and Final Assembly Lines (2019-)

A comprehensive assembly line made up of a tack welding line to ensure that the work pieces are perfectly aligned and a parallel main welding line to complete the entire welding process

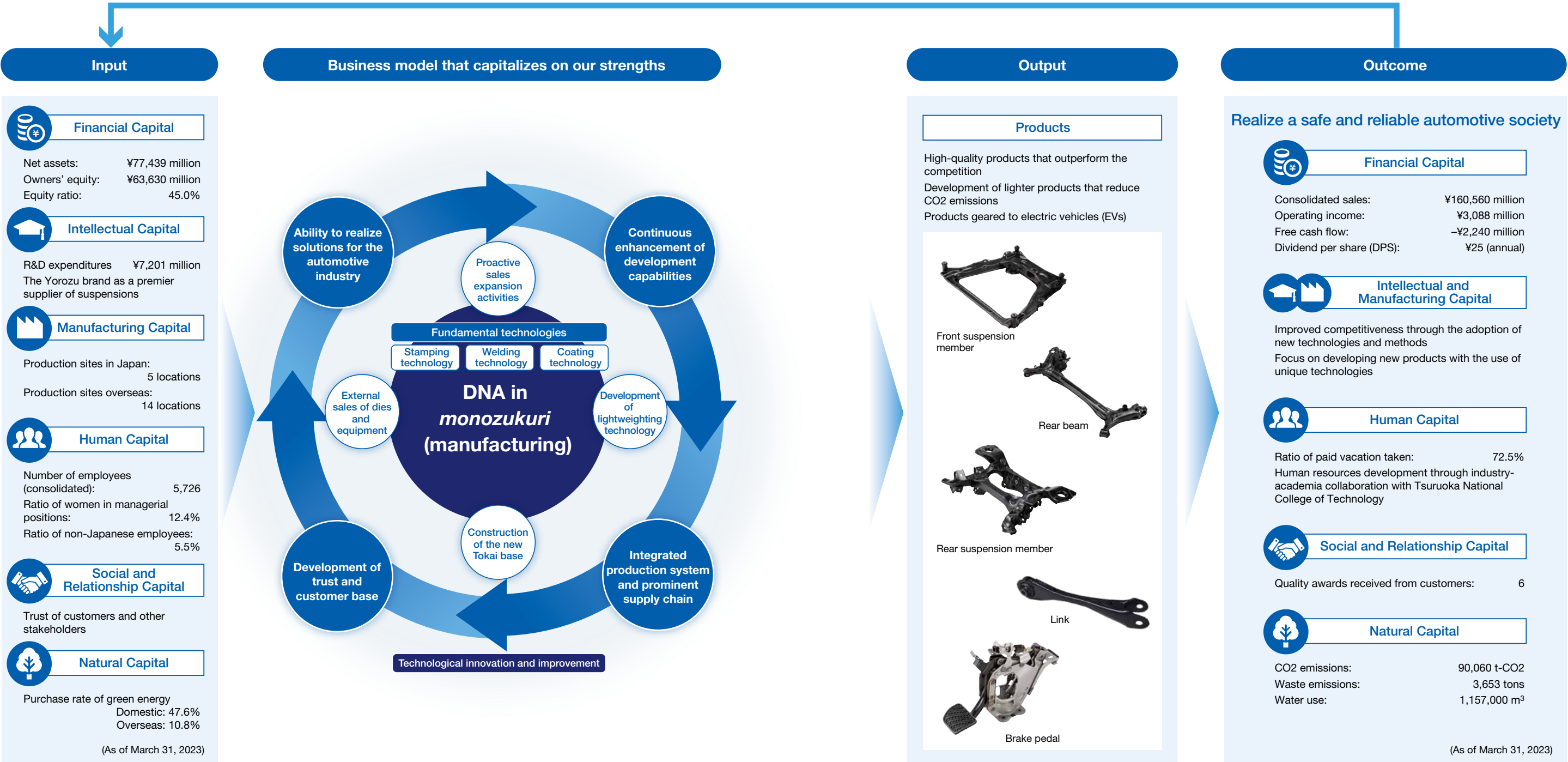
Value Creation Process

At Yorozu, we aim to continuously evolve as a company that constantly delivers solutions to customers' needs on the strengths of our one and only technologies and developmental capabilities in suspensions. To that end, we have developed a value creation process designed to constantly deliver value to society, and we continue to evolve this process by bearing in mind the needs and expectations of society.

By continuing to enhance its value creation capabilities throughout the entire process, Yorozu will strive to realize sustainable growth and enhance corporate value.



Realization of
a sustainable society



Operating environment

Carbon neutrality by 2050

Stagnant global economy due to COVID-19 pandemic

Emergence of CASE

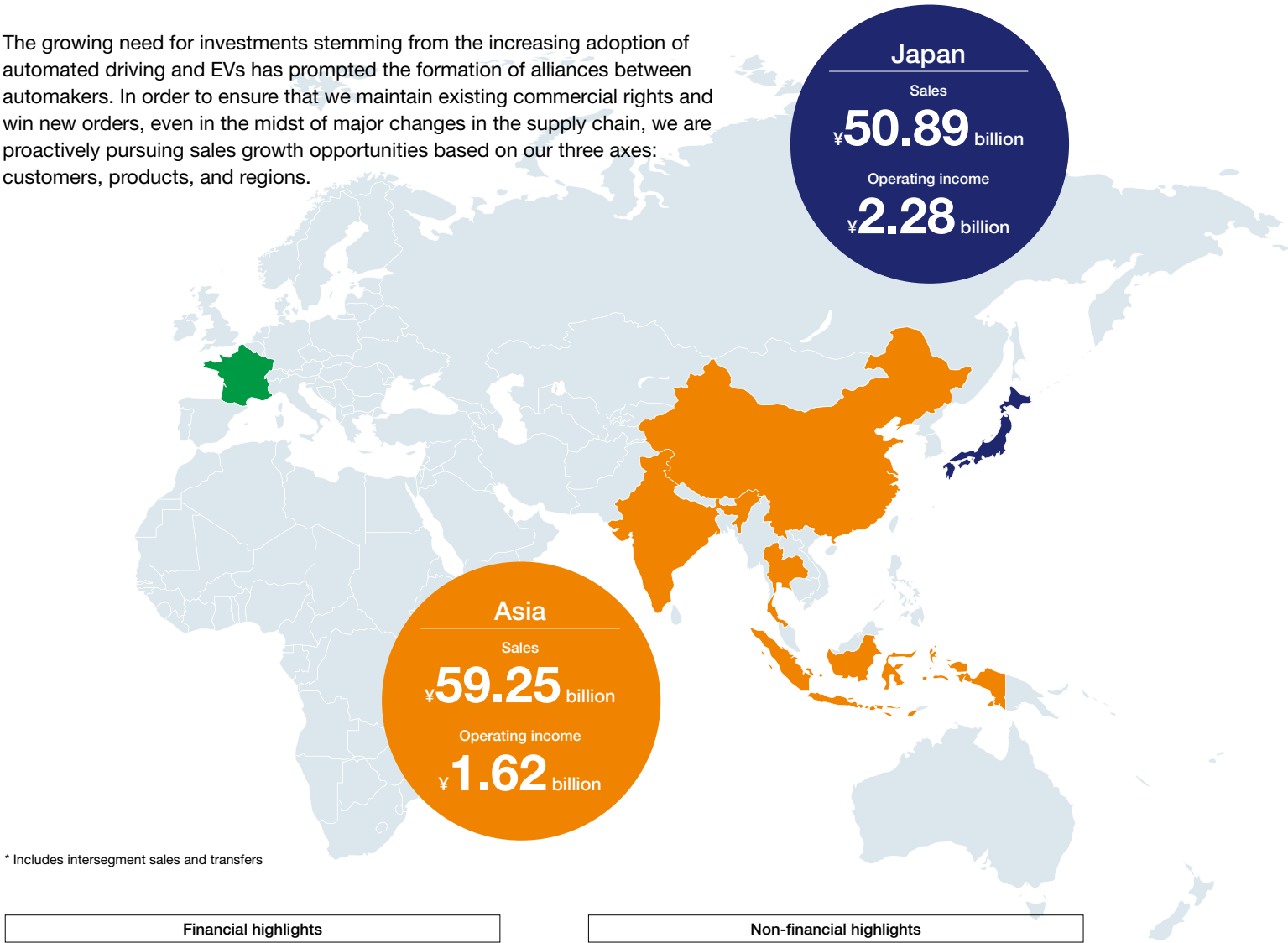
Large-scale investments
to address future needs

Strategic alliances
between automakers

Advancement of
workstyle reform

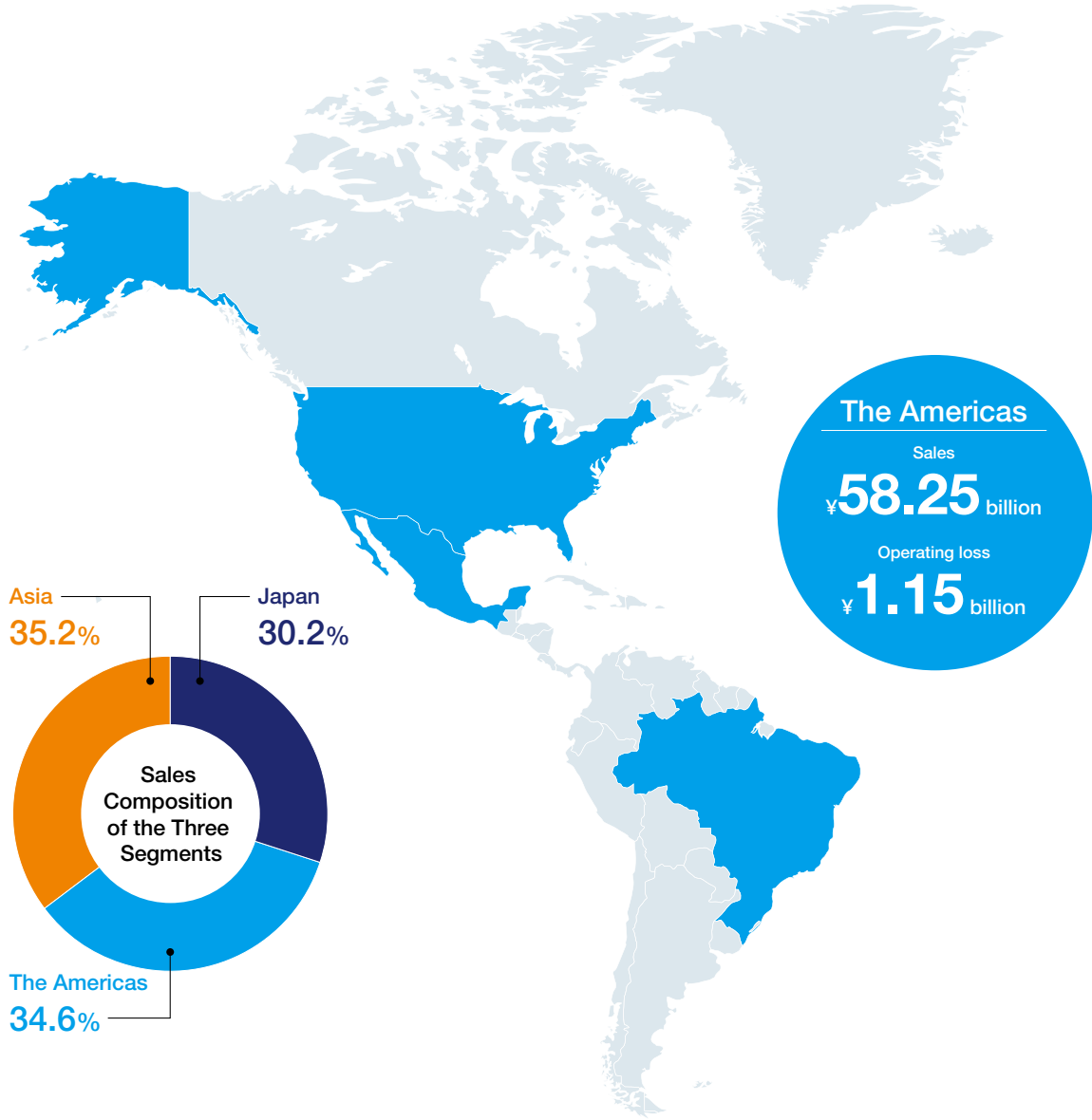
Yorozu at a Glance

The growing need for investments stemming from the increasing adoption of automated driving and EVs has prompted the formation of alliances between automakers. In order to ensure that we maintain existing commercial rights and win new orders, even in the midst of major changes in the supply chain, we are proactively pursuing sales growth opportunities based on our three axes: customers, products, and regions.



* Includes intersegment sales and transfers

Financial highlights		Non-financial highlights	
Sales	Operating income	Number of Group companies	Ratio of women in management positions
¥160.5 billion	¥3.0 billion	Number of companies 21	12.4%
		Number of countries 9	
ROE	R&D expenditures	Number of employees (consolidated)	Ratio of non-Japanese employees
2.4%	¥7.2 billion	5,726	5.5%



<Major customers>

- Nissan Group*1
- Volkswagen
- Toyota Group*2
- Suzuki
- Mazda
- General Motors
- Honda Group
- Mercedes-Benz Group
- Isuzu
- Ford
- Kubota
- UD Trucks

*1 Including sales to Renault and Mitsubishi
*2 Including sales to Hino, Daihatsu, and Subaru

Three Elemental Technologies Underpinning the Group's Innovation

We have continued to develop new stamping, welding, and coating technologies that catch the attention of the industry.

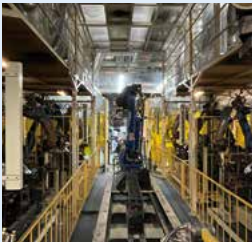
Stamping Technology

Yorozu has established a stamping technology that can form 780MPa- and 980MPa-class ultra-high-tensile-strength sheet materials, which are difficult to process, into complex shapes, thereby achieving lighter products through the reduction of material thickness. Moreover, a press machine is used to form multiple parts into a single component from the initial stage, instead of welding them together, thereby streamlining the welding process. We also engage in developing structural design and methods that fulfill parts functions.



Welding Technology

We work together with welding wire and welding machine manufacturers to develop products used in general arc welding processes; laser welding processes, which enable narrower welding with sufficiently deep penetration; and plasma welding processes, which do not produce spatter and minimize distortion and electrode wear, enabling high-quality welding processes to be performed for long periods of time. In addition to establishing stable welding technologies for ultra-high-tensile materials, we are making an all-out effort to reduce CO2 emissions from welding processes.



Coating Technology

Cationic coating is a painting process that uses electrolysis to cause a chemical reaction. Our ultra-thick cationic coating offers even more protection against rust as it is 1.7 times thicker than conventional coating. Moving ahead, we will work on new methods (electrification of heat sources, etc.) to reduce CO2 emissions.



Medium-Term Business Plan

Yorozu Sustainability Plan 2023

The Yorozu Group has been actively driving reforms to navigate the unpredictable times in line with our medium-term business plan, the Yorozu Sustainability Plan 2023 (YSP2023), launched in fiscal 2021. In fiscal 2023, the final year of the plan, we will expedite our internally defined “5G” initiatives aimed at building Yorozu's growth strategy to demonstrate our strong presence in the electrification era. By tackling various challenges, we seek to contribute to the realization of a sustainable society.

Fiscal 2023 Financial Targets

Sales

Consolidated sales

¥150 bil.

(FY2022 actual 160.5 bil.)

Operating Income Ratio

Consolidated operating
income ratio

5.0%

(FY2022 actual 1.9%)

Capital Efficiency

ROE

8.0%

(FY2022 actual 2.4%)

Management Policy

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

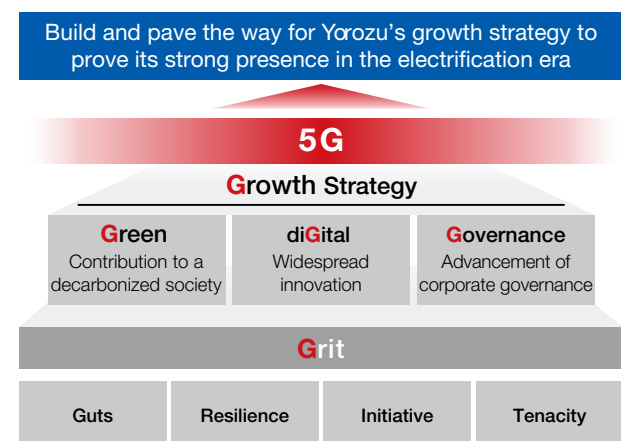
2 Stable Profits

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

3 New Technologies and Methods

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

5G Initiatives of Yorozu



Fiscal 2022 Performance

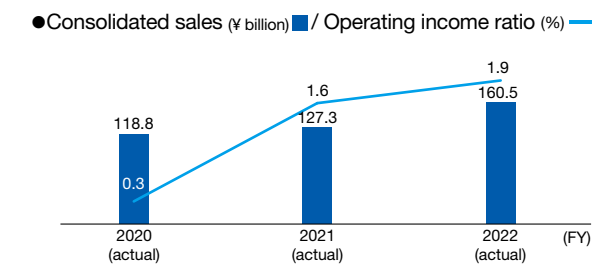
In fiscal 2022, the rising costs of raw materials, logistics, and energy led to a worldwide spike in inflation. Monetary tightening measures by the respective countries to address this issue also impacted economic recovery.

While the production volume of the automotive industry, to which our business is closely tied, is on a gradual recovery trend, the lingering impact of the semiconductor shortage and other factors continues to create an uncertain environment.

Against this backdrop, the Group's sales climbed 26.1% from the previous fiscal year owing to higher steel prices and yen depreciation. Operating income surged 47.3% year on year due primarily to efforts to enhance

operational practices aligned with production volume fluctuations and to suppress fixed costs. Ordinary income was up 31.0%, due in part to the increase in operating income, while net income grew 62.3% year on year.

An annual dividend of ¥25 per share was paid, up ¥12 from the previous fiscal year, resulting in a dividend payout ratio of 42.4%.



Progress of Initiatives under YSP2023

■ Measures in Fiscal 2022

The Yorozu Group implemented a number of measures in fiscal 2022, the second year of YSP2023.

The Carbon Neutrality Office, established on April 1, 2022, has played a central role in speeding up our efforts, successfully transitioning the power consumption of four domestic sites—Yorozu Oita, headquarters, Shonai Yorozu, and Yorozu Engineering—to 100% green energy by fiscal 2022. This shift has resulted in a 48% reduction in CO2 emissions in Japan.

In addition, we secured two patented technologies for Arm with a New Stamping Structure and Arm Using Alternative Materials, which help reduce CO2 emissions through life cycle assessment (LCA), benefiting both society and our customers. Innovative products incorporating these patented technologies have been adopted in the latest electric vehicles (EVs) by Nissan Motor Co., Ltd. and Toyota Motor Corporation.

■ Priority Measures for Fiscal 2023

In fiscal 2023, we will focus on establishing a strong foothold in the era of electrification by implementing our strategy for sustainable growth and strengthening the foundation that supports our efforts.

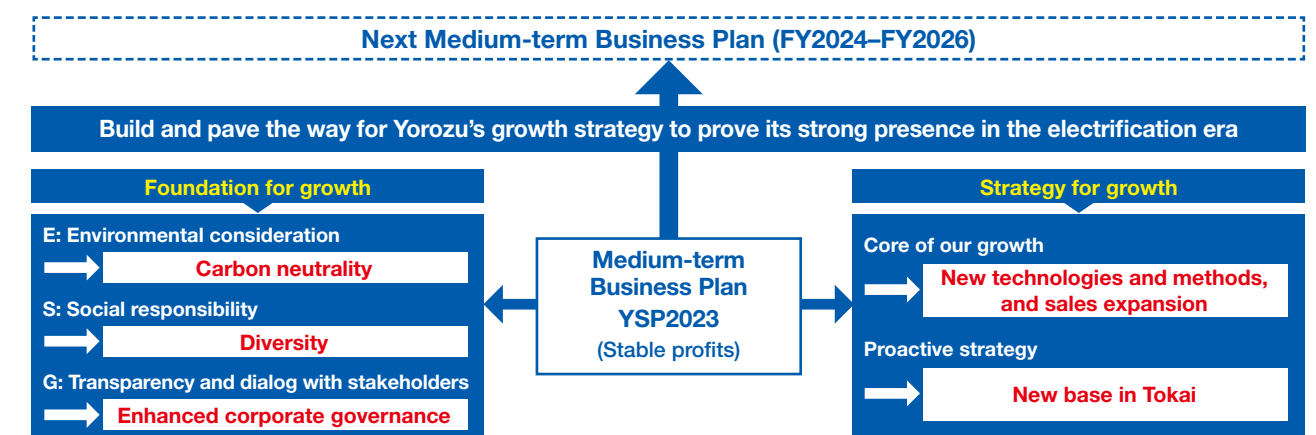
First, our priority to lay the foundation for growth is to further evolve and strengthen ESG management, which is a cornerstone of our operations. We are committed to robust corporate governance by focusing on environmentally conscious factory operations, addressing social responsibilities such as promoting diversity to drive our global growth, and upholding transparent and high governance standards. This enhanced corporate governance approach contributes to sustainable growth and

heightened corporate value.

Next, a key strategic focus is the development of new technologies and methods in pursuit of growth as well as sales expansion. We will accelerate our efforts for new technologies and methods that will constitute the core of our growth. In addition, we will undertake numerous initiatives to showcase our competitive strengths at the new Tokai base, scheduled to start operation in fiscal 2023, as a strategic base for sales expansion.

Firmly aligning these key initiatives for fiscal 2023 with the upcoming medium-term business plan to be announced next fiscal year will provide a springboard for enhancing corporate value.

● Key Initiatives for FY2023



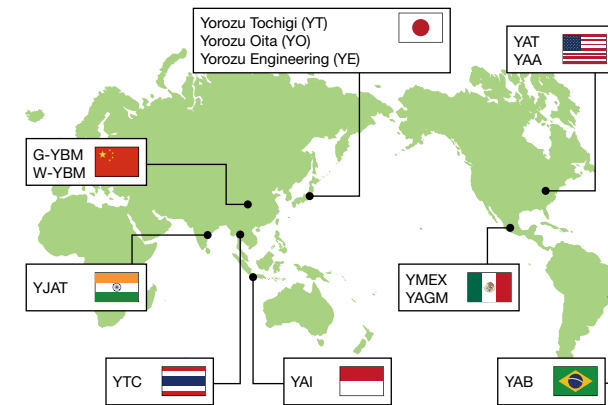
Yorozu Sustainability Plan 2023

Reducing Weight through the Commercialization of Ultra-High-Tensile-Strength Materials (980MPa)

In response to the growing need for lighter suspension parts due to the added weight of EVs, we spent years developing stamping and welding techniques that utilize ultra-high-tensile-strength materials to make thinner sheet products. We have now successfully commercialized these innovations. A weight reduction of approximately 15% in suspensions set for market release in fiscal 2023 will contribute to a significant decrease of about 41,000 tons in CO2 emissions*. Moving forward, we aim to utilize these high-performance large stamping machines capable of handling ultra-high-tensile-strength materials in our production facilities to further expand our market presence.

* Calculation based on a model lifespan of six years and 200,000 units/year, at the time of vehicle adoption

●Plants equipped with large stamping machines ranging from 1,000 to 3,500 tons



Approach to Reducing Fixed Costs

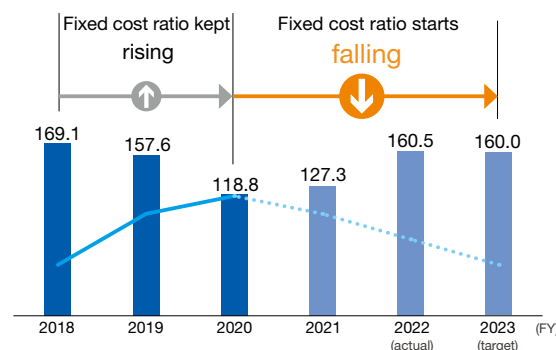
Under the “stable profits” initiative of YSP2023, the Yorozu Group is working to develop a corporate structure that is more resilient to fluctuations in production volume by shedding fixed costs through rationalization and less capital investment. Regarding our capital investment plan, we are verifying and managing our investment portfolio with an eye on achieving our fixed cost ratio target. We are working to reduce the amount of project investments, which account for the majority of our capital investments, by fully embracing the three Rs (reduce, reuse,

and recycle) and simultaneous engineering activities, in which all departments participating in product development are involved in the design process from the initial stages. Moreover, we make general investments based on the content and timing of maintenance of existing plant facilities.

Meanwhile, we will aggressively allocate resources to accelerating measures to realize carbon neutrality and our new Tokai base to achieve future growth.

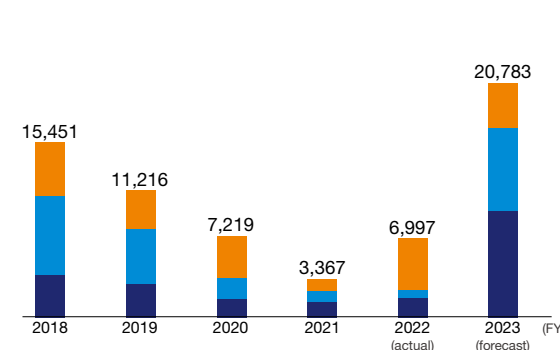
●Change in Fixed Cost Ratio (Target)

Consolidated sales (¥ billion) / Fixed cost ratio (%)



●Change in Capital Investment by Region

(¥ million) Japan The Americas Asia



Construction of New Tokai Base

Construction of the new Tokai base commenced in November 2022, and it is currently undergoing preparations to start operations during fiscal 2023. This facility's energy requirements will be met entirely through green sources, including on-site solar power generation, ensuring zero CO2 emissions, even from the heat source for boilers used in the painting facilities.

We will also actively engage with the local community

to address various challenges, such as carbon neutrality and disaster response, proactively fostering coexistence with the region.

By showcasing our environmental initiatives and community collaborations as a competitive edge, we aim to position our new base as a key hub for boosting sales of products for a wide range of EVs planned by our customers.

●Progress toward operation of new base

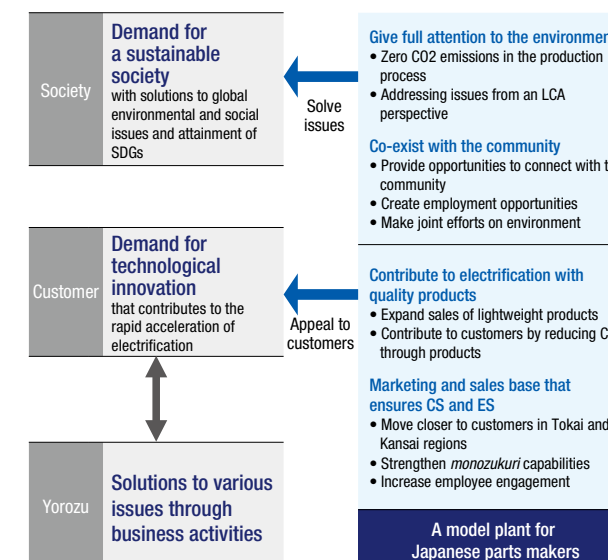


Location: Wanouchi-cho, Anpachi-gun, Gifu
Product: Automotive suspension parts, others
Site area: approx. 79,700 sq.m.
Total floor area: approx. 18,400 sq.m.
Investment amount: approx. 12 billion yen

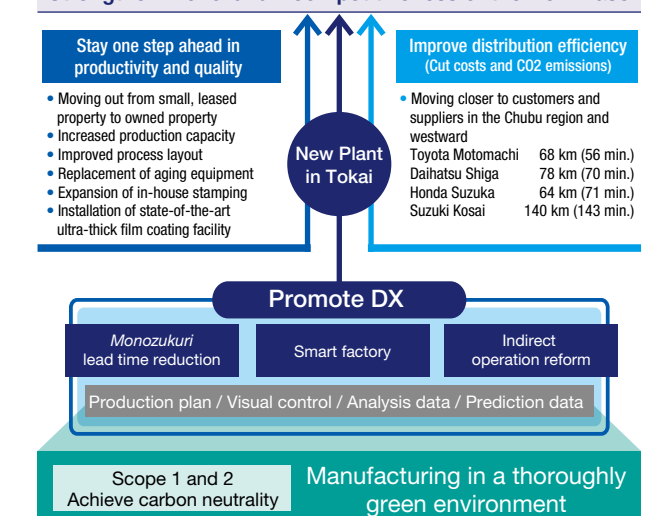


Groundbreaking ceremony held in November 2022

●Aim for the new Tokai base



Strengthen *Monozukuri* Competitiveness of the New Base



R&D Strategy

To achieve a decarbonized society, automakers are ramping up the market release of electric vehicles (EVs). However, EV weight tends to increase with the inclusion of drive batteries, advancements in noise reduction, and adaptation to CASE (Connected, Autonomous, Shared, Electric) technologies. This has precipitated the need for the development of lightweight structural components such as suspensions. We view this as an opportunity to enhance our competitiveness and will take action accordingly.

R&D Vision and Policy

To establish a strong presence in the era of electrification, a key focus of our strategy for sustainable growth is the development of new technologies and methods that maximize our unique capabilities in stamping, welding, and coating, as well as expanding sales. We are accelerating our efforts in this direction.

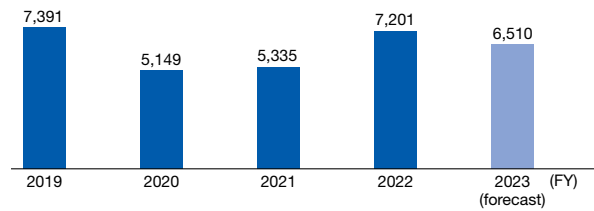
Employing ultra-high-tensile-strength materials (980 MPa) allows for thinner suspensions, while we are also actively pursuing alternative materials. Moreover, the incorporation of an optimal new structure in alignment with these enhancements not only reduces product weight but also streamlines manufacturing processes, leading to a reduction in CO2 emissions.

In fiscal 2022, we launched a new product for Nissan Motor's Serena and Toyota Motor's Prius and Lexus RX. The products utilize our patented technologies for

780MPa-class ultra-high-tensile-strength steel, thin-profile sheets, alternative materials, reduced processing, and fewer components.

We will continue our efforts in product development, emphasizing light weight and high rigidity, driven by the principles of high quality, affordability, and enhanced productivity as part of the Yorozu Group's goal of achieving carbon neutrality by 2040.

●Change in R&D Expenditures (¥ million)



Total Production System and Simultaneous Engineering

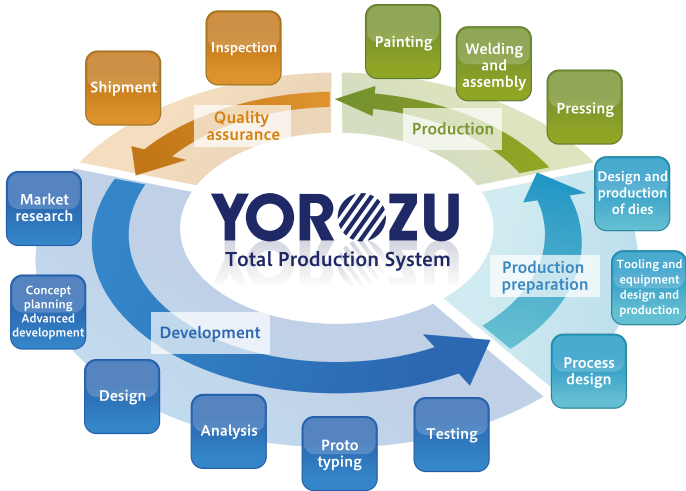
Yorozu's advantage in the development of suspension parts lies in our distinctive total production system.

Under this system, all processes are planned and conducted in-house, from research and development to design, production, and product marketing, drawing on more than 50 years of accumulated experience and extensive data. This provides us with a comprehensive

competitive edge.

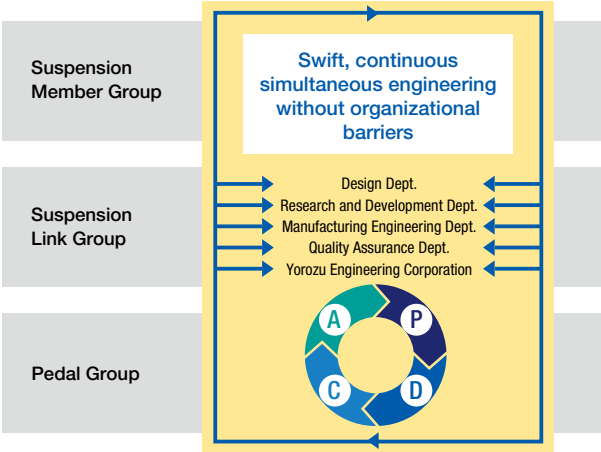
Since the processes are completed internally, we can rapidly share information across various processes. This feedback system allows us to harness the information for subsequent product development and production, resulting in improved productivity and enhanced competitiveness.

●Total Production System



In addition, during the development phase, we implement simultaneous engineering by concurrently engaging in both product design and production process design. This involves iterating through cost-minimization simulation cycles to minimize production costs. Applying the optimal product and production parameter data obtained from this process in the production preparation phase enables us to efficiently generate highly competitive products and boost profitability.

●Conceptual diagram of simultaneous engineering



Toward Enhanced R&D Capabilities

We are actively engaged in three development initiatives aimed at achieving products that satisfy environmental, performance, quality, and cost requirements to support our customers, the automotive makers, in their efforts to lower CO2 emissions and advance EV development.

The first development initiative involves strengthening our capabilities to propose steel products that reduce CO2 emissions.

In fiscal 2022, Arm with a New Stamping Structure and Arm Using Alternative Materials, our patented technologies, were employed in the latest EVs. We are making efforts to ensure these technologies are adopted in other new vehicles in fiscal 2023 and beyond.

The second development initiative involves lighter-weight products using ultra-high-tensile-strength materials and thinner sheets.

After years of development for stamping and welding techniques using thinner 980MPa-class ultra-high-tensile-strength materials, we have successfully translated our work into product realization, with a market release set for fiscal 2023. Going forward, we will leverage our high-performance, large-scale stamping machines at our production facilities to aim for further market expansion.

The third development initiative concerns meeting the requirements for the quietness of EVs.

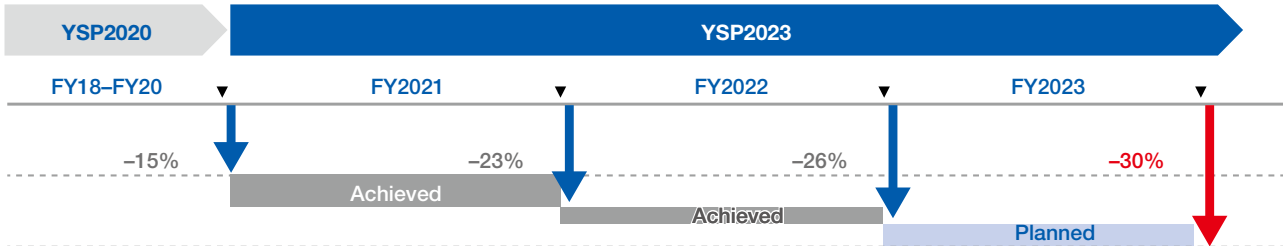
The shift toward vehicle electrification has generated demand for levels of quietness that exceed those required for traditional internal-combustion engine vehicles. We will also focus on developing elemental technologies in such areas as noise and vibration performance, aiming to enhance the distinctive capabilities of EVs.

In addition, we have been aiming to reduce weight by over 30% by fiscal 2023, a goal that has been in place since fiscal 2018 and outlined in YSP2023. We are well on our way to achieving this milestone.

The Direction We Are Heading

- Strengthen our capabilities to propose steel products that contribute to the reduction of CO2 emissions
 - Arm with a New Stamping Structure
 - Arm Using Alternative Materials
 - New burring design structure
 - Multi-material structure
- Lighter-weight products using ultra-high-tensile-strength materials (980MPa class)
- Meet the requirements for the quietness of EVs

●Achievements for reducing product weight



R&D Strategy

Steel Products that Contribute to CO2 Emissions Reduction

Reducing CO2 emissions is an urgent goal in achieving a decarbonized society. Due to their high material density, steel products often lead to added product weight, consequently raising CO2 emissions when driving a vehicle. We have engaged in research and development for the

significant challenge of weight reduction. Our efforts in this area have resulted in the development of two patented technologies: Arm with a New Stamping Structure and Arm Using Alternative Materials, both of which contribute to reducing CO2 emissions.

■Arm with a New Stamping Structure

The key aspect of the Arm with a New Stamping Structure lies in its lightweight design achieved through single-sheet stamping.

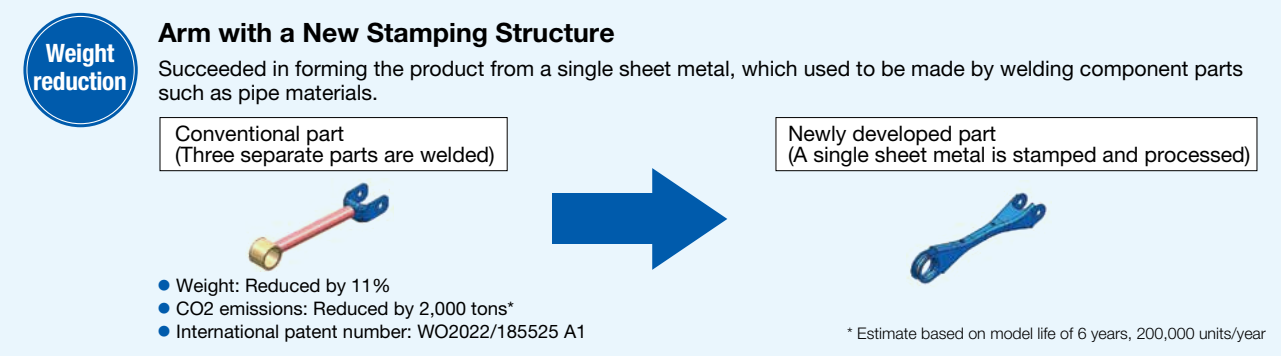
In the past, we procured component parts constructed from pipe material and welded three parts together. With the new structure, we reduced weight by removing the necessity for welding through the stamping of a single steel sheet.

By adopting this structure, weight is cut by 11%, reducing approximately 2,000 tons of CO2 emissions over the model's lifespan.

This technology also eliminates the need for welding equipment and thus lowers costs.

While it is a cost-effective product that meets performance criteria, shaping the curved upper surface is difficult. We effectively utilized multi-step forming simulations to address this complexity. The new stamping technique has been patented and ensures consistent quality and productivity even during mass production.

The technology is being used for Toyota's Prius and Lexus RX, and mass production has commenced.



■Arm Using Alternative Materials

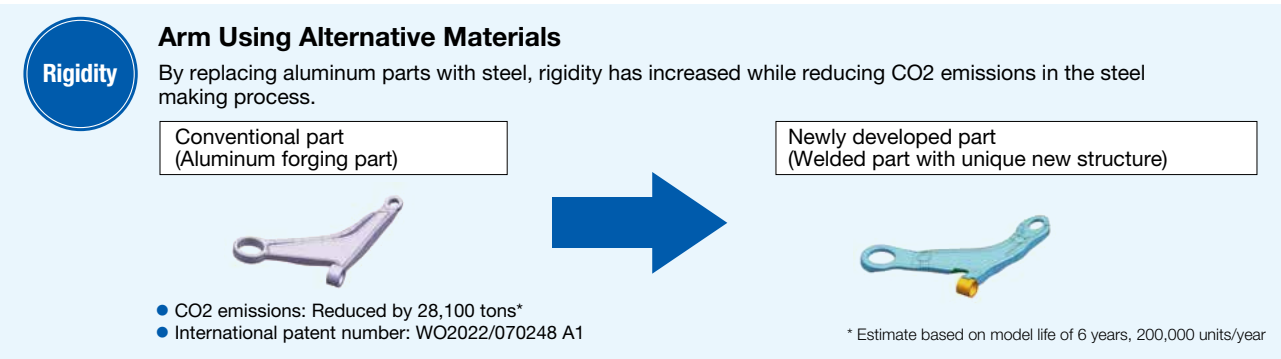
The key point of Arm Using Alternative Materials is to achieve steel arms with the same rigidity as forged aluminum arms.

Substituting steel for aluminum as the material can substantially reduce CO2 emissions during material production, potentially reducing emissions by approximately 28,000 tons over the model's lifespan.

Despite the challenges posed by stamping due to

vehicle layout requirements, we used our patented structural technology to create a steel product shape that ensures the same level of rigidity as forged aluminum products.

Our new design not only considers stamping formability but also prioritizes die mold durability, ensuring stable quality and productivity even during mass production. Meanwhile, using readily available, cost-effective steel



sheets results in cost reduction.

This technology has already been adopted in Nissan's Serena, and plans are in place to incorporate it into several other models in the future.

We will continue our efforts to expand sales of products adopting this innovation to achieve widespread weight reductions and realize carbon neutrality.

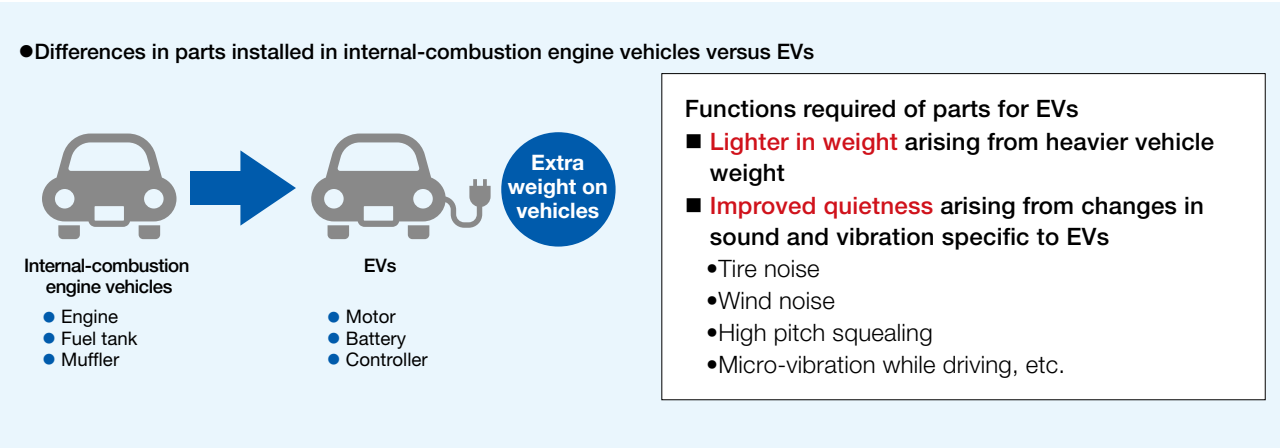
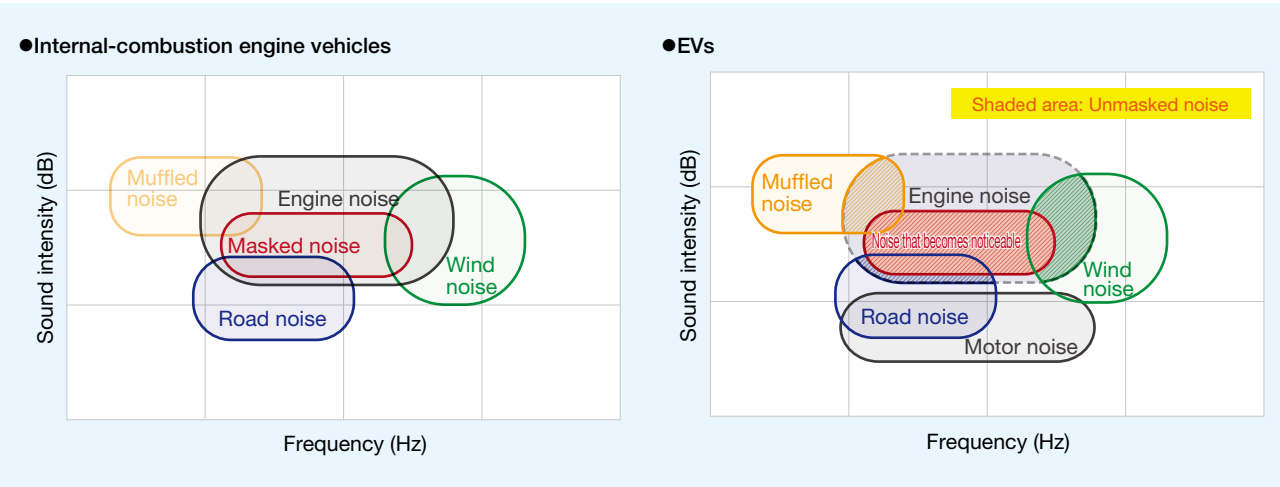
Addressing Demand for Enhanced Quietness in EVs

In EVs running on the electric motor instead of the gasoline engine, the level of noise and vibration is quite different from conventional engine-powered vehicles. As a result, there is a need for significant quietness.

In internal-combustion engine vehicles, noise and vibration are generated by the combustion of fuel inside the engine. In contrast, EVs experience smoother, subtle motor vibrations, leading to enhanced cabin quietness. Consequently, previously masked sounds such as tire noise, wind noise, high-pitched sounds, and subtle vibrations during driving have become more noticeable.

In response to the challenges presented by electrification, we recognize the importance of incorporating high levels of soundproofing and anti-vibration performance into our products. We are therefore committed to developing elemental technologies that secure precise control of noise and vibration.

Going forward, we will continue to develop technologies that address the unique challenges posed by EVs.



Human Resources Strategy

The purpose of our Corporate Philosophy states, “Our primary mission is to contribute to society by continually striving to deliver technological innovation and create products that are beneficial to people.” Guided by this purpose, we have established a clear policy regarding the development of human resources, our most important management resource. Based on the belief that individuals are valuable assets, we aim to nurture the continued growth of our employees and advance the Yorozu Group through dual approaches. One is to foster job satisfaction and enhance each employee’s abilities toward self-realization. The other is to provide the opportunity for employees to showcase the results of their education.

In formulating our medium-term business plan, we aligned our human resources strategy with our management strategy to drive digital transformation (DX) and enhance productivity. We are implementing specific measures based on the recognition that acting swiftly in this regard is of paramount importance.

Yorozu’s Human Resources Strategy

We aim to realize our 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.” Accordingly, our human resources strategy involves strengthening efforts to enhance employee engagement so that each person is highly motivated, proactively embraces challenges, and continues to transform our corporate culture.

Moreover, we aspire to create a healthy and engaging workplace and a company that every employee wants to work at and feels proud to be a part of.

To achieve both individual and organizational growth, we have identified three core initiatives as the pillars of our strategy: secure human resources, promote employee engagement reform and diversity, and foster a culture that respects diversity.

Recruitment Strategy

To prevail in the rapidly evolving global environment, gain a competitive advantage, and achieve sustained growth and medium- to long-term corporate value, we recognize the importance of bolstering our organizational capabilities by embracing diverse experiences and knowledge.

In order to achieve this objective, we actively pursue recruitment of mid-career individuals. As a result, the rate of mid-career employees in managerial positions stands at 39.5% as of March 2023.

Education Policy

The purpose of education is to nurture individuals (Yorozu Person) who bring value to the organization and support employees in achieving self-fulfillment. We consider a Yorozu Person to be an employee who, with a strong sense of ethics, continues to proactively recognize challenges, engage in problem-solving, and actively pursue learning and growth. We also believe it is crucial to create an environment that enhances employee engagement by sharing career plans and providing education programs with a medium- to long-term perspective.



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.	
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.	
Create a healthy and engaging workplace	
◇Secure human resources	1. Implement the acquisition, retention, development, and placement of self-driven talent to maximize their capabilities 2. Leverage a talent management system to place the optimal person in the optimal position within the Yorozu Group at the right time 3. Enhance employee well-being and engagement
◇Promote employee engagement reform and diversity	4. Evolve the Diversity Steering Committee, led by the President 5. Consider and implement systems that allow for flexible work arrangements tailored to individual circumstances and needs 6. Promote inclusive recruitment, hiring, and development practices that respect diversity, including gender, disability, age, LGBTQ+, and more
◇Foster a culture that respects diversity	7. Ensure psychological safety in the workplace 8. Promote continuous and voluntary skill development, including reskilling

Common training	General training	The Human Resources Department provides position-based educational opportunities for employees and paths to obtain the skills necessary for becoming a “Yorozu Person.”
	Improvements in global responsiveness	Based on career paths, the Human Resources Department works with other departments and sites to implement training with the objective of enhancing employees’ business English skills and their ability to communicate with people from different cultures while utilizing an overseas trainee system to improve openness to foreign cultures.
Professional training	Each department or site allows employees to systematically obtain necessary specialized skills based on a classification system for new, novice, intermediate, and advanced employee education programs. Employees can work on enhancing their own skills by proactively taking advantage of e-learning and distance learning programs.	
Other technical training and qualification acquisition	Employees have opportunities to obtain advanced technical skills and qualifications through education systems designed for learning the skills necessary for work and obtaining qualifications.	

Human Resources Strategy

Promoting Diversity

Based on the belief that the promotion of diversity, including but not limited to gender and nationality, leads to better corporate performance, the Yorozu Group

■Advancement of Female Employees

Yorozu has continuously worked to improve its environment, enhance its systems, and hold seminars to create a workplace where women can work more vigorously. These efforts were recognized in November 2021 when we were awarded Platinum Eruboshi certification. As a result, we became the first company based in Kanagawa Prefecture and the first manufacturing company in Japan to receive this certification. In March 2022, the Company



recruits, places, and develops its employees with the utmost respect for diversity.

established the Diversity Steering Committee headed by the president with the aim of increasing the percentage of diversity in management positions at its headquarters to 30% by fiscal 2030. The percentage stood at 22.2% at the end of fiscal 2022. In domestic locations where the promotion of female managers has lagged, we are actively working toward the goal of appointing at least one female manager by fiscal 2026. In April 2023, one female employee was appointed to a managerial position at Yorozu Oita.

■Proactive Hiring of Foreign Nationals

In addition to recruiting foreign students in Japan, Yorozu directly hires employees from Thailand and Vietnam and currently employs 25 highly skilled individuals also from countries, such as China, Sri Lanka, Malaysia, Russia,

and the U.S. Upon joining the Company, these employees receive Japanese language lessons and support through regular interviews to help them stay on the job.

■Opportunities for People with Disabilities

We also work actively to create employment opportunities for people with disabilities and offer a variety of jobs so they can play an active role. In order to promote employment in local communities, Shonai Yorozu holds

plant tours for neighboring companies and disability support centers to instill a deeper understanding of and interest in the experience of working with people with disabilities.

■Participation of Senior Employees

With the objective of enriching the professional lives of senior employees by ensuring a range of opportunities tailored to their needs and abilities, Yorozu increased employment options in April 2017. Employees aged 60 to 65 can work either as managerial contract employees, senior or emeritus experts, or part-time employees, while

those aged 65 to 70 can work at our Group company Yorozu Service Corporation. We have created a workplace environment where employees with a wealth of experience and knowledge can stay on board, which has been well received as proven by the continuous employment rate of 100% for employees aged 60 and over in fiscal 2021.

■Encouraging Male Employees to Take Childcare Leave

At Yorozu, we support work-life balance by encouraging male employees to take childcare leave, and as a result, 40% of male employees on average took the leave between fiscal 2020 and fiscal 2022. In addition to taking advantage of the Child Care and Family Care Leave Law revised in April 2022, we are working to increase an understanding in the workplace by posting articles in the

Company magazine about fathers who have taken childcare leave and sharing the experiences and benefits of taking the leave at management training sessions. In recognition of such efforts, we were granted the “Kurumin” certification in June 2023.



Employee Engagement Reform

Since 2017, Yorozu has implemented a workstyle reform. In fiscal 2021, we took one step further with measures aimed at enabling employees to gain a greater sense of fulfillment in their work. We took a variety of actions to turn Yorozu into a company that each and every employee wants to work at and feels proud to be a part

of. We will take necessary steps to increase employee engagement based on the belief that enhancing productivity and creativity will lead to better business performance and become the source of our sustainable corporate growth.

■Clearer System for Target-Setting and Evaluation (KPI System)

We believe that in order to maintain a high level of job satisfaction, a proper system must be in place to give our employees the opportunities to take on challenging tasks, foster the willingness to go above and beyond their assigned tasks, and build trust in management. Based on this belief, in fiscal 2022 we revised our manager evaluation system and adopted

key performance indicators (KPIs) based on YSP2023, which all manager position holders are required to set. Through this approach, we will work to ensure that all management staff are able to gain a sense of connection between their work and management policies and thereby enhance their job satisfaction.

■Enhancing the Work Environment

While we have consistently aligned our talent placement with our management strategy to help our employees demonstrate their full potential, we introduced a new talent management system in fiscal 2023 to better understand our human capital and enhance its value. Moving forward, we will create a human resources strategy that

aligns with our management strategy by selecting the talents needed for our human capital portfolio based on competencies and experiences. In cases where we need to supplement our workforce, we will implement reskilling efforts and consider external hiring.

■Widespread Shift to Teleworking

Yorozu regards remote work, which accelerated due to the spread of COVID-19, as a standard mode of work. As such, we aim to have 50% of office employees work from home and have achieved this goal. With a perspective that considers not only the business continuity plan (BCP) but also the efficient utilization of office space, securing top-tier talent, and improving retention, we have adopted a hybrid approach that combines office-based

work with telework without reverting to our previous work arrangements. To address one of the challenges posed by teleworking—a potential lack of communication—we are leveraging a team chat app and facilitating continuous one-on-one meetings and record-keeping between supervisors and team members. We will continue to explore new ways of working while addressing teleworking challenges revealed through employee surveys.

■Free-Seating Office

In May 2021, we implemented office layout improvements at our Yokohama headquarters, transitioning to a free-seating system. This system has led to streamlining in various aspects, including 2S (sorting and setting in order), increased and more robust communication across departmental boundaries, cost reduction, enhanced productivity, and improvements in the workplace environment.

The adoption of the free-seating office extends beyond our headquarters to encompass administrative departments in our factories. In July 2022, we introduced a flexible seating arrangement at our Yorozu Oita office, resulting in a notable reduction in desk numbers, increased meeting space, and enhanced communication facilitated by the closer proximity of different departments. We intend to replicate this approach at our other domestic locations.

Human Resources Strategy

■Promoting Health and Productivity Management

In line with the workstyle reform implemented in 2017, Yorozu issued its Health Management Declaration in October 2019. As a result of efforts to create a healthy and rewarding workplace based on this declaration, it was recognized as an Excellent Enterprise of Health & Productivity Management under the large enterprise category for the third straight year from 2021. In 2023, we obtained certification for the entire Group, including the headquarters and six domestic locations.

<Health and productivity management activities>

- Create a motivating workplace
- Promote health enhancement and prevention of lifestyle-related diseases
- Advance mental health measures
- Encourage to quit smoking
- Enhance health education
- Support the balance between work and medical treatment

In fiscal 2023, we are expanding our initiatives from the previous year with plans to introduce a health app, enhance post-health-check-up measures, provide health information and consultation support for employees on overseas assignments, provide mental health education, and hold seminars for the elderly. These enhancements in our health and productivity management initiatives play a pivotal role in addressing health-related concerns and enhancing the performance of each employee. We will continue to promote health and productivity management aimed at ensuring that all Group employees can work healthily, energetically, and sustainably.



▶ For more information on our health and productivity management, please visit the following webpage (in Japanese). <https://www.yorozu-corp.co.jp/share/uploads/2023/03/kenkou.pdf>

Human Rights Policy

The Yorozu Group upholds various international norms related to human rights and explicitly states its commitment to respecting human rights and diversity in its CSR policy to protect the human rights of all stakeholders. To further strengthen our initiatives, we established a new Human Rights Policy, which was approved during the

Management Meeting held in June 2023.

▶ For more information on our Human Rights Policy, please visit the following webpage (in Japanese). <https://www.yorozu-corp.co.jp/share/uploads/2023/07/jinken.pdf>

■Human Rights Policy Overview

This policy represents the highest-level directive concerning human rights in the Yorozu Group's business activities that must be upheld by every Group employee. The policy explicitly defines the scope of application and emphasizes

●Due Diligence Process

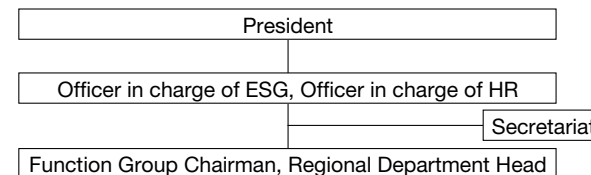


1. Prepare and disseminate human rights policies
2. Identify the company's potential risk
3. Take relief measures
4. Identify and evaluate impacts
5. Take corrective action
6. Prevent and mitigate
7. Track and observe
8. Disclose information

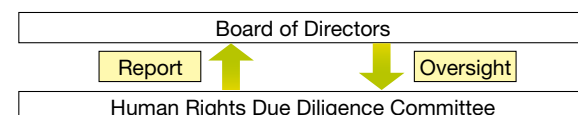
*In accordance with OECD Due Diligence Guidance

our commitment to engage in dialogues and consultations with stakeholders concerning human rights due diligence. We will continue efforts to mitigate the risk of human rights violations.

●Organization: Human Rights Due Diligence Committee



●Monitoring System



Human Rights in the Supply Chain

The Group strives to build relationships of trust with all of its business partners through adherence to laws and regulations, respect for the global environment and human rights, and procurement activities that stress the importance of fairness and transparency. As part of these efforts, we established the Yorozu Green Procurement Guidelines in 2015, in which we asked our suppliers and subcontractors to cooperate with our environmental conservation efforts. In 2022, we revised these guidelines to reflect Yorozu Global Environmental Vision 2040, announced in 2021. The same year, Yorozu established the new Yorozu Sustainability Guidelines, in the belief that we must develop our business while identifying and

responding to changes to the planet and in society, and emphasizing the importance of sustainability and social trust. Based on these guidelines, we request cooperation from all business partners. We also conduct human rights due diligence based on the Human Rights Policy formulated in June 2023. To confirm compliance with the guidelines and the status of human rights due diligence, we will continue to comprehensively assess the suppliers' activities relating to legal compliance, environmental considerations, respect for human rights, and occupational health and safety using a sustainable procurement check sheet.

"My Declaration of Human Rights"

On May 12, 2023, Yorozu pledged its support for "My Declaration of Human Rights," promoted by Japan's Ministry of Justice. "My Declaration of Human Rights" is an initiative aimed at achieving a society where everyone respects human rights by declaring their commitment to taking actions that respect human rights, whether as a company, organization, or individual.



▶ For more information on "My Declaration of Human Rights," please visit the following webpage. https://www.jinken-library.jp/my-jinken/company_detail.php?p=MDAwMDAwNzZmMQ



Internal Training and Development

Our efforts to prevent human rights violations require us to demonstrate appropriate consideration for all stakeholders involved in our business activities. We believe that every employee needs to have a correct understanding and a strong awareness to effectively implement this commitment. To this end, the Yorozu Group conducts annual training sessions for executives and managers to prevent all forms of harassment. In March 2023, we conducted training on sexual orientation and gender identity

(SOGI) harassment prevention. To ensure that the results of the training are not temporary, we have placed posters in all domestic Group locations, creating an environment where employees are constantly aware of their actions and strive to prevent harassment. Through ongoing education and training, we will continue our efforts to ensure that each employee understands the importance of respecting human rights in business.

Messages from Company Employees

Under our ESG management, we have created an environment where diverse employees can thrive while showcasing their individuality. Here, we present messages from employees taking steps to be the source of value creation.

Creating an Environment Where Efforts Are Rewarded

I help create personnel systems in the Human Resources Department, proposing new systems such as for teleworking and remote working. Another example is the talent management system called “kaonavi” to enhance human capital management.

I joined Yorozu as a mid-career female manager. During the job interview, I felt that my achievements were evaluated without being influenced by age or gender. Also, the roles and responsibilities assigned to me upon joining were clearly defined. Consequently, I encountered minimal challenges after becoming part of the Yorozu team. I consider my joining Yorozu as a fortunate opportunity in the context of promoting diversity.

In April this year, I was promoted to the general manager of the Human Resources Department, and when I received the news of the promotion, I honestly questioned whether I was the right person for the role. However, during a conversation with President Hiranaka, I received guidance on the importance of building a track record of successful experiences and the unwavering rewards of hard work. Once I realized that my own efforts had been

acknowledged and valued, I began to view the promotion as a chance I shouldn't miss. I also wanted to reciprocate the kindness shown to me at Yorozu for respecting my opinions and creating an environment where I could fully concentrate on my work.

Disclosure of human capital information became mandatory this fiscal year. Various initiatives, including job-based employment, the development of self-driven personnel, reskilling, and well-being, have taken center stage. With a focus on aligning the human capital strategy with Yorozu's management strategy, I aspire to continue developing an improved personnel system that benefits our employees and the company alike.



Hiromi Kurata
Shukan (General Manager),
Human Resources Department

Taking Parental Leave during the COVID-19 Pandemic

I work in the Quality Assurance Department, where I am responsible for quality control plans for new parts and quality checks prior to mass production. My responsibilities encompass a wide range of tasks, from creating quality control planning documents to assessing mass-production management methods for new parts.

I was initially drawn to Yorozu by a poster for the Nissan GTR I adore, which I saw at a job fair on my university campus. Attending Yorozu's orientation session further piqued my interest when I learned that Yorozu is a global company with two locations in my home country, China. I realized that I could engage with various manufacturers in the automotive industry that I was interested in and fully utilize my abilities. After joining the company, I initially faced



You Rui
Quality Assurance Department

some challenges with the Japanese language. I struggled with terminology, internal jargon in *katakana*, and abbreviations, and it took some time to fully understand my job. Fortunately, with the support and guidance from my superiors and colleagues, both professionally and personally, I was able to gradually overcome these hurdles and adapt.

In 2021, I took parental leave when my second child was born. It was during the COVID-19 pandemic, so we couldn't return to China or receive support from our parents. However, since I had prepared a parental leave plan in advance for the smooth handover of my duties, I had no concerns about work during that period. My wife and I shared childcare and household responsibilities during my leave. I also had time for activities like reading, so my days were very fulfilling. When China's entry restrictions were finally lifted, I sent my wife and children back to China and returned to work. Despite changes in job responsibilities and organizational structure made during my absence, which presented certain challenges, I managed to adapt successfully with the support and assistance of my superiors and colleagues.

Environmental Management

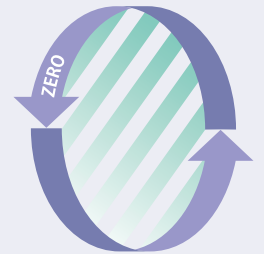
Environmental Philosophy

We will appreciate the bounty of nature as we pursue growth in harmony with the natural environment.

Yorozu Global Environmental Vision 2040

The Yorozu Group is fully committed to taking actions to solve environmental issues with the aim of contributing to healthy and prosperous living for all people around the world.

- Climate change: Work to become carbon neutral by 2040
- Resource recycling: Make the most effective use of our limited resources for sustainable circulation



Vision 2040
YOROZU



Pressing Forward with Environmental Management Toward a Sustainable Society

Hiroshi Kume

Executive Vice President (EVP)
General Manager of ESG Office
General Manager of Carbon Neutrality Office
General Manager of Internal Auditing Office

The environmental conservation efforts of the Yorozu Group have evolved in line with the development of the automotive industry and the accompanying expansion of our business. In the early 2000s, we positioned environmental conservation as a matter of priority, incorporating it into the Yorozu Group Charter of Corporate Behavior. Since then, in addition to obtaining ISO 14001 certification—the international standard for environmental management systems—at each of our operating bases, we have implemented a plan-do-check-act (PDCA) cycle to continuously improve our environmental practices. Through external audits and ongoing certification, we have worked to elevate our environmental standards. With the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement in 2015 and ESG investment becoming mainstream over the years, the focus has shifted from environmental conservation to environmental management.

In particular, as a responsible member of the automotive industry, our commitment to carbon

neutrality must be passed on to the next generation. We believe it is the shared duty of the entire automotive industry, including our Group, to ensure the continuation of a society in which people can live with peace of mind and contribute to the development of automobiles and other forms of mobility that enable future generations to move freely.

The Group's carbon neutrality initiatives are based on four measures: energy conservation, adoption of renewable energy, procurement of green energy, and fuel conversion. Guided by our Corporate Vision formulated in 2021, we are procuring green energy and installing solar power generators in Japan and overseas. Moreover, we are dedicated to achieving 100% carbon neutrality at the new Tokai base, aiming for it to serve as a model factory for parts manufacturers in Japan. To accelerate these efforts, the ESG Office and Carbon Neutrality Office are taking the lead in driving Company-wide carbon neutrality initiatives.

Environmental Management

Response to TCFD Recommendations

Climate change, which poses a significant threat to global society, the economy, and the environment, has been intensifying year after year, presenting significant obstacles to our business activities. Since the formulation of its Environmental Policy in 2009, the Group has looked ahead and has been working to address climate change and other environmental issues along the path to realizing a



sustainable society through business activities.

The Group assesses the impact of the business risks and opportunities presented by climate change in accordance with the framework of the TCFD and discloses information from the four perspectives of “governance,” “strategy,” “risk management,” and “metrics and targets” as well as its scenario analysis.

■Four Perspectives on Disclosure Based on the TCFD Recommendations

Perspectives	Status of response	Relevant information
Governance	As part of the medium-term business plan, Yorozu Sustainability Plan 2023 (YSP2023), we have adopted ESG management as a key strategy. We have also formulated the Yorozu Global Environmental Vision 2040 and made a formal commitment to achieving carbon neutrality by 2040 through a resolution passed at our Board of Directors' meeting. In addition, the Management Meeting plays a vital role in sharing information about climate change-related business risks and opportunities. This body decides on the necessary measures to address these issues and presents detailed reports to the Board of Directors for their approval. Moreover, the President holds the utmost responsibility and authority for addressing climate change issues and ensuring the effectiveness of environmental management efforts, including those for climate change. The officer in charge of ESG, appointed by the President, is responsible for promoting environmental management, including climate change-related issues. This officer provides regular progress reports to the Management Meeting and Board of Directors. Decisions regarding management matters are made following deliberations and based on the judgment of the President.	Corporate Governance Structure https://www.yorozu-corp.co.jp/en/csr/governance/corporate-governance/
Strategy	A common awareness exists around the world that carbon neutrality is a matter of urgency that concerns everything on the planet. Therefore, any delays in acting on the issue would increase the risk to our business, and we must work to realize our goals as quickly as possible. As specific risks over the medium to long term, we foresee potential financial impacts stemming from climate change-related regulatory changes and tax reforms. Also, advancements in weight reduction technologies aimed at lowering the weight of our products, which can affect the CO2 emissions from vehicle operation, may impact orders received. Nevertheless, we view these challenges as major business opportunities that we are proactively and eagerly pursuing. Further, in the short and medium term, we recognize the possibility of increased natural disasters due to climate change, which could lead to pollution in rivers and other areas. We believe that by promptly and appropriately addressing these issues, we can effectively mitigate the associated risks. The world is seeing a growing trend for EVs, and the same can be said of Japan, particularly with hybrid vehicles (HVs). As improved fuel efficiency and cruising distance call for lighter components, there is a greater need than ever to reduce the weight of the parts we develop and manufacture. For this reason, the adoption of new materials and R&D in new technologies and manufacturing methods to produce lighter components is the core of our business strategy. The Yorozu Group has assessed the impacts arising from climate change under both future scenarios of 1.5°C and 4°C temperature rises. We will incorporate the risks that have particularly significant impacts into our future management strategy. (See page 33 for an analysis of the scenarios.)	Yorozu Sustainability Plan 2023 (YSP2023) Medium-Term Business Plan https://www.yorozu-corp.co.jp/wp-content/themes/YOROZU%201.0.3/images/en/investors/YSP2023_E.pdf
Risk management	We are addressing environmental issues by leveraging our environmental management framework and integrating risk management into our environmental management structure, with the President leading the way. To address short-, medium-, and long-term risks, we have developed strategies to minimize their impacts and integrated them into Company-wide operational plans. Yorozu focuses on the following three approaches to tackle the risks and opportunities associated with climate change. 1. Pursuing carbon neutrality throughout the production process [Risk: Laws and regulations] (Medium/long term) Taxes imposed on CO2 emissions would increase expenditures and put a damper on profits. [Opportunity: Energy sources] (Short/medium term) In-house electricity (solar power) generation would curb costs while energy prices surge due to energy security issues. 2. Reducing CO2 emissions from vehicles by using lighter components [Risk: Technologies] (Medium/long term) The weight of automotive components has a significant influence on CO2 emissions from vehicles on the road. Therefore, delays in lightweight engineering may pose a threat to our business continuity. [Opportunities: Products] (Short to long term) The products we develop and manufacture are mainly suspension parts, which are also indispensable to EVs. Therefore, the development of lighter components will play a key role in improving fuel efficiency and cruising distance in the future. 3. Reducing risks associated with intensifying storms and torrential rains [Risk: Legal matters] (Short/medium term) Heavy rainfall from typhoons and torrential downpours can cause the leakage of untreated factory wastewater, polluting nearby rivers and oceans. [Opportunity: Resilience] (Short/medium term) Wastewater is treated on-site and maintained within regulatory limits, building trust with local communities. To minimize the impact on nearby communities in the event of an emergency, we regularly conduct drills and are prepared to respond to the situation in a timely manner. These plans and initiatives are decided upon following reporting to and approval from top management. Their details are then disseminated throughout the Company, and they are linked to the operational plans or environmental activity plans of each department.	Internal Control System https://www.yorozu-corp.co.jp/en/csr/governance/internal-control/

Perspectives	Status of response	Relevant information
Metrics and targets	In terms of pursuing carbon neutrality throughout the production process, we aim to achieve carbon neutrality by 2040 and a 50% reduction in Scope 1 and 2 emissions by 2030 compared to 2013 levels. To reduce CO2 emissions from vehicles using lighter components, we aim to reduce weight by 30% or more compared with fiscal 2018 levels by developing technology for ultra-lightweight, ultra-high-tensile-strength suspensions.	Please refer to pages 35 and 52 for details on the Group's Scope 1 and 2 emissions.

■Strategy: Scenario Analysis

1) Assumed environment

We have analyzed scenarios for both 1.5°C and 4°C global temperature rises in the future by considering the timings when decarbonization trends in society become clearer and when physical risks become more pronounced. Given our commitment to achieving carbon neutrality by 2040, we believe it is appropriate to focus on the latter half of the 2030s leading up to 2040 for conducting this analysis.

Scenarios (condition in the latter half of the 2030s for the two scenarios)	Risks	Assumed environment
1.5°C	Transition risks	(Impact: High) Globally, policies and regulations aimed at a decarbonized society are strengthened and effectively enforced. As a result, companies face increased manufacturing costs through compliance efforts or carbon taxes.
	Physical risks	(Impact: Low) Physical risks are maintained at a low level and remain consistent.
4°C	Transition risks	(Impact: Low) New policies and regulations are slow to be introduced, leading to a continued increase in CO2 emissions. As a result, the manufacturing costs for companies remain largely unchanged from the current level, and transition risks are low.
	Physical risks	(Impact: High) Due to significant changes in weather conditions and the global environment, large-scale disasters increase worldwide. As a result, there is a risk of substantial operational disruptions becoming a regular occurrence, not only for the Company but also in our supply chain.

2) Risk materiality assessment

		Potential risks	Business impact	Risk mitigation and opportunities
Transition risks (1.5°C)	Carbon pricing (policy)	The implementation and strengthening of CO2 emissions taxation by various governments result in increased manufacturing costs and a deterioration of financial metrics.	Medium	• Achieve carbon neutrality for Scope 1 and 2 emissions by 2040 (avoid taxation). • Collaborate throughout the supply chain to minimize cost increases. • Procure renewable energy (solar power generation facilities, green energy sourcing) and enhance logistics efficiency, etc.
	Strengthening of decarbonization policies	Stringent regulations on fossil fuels lead to price hikes and scarcity, resulting in increased operational costs.	Medium	
	Rapid shift to zero-emission vehicles (ZEVs) (market)	If we fail to respond promptly to a rapid increase in demand for ZEVs such as EVs and FCVs due to rising fossil fuel costs driven by various regulations, we may miss out on business opportunities.	Medium	• Analyze industry trends and demand effectively and promote lightweight technology to expand sales.
	Proliferation of decarbonization technologies (market)	Failure to keep up with the development of new materials and lightweight solutions for emerging mobility options such as EVs could result in losing favor with key customers.	High	
	Investor behavior (reputation)	If the decarbonization of products (including in the entire supply chain, such as for materials) lags behind, shareholders may leave.	High	• Can mitigate risks by continuously developing corporate capabilities, such as unique product development expertise and manufacturing technology, over the long term.
Physical risks (4°C)	Temperature rise (chronic)	Rising temperature inside factories and deterioration of the working environment may make it difficult to recruit workers (regions with high temperatures).	Medium	• Improve work environment. • Take steps to improve employee satisfaction (ES) (become a people-friendly company). • Continue to promote the concept of "local production for local consumption" and collaborate with customers and suppliers to reduce long-distance transportation while strengthening cooperation within the local automotive industry (both customers and suppliers). • Enhance business continuity planning (BCP) capabilities within the supply chain.
	Extreme weather (acute)	Intense rainfall from typhoons and storms can lead to supply chain disruptions, suspension of customer operations, decreased production, and an increase in equipment failures due to water leaks.	High	

3) Results of analysis

Impact on Yorozu's business	The analysis of the potential impact on our business in the latter half of the 2030s under scenarios of 1.5°C and 4°C temperature increases suggests that for items where the impact is significant, appropriate risk mitigation measures can avoid adverse effects and are even likely to create opportunities. As a strategy for the future, we believe it is important to ensure the achievement of the following two points: • Realize carbon neutrality by 2040 • Effectively advance lightweight technology for our products to enable flexible adaptation to changing mobility trends
Future initiatives	• Conduct further in-depth, quantitative analyses, establish long-term CO2 reduction targets based on this data, and implement and disclose initiatives. • Engage in dialogues with investors and other stakeholders regarding initiatives and connect this with further analysis and disclosure.

Environmental Management

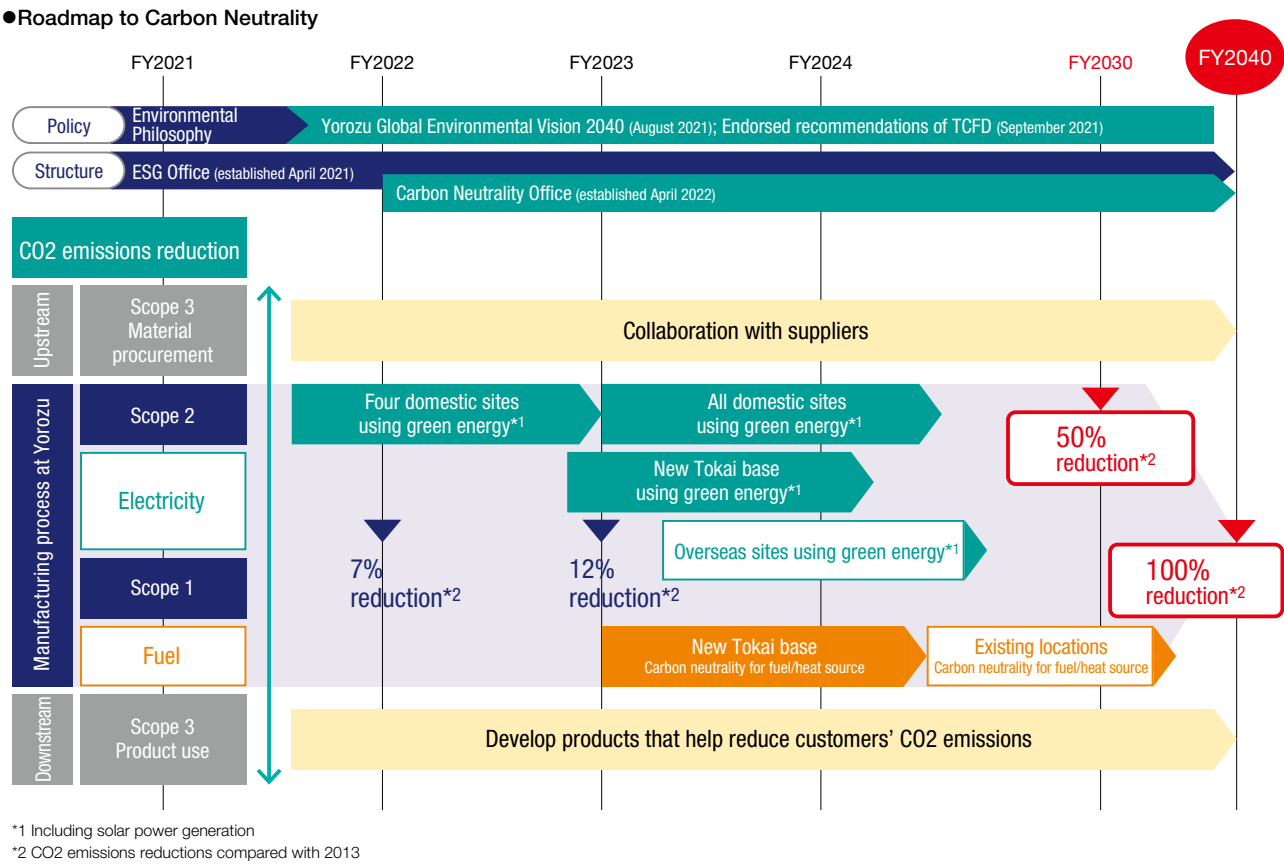
Our Approach to Carbon Neutrality

In Yorozu Global Environmental Vision 2040, we have set forth the ambitious goal of realizing carbon neutrality by 2040. (See chart below.)

To extend the activities across the entire organization, Yorozu established the ESG Office in April 2021 and the Carbon Neutrality Office in April 2022. As CO2 emissions linked with business growth and production volume prominently increase, we are making efforts to improve the production process by engaging in (1) energy conservation, (2) adoption of renewable energy, (3) procurement of green energy, and (4) fuel conversion.

To reduce CO2 emissions from fuel combustion (Scope 1), we advance decarbonization and low-carbon efforts by electrifying the coating process and converting it to liquefied natural gas (LNG).

Carbon neutrality is a risk mitigation measure that should be addressed not only within the Company but throughout the entire supply chain. Therefore, among the categories of Scope 3 emissions, we are working to grasp the amount of CO2 emitted by suppliers and from on-market products, and on measures to help reduce emissions that have greater impacts.



Initiatives at Domestic Operating Bases

Yorozu Oita, our largest production site in Japan, transitioned to full green energy consumption on March 1, 2022 through a partnership with the green energy provider, afterFIT Co., Ltd., reducing annual CO2 emissions by 5,180 tons. During fiscal 2023, the Company also plans to install solar power generators in parking lots and vacant spaces of its premises and utilize the produced electricity.

Three other sites have already switched to 100% green energy and a total of six bases in Japan will complete the

switch by fiscal 2024. The adoption of green energy at the six bases is expected to reduce CO2 emissions by 11,700 tons each year.

Through these measures, we anticipate an 80% reduction in CO2 emissions at our operating bases in Japan by fiscal 2024, compared with 2013 levels, achieving the Company-wide reduction target of 50% well ahead of fiscal 2030.

For Scope 1 fuel emissions, the new Tokai base

will achieve 100% carbon neutrality from the outset by using green energy as its heat source. In addition, we will

advance low-carbon initiatives for our existing bases by transitioning to LNG for fuel consumption.

●Estimated Effect on CO2 Emissions

Fiscal year	Number of operating bases	Adoption of green energy	Yearly reductions in CO2 emissions	2024 Target Reduction in CO2 emissions at domestic sites 80% Achieved
By FY2022	4 / 6 bases	60%	7,020 t	
By FY2024	6 / 6 bases	100%	11,000 t	

Initiatives at Overseas Operating Bases

Based on the policy of starting with what is feasible, we are exploring the potential for the installation of solar power generators and the adoption of green energy at all our facilities by considering the varying local policies and the situation of power supply. We have already installed solar power facilities at one location in Thailand and completed installation at one of our Chinese facilities in

fiscal 2022. We are also in the final stages of preparations to introduce solar power facilities at another location in Thailand and one in the United States in fiscal 2023. Our plan is to continue advancing the adoption of solar power and green energy aligned with local policies, electricity conditions, and other factors, with a focus on accelerating these efforts where possible.

●CO2 Emissions Data (t-CO2)

			FY2018	FY2019	FY2020	FY2021	FY2022
Scope 1		Domestic	3,886	3,542	2,984	3,066	3,574
		Overseas	22,099	22,967	16,728	15,267	16,291
		Total	25,985	26,509	19,712	18,333	19,865
Scope 2		Domestic	16,539	13,762	11,520	12,280	6,387
		Overseas	87,453	93,946	65,911	59,189	63,808
		Total	103,992	107,708	77,431	71,469	70,195
Scope 3	cat. 1	Purchased goods and services	510,995	482,757	340,518	351,238	449,251
	cat. 2	Capital goods	53,747	39,829	29,419	12,091	24,070
	cat. 3	Fuel- and energy-related activities	6,926	7,489	5,741	5,185	5,681
	cat. 5	Waste generated in operations	3,189	2,177	1,559	1,733	1,919
	cat. 6	Business travel	227	228	233	209	235
	cat. 7	Employee commuting	4,022	3,782	4,029	4,272	4,200
	cat. 9	Downstream transportation and distribution	—	6,344	5,263	5,424	5,048
	cat. 11	Use of sold products	—	—	—	4,003,488	3,896,637
	cat. 12	End-of-life treatment of sold products	1,290	1,341	1,159	1,242	1,175
		Total	—	—	—	4,384,882	4,388,216

Environmental Topic

In fiscal 2023, our domestic facilities again conducted voluntary external beautification activities as part of Environmental Month events, coinciding with the “UMIGOMI Zero Week” (an initiative to eliminate marine debris) for spring 2023 sponsored by the Ministry of the Environment and the Nippon Foundation.

The Yokohama headquarters organized a cleanup along the nearby Tsurumi River. Fifteen volunteer employees and their families, who empathized with the program, collected about 5 kg of litter. These environmental conservation efforts reflect our commitment to coexist with society.



Board of Directors (as of June 28, 2023)



- 1

Chieko Ogawa
Outside Director
(Member of Audit & Supervisory Committee)
(Independent Officer)
CPA
- 2

Masashi Oshita
Outside Director
(Independent Officer)
- 3

Hiroshi Moriya
Outside Director
(Independent Officer)
- 4

Satoshi Miura
Member of the Board
(Full-Time Audit & Supervisory Committee Member)
- 5

Chiaki Tsuji
Outside Director
(Member of Audit & Supervisory Committee)
(Independent Officer)
Attorney
- 6

Tsutomu Hiranaka
President
Member of the Board (COO)
- 7

Akihiko Shido
Chairman
Member of the Board (CEO)
- 8

Ken Shido
Vice Chairman
Member of the Board
- 9

Norio Hirano
Executive Vice President
Member of the Board (CFO)

Corporate Governance

Basic Stance

The Yorozu Group will fulfill its social responsibilities as a good corporate citizen through strict compliance with relevant laws and regulations. Understanding the need to enhance corporate value with fair and transparent corporate activities, thereby earning the trust of our stakeholders, the Group remains committed to reinforcing

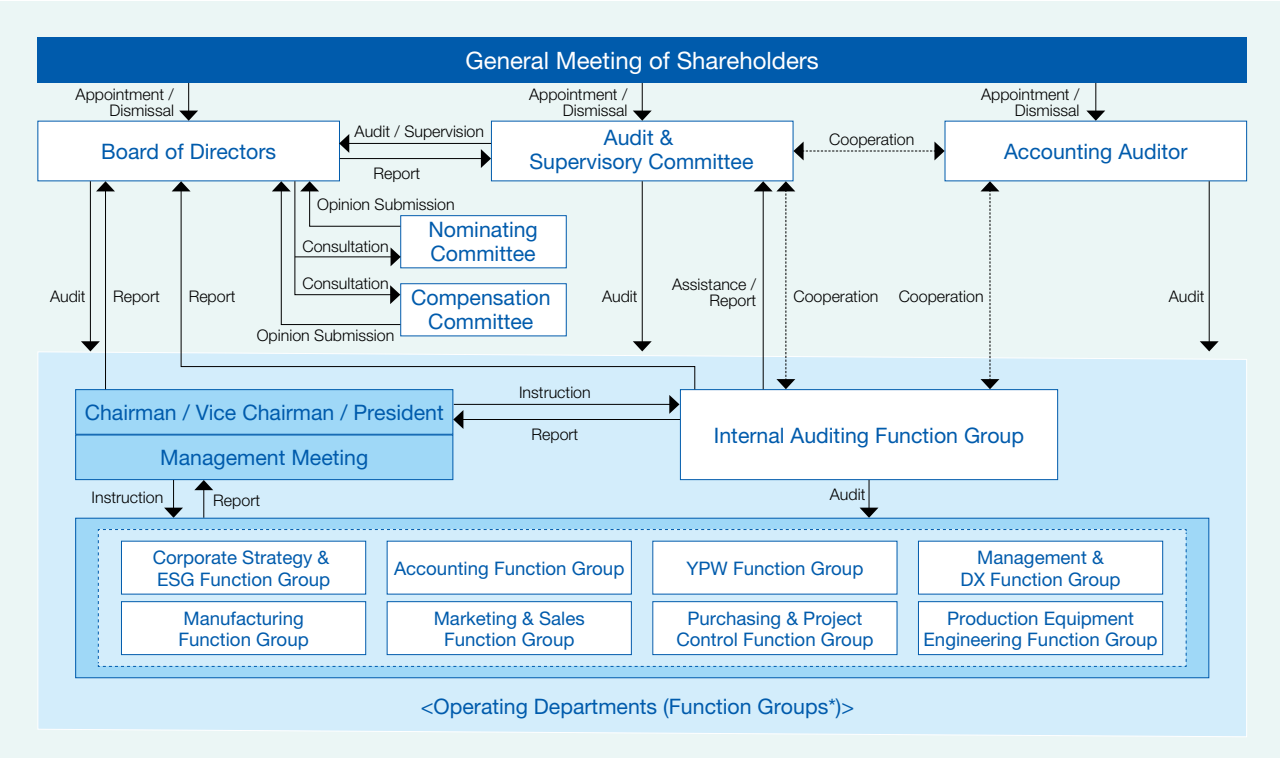
corporate governance through its organizational design, establishment of a governance framework that includes internal control systems, and application of its Corporate Philosophy across the Group, driven by the will to take action under the Yorozu Group Charter of Corporate Behavior and the Yorozu Code of Conduct.

Our Corporate Governance Structure

As of the 70th Ordinary General Meeting of Shareholders held on June 10, 2015, Yorozu switched from a Company with a Board of Corporate Auditors to a Company with an

Audit & Supervisory Committee, the majority of which consists of outside directors, thereby strengthening corporate governance and audit and supervisory functions.

Corporate Governance Structure



* A cross functional organization consisting of nine function groups (Corporate Strategy & ESG Function Group, Accounting Function Group, YPW Function Group, Management & DX Function Group, Manufacturing Function Group, Marketing & Sales Function Group, Purchasing & Project Control Function Group, Production Equipment Engineering Function Group, and Internal Auditing Function Group) to oversee each site based on the three regions (Japan, the Americas, and Asia).

Overview of Corporate Governance

Type of organizational design	Company with an Audit & Supervisory Committee
Number of directors who are not members of the Audit & Supervisory Committee (Number of independent outside directors)	6 (2)
Number of members of the Audit & Supervisory Committee (Number of independent outside directors)	3 (2)
Total number of directors (Number of independent outside directors)	9 (4)

Ratio of independent outside directors	44.4%
Ratio of female directors	22.2%
Term of directors who are not members of the Audit & Supervisory Committee	1 year
Term of directors who are members of the Audit & Supervisory Committee	2 years
Adoption of executive officer system	Yes
Accounting auditor	Ernst & Young ShinNihon LLC

Roundtable Discussion between the President and Outside Directors



Masashi Oshita

Outside Director
(Independent Officer)

Tsutomu Hiranaka

President (COO)
Member of the Board

Hiroshi Moriya

Outside Director
(Independent Officer)

In light of the rapidly changing times, the role played by Yorozu's Board of Directors is becoming increasingly crucial for the sustained growth of the Company. President Tsutomu Hiranaka sat down with Outside Directors Masashi Oshita and Hiroshi Moriya to facilitate a discussion on enhancing the effectiveness of the Board of Directors.

Effectiveness of the Board of Directors

Hiranaka: In fiscal 2022, we conducted our first-ever third-party assessment of the effectiveness of the Board of Directors. I would like to hear your impressions of the results.

Oshita: Enhancing the effectiveness of corporate governance is paramount for securing a company's sustained growth. As outside directors, we have made numerous requests to the Company's executive team to ensure the Board of Directors operates at its full potential. I must commend their diligent response, and personally, I believe it has reached a notably high standard. Until fiscal 2021, effectiveness assessments relied on self-evaluations from the nine directors, and these ratings have consistently shown improvement over the years. The decision made by President Hiranaka to enlist a third-party organization for the assessment was an excellent idea. While the overall assessment affirms satisfactory performance, it has also pinpointed areas in need of refinement.

Moriya: The decision to entrust the assessment of the Board of Directors' effectiveness to a third-party organization has produced noteworthy results, ensuring transpar-

ency and objectivity in the assessment results. It has also allowed us to recognize the position of Yorozu's Board in comparison to other companies. This, in turn, has raised the awareness of each director, and I believe it can further enhance the effectiveness of the Board. I personally feel that an environment where outside directors can freely express their opinions and internal directors genuinely listen is the most crucial aspect of effectiveness. In this regard, Yorozu's Board of Directors has met the benchmark.

Hiranaka: I'm relieved to hear that. I share the same perspective as both of you. Discussions within the Board of Directors have been moving in a positive direction, with constructive opinions and requests based on the expertise and experience of our outside directors, and with dissenting views when necessary. Through such lively discussions, I believe we are building stronger relationships of trust with all our outside directors.

Internalizing ESG Management

Hiranaka: We have positioned ESG management as a top priority in our medium-term business plan, placing significant emphasis on environmental and social initiatives in

our business activities. How do you assess these efforts?

Oshita: The automotive industry is in the midst of significant transformations, with a pressing need for carbon neutrality from an environmental perspective. Yorozu has responded proactively to these challenges by swiftly transitioning to green energy sources at its production facilities worldwide, consistently making progress. Notably, the new Tokai base has implemented a range of initiatives, including the complete adoption of green energy to achieve 100% carbon neutrality, which is highly commendable. Additionally, Yorozu has displayed innovation in areas such as weight reduction and noise control to align with the growing trend toward electric vehicles (EVs). It would be a notable achievement if Yorozu could establish itself as a premier provider of EV suspensions, becoming a byword for EV suspension systems.

Moriya: ESG is a global trend, and it's true that most companies publicly express positive initiatives in this regard. However, I often wonder about the actual implementation. Nevertheless, even in such a context, I sense that Yorozu, under President Hiranaka's leadership, is taking a grounded approach by committing to achieving goals and consistently delivering results. Looking ahead, one area for improvement is how Yorozu can expand ESG initiatives globally, as they currently seem to be predominantly Japan-centric. I believe it would be worth the effort to focus on decarbonization at overseas production facilities and enhance talent management with multinational directors and executives to ensure consistency on a global scale.

Hiranaka: I take pride in our commitment to achieving carbon neutrality and consider us to be a frontrunner in this regard. We have successfully transitioned to 100% green energy at five locations, both in Japan and overseas. As Mr. Oshita mentioned, our new Tokai base will be carbon neutral from its launch, primarily using green energy for its heat sources. Moving forward, we aim to manufacture products using new technologies and methods conducive to reducing CO2 emissions in environmentally conscious factories. This will enable us to further enhance the added value we offer.

In terms of social responsibility, we have formulated our Human Rights Policy separate from the Yorozu Group Charter of Corporate Behavior and Yorozu Code of Conduct to further promote our human rights due diligence activities. We will regularly report the progress to the Board of Directors to further advance responsible corporate behavior.

Enhancing Corporate Value

Hiranaka: I believe that human capital is the most signif-

icant management asset for achieving sustained growth. How do you feel about our approach in this area?

Oshita: There's no doubt that people are the wellspring of corporate value. In recent years, a social issue has arisen where an increasing number of mid-career, young workers are leaving companies. I have heard that Yorozu actively engages in initiatives that focus on boosting individual employee motivation through personalized interviews and other means. Yorozu is well-regarded for its high proportion of female managers and a high rate of male employees taking parental leave. Alongside efforts to create a comfortable work environment for women and maintain an open organizational atmosphere, I encourage you to redouble your efforts in recruiting and nurturing top talent. There have also been discussions about disclosing information related to human capital, and I believe that Yorozu should prepare for such disclosures in the near future.

Moriya: The Yorozu management team has a solid understanding of the concept that people are human capital, and investing in human capital can drive growth and enhance corporate value. The Company has implemented various initiatives to enhance employee engagement. However, it's essential to truly grasp what employees expect from the Company, their trust in the organization, their enthusiasm, and other aspects. I wonder if it might be beneficial to have third-party assessments to evaluate the engagement of employees, both in Japan and overseas, to gain a more comprehensive perspective.

Hiranaka: In fact, in fiscal 2023, we have plans to conduct an engagement survey through a third-party organization. I, like both of you, strongly recognize the importance of human capital management. I often use the phrase "employee engagement reform," where my goal is for every individual to experience the desire to work with us for his/her entire career and feel proud to be a part of our company. As a result, we became the first in Japan's manufacturing industry to receive Platinum Eruboshi certification for companies that actively promote women's participation. We also obtained the Kurumin certification as a company that supports child-rearing. As Mr. Moriya suggested, we have introduced a new talent management system in fiscal 2023. This system enables us to interact with each employee, understand our human resources portfolio, and develop a human resources strategy aligned with our management strategy to further enhance corporate value.

Thank you all for the insightful contributions from your unique perspectives today. I encourage you to continue sharing your opinions with a critical eye based on mutual trust, as your input is invaluable in our pursuit of sustained growth.

Corporate Governance

List of Directors' Skills

We are striving to enhance our governance structure and to implement management that emphasizes sustainability in order to respond to a changing global environment, beat the competition, and achieve both sustainable growth and increased corporate value in the medium to long term. We believe that the Board of Directors possesses the qualifications needed to achieve these initiatives.

In selecting directors, we give consideration to a balanced board room, including those who can demonstrate their strengths across a wide range of business areas, those who are suited to business management, and those who have international experience. We also prepare and publish a skills matrix that lists each director's knowledge, experience, abilities, etc.

Name	Position	Outside Independent	Gender	Directors' main knowledge and areas of expertise						
				Global	Automotive Industry	Management	Legal, Compliance, CSR, and Governance	Finance and Accounting	Manufacturing (Production, Procurement, and Quality)	Sales and Marketing
Akihiko Shido	Chairman, Member of the Board (CEO)		Male	●	●	●	●		●	●
Ken Shido	Vice Chairman, Member of the Board		Male	●	●	●		●	●	●
Tsutomu Hiranaka	President, Member of the Board (COO)		Male	●	●	●		●	●	●
Norio Hirano	Executive Vice President, Member of the Board (CFO)		Male	●	●	●		●	●	●
Masashi Oshita	Outside Director	Outside Director	Male	●	●	●	●			
Hiroshi Moriya	Outside Director	Outside Director	Male	●	●	●	●			●
Satoshi Miura	Member of the Board (Full-Time Audit & Supervisory Committee Member)		Male	●	●	●	●	●	●	
Chiaki Tsuji	Outside Director (Member of Audit & Supervisory Committee)	Outside Director	Female	●	●		●			
Chieko Ogawa	Outside Director (Member of Audit & Supervisory Committee)	Outside Director	Female	●	●		●	●		

Summary of Discussions at Board of Directors' Meetings in Fiscal 2022

A total of 15 Board of Directors' meetings were held in fiscal 2022. The main agenda (excerpt) for each meeting was as follows.

Meeting 1	Shareholder relations (SR) implementation report for 2022	Meeting 9	Basic policy on internal control risks
Meeting 2	Opinion of the Audit & Supervisory Committee regarding the proposal for the election of directors who are not the said committee members	Meeting 10	Evaluation of the effectiveness of the Board of Directors (discussion on third-party analysis and assessment)
Meeting 3	Audit report of the Audit & Supervisory Committee	Meeting 11	Outlook and policy for halving carbon emissions by 2030
Meeting 4	Evaluation report on the effectiveness of the Board of Directors	Meeting 12	Initiatives for driving digital transformation (DX) business reform
Meeting 5	Appointment of Independent Advisory Board members	Meeting 13	Consolidated financial results for third quarter of fiscal 2022 and full-year outlook
Meeting 6	Directors' compensation and bonuses	Meeting 14	Appointment and dismissal of officers of vice president level and above and revision of directors' compensation
Meeting 7	Company-wide risks based on the Basic Policy on Internal Control Risks	Meeting 15	Extension of delegation of executive duties to outside directors (quality expert committee)
Meeting 8	Launch of a quality expert committee		

Audits and Supervision

As a supervising body, the Board of Directors meets regularly once every three months and convenes extraordinary meetings as necessary to determine general management policies, legal matters, and other important topics in management. It also monitors the execution of duties by the directors and executive officers.

The Board of Directors comprises nine members (including four outside directors), an appropriate size for a Company with an Audit & Supervisory Committee that ensures the operability of the Board of Directors and the effectiveness of the Audit & Supervisory Committee.

In the appointment of directors, the Company seeks individuals who can leverage their advantages across multiple fields and in business management to ensure diversity and well-balanced knowledge, experience, and abilities in the boardroom. Candidates for directors (who are not Audit & Supervisory Committee members) are determined by the Board of Directors based on the screening results of the Nominating Committee and are appointed at the General Meeting of Shareholders.

Directors who are members of the Audit & Supervisory Committee hold regular and extraordinary meetings of the Committee; attend Board meetings, the monthly Management Meeting, and the Global Management Committee, among other important meetings; and periodically meet with representative directors. The Committee comprises three members (including two outside directors)

appointed at the General Meeting of Shareholders. It receives appropriate and timely reports from directors, officers, the accounting auditor, auditing departments, and other relevant personnel, and necessary information is shared to improve the quality and efficiency of the audits.

In accordance with laws and regulations, the Company's accounting auditor, Ernst & Young ShinNihon LLC, has put a mechanism in place to restrict the terms of engagement in the Company's audit accounting; five accounting terms for chief functional employees and seven terms for functional employees.

The Internal Auditing Office has been established to maintain effective internal control activities and supervisory functions. The Audit & Supervisory Committee investigates the Company's operations and financial assets and conducts other auditing duties in cooperation with the internal auditing departments while sharing information on annual auditing plans and monthly audit reports through its full-time Audit & Supervisory Committee Member at regular intervals as well as at quarterly meetings attended by all Audit & Supervisory Committee Members and representatives from the internal auditing departments. The internal auditing departments also attend the quarterly hearing reviews conducted by the accounting auditor to improve efficiency in auditing. The Internal Auditing Office exchanges opinions with the accounting auditor on audit plans, the state of audits, and audit results, which are reflected in internal control activities.

Execution of Duties

The Company has introduced an executive officer system to clarify the responsibilities and areas of authority in business execution. The Management Meeting is held monthly to ensure the Company's swift response to sudden changes in the business environment.

With a view to maximizing efficiency groupwide, the Company has separated 21 functional axes into nine function groups (Corporate Strategy & ESG Function

Group, Accounting Function Group, YPW Function Group, Management & DX Function Group, Manufacturing Function Group, Marketing & Sales Function Group, Purchasing & Project Control Function Group, Production Equipment Engineering Function Group, and Internal Auditing Function Group), and each site into one of three regions (Japan, the Americas, and Asia).

Outside Directors

Yorozu has appointed outside directors to ensure fairness and transparency while strengthening the oversight function of the Board of Directors. Currently, independent outside directors account for more than 40% of the Board. To be qualified as a candidate, professional knowledge and experience in corporate management, legal affairs, government administration, and accounting, among other fields, are required. From among candidates who excel in terms of personality and general knowledge, only those

who meet the Company's criteria for independence, have the approval of at least one current independent director or independent member of the Audit & Supervisory Committee, and fulfill other requirements in accordance with the Corporate Governance Guidelines can be nominated. Final candidates are selected by the Board of Directors based on recommendations of the Nominating Committee and are then elected at the General Meeting of Shareholders.

Corporate Governance

Name	Reason for appointment	Concurrently held positions	Attendance at Board of Directors' meetings (April 2022 to March 2023)
Masashi Oshita	Since assuming the role of outside director in June 2018, Masashi Oshita has provided oversight to the Company's management from an independent and neutral position. He provides valuable advice based on his extensive experience and knowledge acquired during his tenure with the Ministry of Economy, Trade and Industry. Mr. Oshita is fully qualified to serve as an outside director based on these reasons and our expectation that he will continue to fulfill these roles. He also serves as the chairperson of the Nominating Committee and a member of the Compensation Committee.	<ul style="list-style-type: none">• Vice Chairman and Executive Managing Director of Japan Auto Parts Industries Association (JAPIA)• Director of Japan Automobile Research Institute (JARI)• Director of Japan Society for the Promotion of Machine Industry• Chairperson of Japan Auto Parts Industries Corporate Pension Fund	15 out of 15 meetings (100%)
Hiroshi Moriya	Since assuming the role of outside director in June 2020, Hiroshi Moriya has provided oversight to the Company's management from an independent and neutral position. He has been involved in the automotive industry for many years and provides valuable advice based on his extensive experience and knowledge acquired as a senior executive of a global corporation. Mr. Moriya is fully qualified to serve as an outside director based on these reasons and our expectation that he will continue to fulfill these roles. He also serves as a member of the Nominating Committee and the Compensation Committee.	<ul style="list-style-type: none">• Director of Marelli Holdings Co., Ltd.• Outside Director of SNT Corporation	15 out of 15 meetings (100%)
Chiaki Tsuji	Since assuming the roles of outside director and member of the Audit & Supervisory Committee in June 2017, Chiaki Tsuji has provided opinions and advice based on extensive experience acquired over the course of her career as a lawyer in Japan and Germany. Ms. Tsuji is fully qualified to serve as both outside director and member of the Audit & Supervisory Committee based on our expectation that she will continue to provide opinions and advice that will be of value to the Group's management supervisory and audit functions. She also serves as a member of the Nominating Committee and the Compensation Committee.	<ul style="list-style-type: none">• Outside Director of MIRARTH HOLDINGS, Inc.• External Audit and Supervisory Board Member of Morioku Holdings, Inc.	15 out of 15 meetings (100%)
Chieko Ogawa	Since assuming the roles of outside director and member of the Audit & Supervisory Committee in June 2017, Chieko Ogawa has provided objective opinions and advice based on her expert knowledge and extensive experience acquired over the course of her career as a CPA in Japan and the United States. Ms. Ogawa is fully qualified to serve as both outside director and member of the Audit & Supervisory Committee based on our expectation that she will continue to provide opinions and advice that will be of value to the Group's management supervisory and audit functions. She also serves as a member of the Nominating Committee and the chairperson of the Compensation Committee.	<ul style="list-style-type: none">• Representative Audit Commissioner of Toda City, Saitama• Outside Audit & Supervisory Board Member of Seven Bank, Ltd.	15 out of 15 meetings (100%)

Nominating Committee and Compensation Committee

The Nominating Committee and Compensation Committee have been established, each with independent outside directors forming the majority, with the objective of advancing corporate governance through greater transparency and objectivity in the decision-making process of the Board of Directors, while ensuring opportunities for independent directors to be involved in the deliberation of the nomination and compensation of directors.

The Nominating Committee proposes candidates for director nomination at the General Meeting of Shareholders and discusses the process of training the candidates for key management positions. The

Compensation Committee reviews the director compensation system and makes suggestions. Yorozu periodically evaluates the effectiveness of both committees.

●Corporate Governance Overview

Committee	Inside directors	Outside directors	Chairperson
Nominating Committee	3	4	Masashi Oshita (Outside director)
Compensation Committee	3	4	Chieko Ogawa (Outside director)

Evaluation of Effectiveness of Board of Directors

Once a year, Yorozu conducts a survey on operations and the effectiveness of the Board of Directors to identify any issues and increase the effectiveness of corporate governance. For fiscal 2022, we entrusted a third-party organization with conducting an analysis and assessment of the

effectiveness of the Board of Directors. This approach was aimed at enhancing transparency and objectivity by incorporating an external perspective through a survey. The survey covered five main areas: (1) composition and operation of the Board of Directors, (2) management and

business strategy, (3) corporate ethics and risk management, (4) performance monitoring and evaluation of executives and their compensation, and (5) matters related to dialogues with shareholders and other stakeholders.

A summary of the survey follows.

■Evaluation

- 1) The Board of Directors consists of a sufficient proportion of independent outside directors who can provide constructive feedback to management and raise objections when necessary.
- 2) The roles expected of the Board of Directors are clearly defined, and director appointments are made based on the qualifications and skill matrix required to fulfill these roles effectively.
- 3) The executive compensation system is aligned with the Company's management strategy and is effectively designed to be tied to business performance.
- 4) The Group is promoting various forward-looking initiatives, including carbon neutrality, to achieve a sustainable society through business activities. The Board of

Directors also engages in meaningful discussions and regularly monitors progress in addressing sustainability challenges.

- 5) In response to the inadequacy of deliberation time for the Board of Directors identified in fiscal 2021, the schedule, operational methods, and presentation materials were revised, resulting in sufficient time allocation in fiscal 2022.

■Challenges for Fiscal 2023

We will enhance discussions of development plans for future executives such as the CEO, officer training, and the composition of a diverse Board of Directors. To facilitate this, we will ensure the advance distribution and explanation of relevant materials, conduct hearings with directors, and implement other necessary measures for improvement.

- For more information on the effectiveness of Board of Directors for fiscal 2022, please visit the following webpage (in Japanese).
https://www.yorozu-corp.co.jp/share/uploads/2023/07/0629_CG.pdf

Director Compensation System

In fiscal 2020, as a replacement for stock options, we introduced restricted stock compensation to provide medium-to long-term incentives while at the same time revising the proportion of performance-linked compensation.

- For more information on the director compensation system, please refer to our convocation notice below (page 40) (in Japanese).
https://www.yorozu-corp.co.jp/share/uploads/2023/05/te_08835011023061.pdf

Director category	Total value of compensation (¥ million)	Total value of compensation by type (¥ million)					Number of directors covered
		Fixed compensation			Performance-linked compensation		
		Cash		Non-monetary compensation	Cash bonus	Non-monetary compensation	
		Basic compensation	Bonus				
Directors excluding Audit & Supervisory Committee members (Outside directors)	293 (13)	129 (13)	89 (—)	42 (—)	32 (—)	— (—)	7 (2)
Directors who are Audit & Supervisory Committee members (Outside directors)	33 (13)	33 (13)	— (—)	— (—)	— (—)	— (—)	3 (2)
Total	326 (26)	163 (26)	89 (—)	42 (—)	32 (—)	— (—)	10 (4)

Notes:
1. Performance-linked compensation consists of monetary compensation and restricted stock compensation.
2. Non-monetary compensation consists of restricted stock compensation.
3. The total value of directors' compensation does not include the employee salary of directors who concurrently serve as employees.
4. The figure for "Number of directors covered" above includes one director who retired at the conclusion of the 77th Ordinary General Meeting of Shareholders held on June 27, 2022.

Internal Control System

The Company's Board of Directors has adopted and disclosed a basic policy for the development of an internal control system, as stipulated in the Companies Act. The Board of Directors reviews the operation of this internal control system on an annual basis.

- For more information on the internal control system, please visit the web page below.
<https://www.yorozu-corp.co.jp/en/csr/governance/internal-control/>

Compliance Initiatives

The Group recognizes the importance of compliance with laws, regulations, and social norms in all business activities carried out by its directors and employees to achieve fair and appropriate management, and strives to promote compliance.

Initiatives for Promoting Compliance

The Yorozu Group is dedicated to promoting compliance through regular training sessions. We also provide an opportunity to learn about compliance during new employee training to foster a deeper understanding of compliance. In fiscal 2022, the participation rate for ethics and compliance training reached 65.5%.

The Group strictly complies with the Antimonopoly Act (competition law) as well as other laws and regulations governing business transactions. We ensure all employees are thoroughly conversant with our Antimonopoly Act

Compliance Manual, receive training on a regular basis, and perform their daily work in a sincere and fair manner. In fiscal 2022, we conducted a survey on awareness related to the Antimonopoly Act and Subcontract Act for employees at headquarters and management personnel worldwide to assess their understanding and provide follow-up support. The participation rate was 85.7%. We will continue to develop training programs that align with our practical needs while considering the external environment.

Elimination of Antisocial Forces

The Yorozu Code of Conduct declares that all Group directors and employees must take a firm stance against antisocial activities and reject inappropriate requests or actions to fund any antisocial forces. Our strict compliance with the Yorozu Code of Conduct allows no relationship whatsoever with antisocial forces. The General Affairs Department is responsible for preventing any contact with such forces by gathering information and issuing

warnings. A system is in place so that the General Affairs Department receives immediate reports on any suspected connections with antisocial forces, such as an inappropriate demand to a director or an employee. The department cooperates with the police and other law enforcement agencies to swiftly shut down any connection with antisocial forces.

Avoidance of Conflict Minerals

The Group always considers the impact of its procurement activities on local communities. We work closely with suppliers to avoid raw materials that may have a social impact such as infringements of human rights and environmental

damage, including conflict minerals from the Democratic Republic of the Congo and countries nearby, which are a source of funds for the region's armed insurgents.

Internal Reporting System (Come Forward for Help Line), Supplier Consultation and Reporting Desk

The Group has set up the Come Forward for Help Line as a means for frontline employees to quickly and accurately report important compliance matters to senior management. To encourage everyone to take advantage of this system and provide information, we have set rules to protect the users and people seeking consultation. The Come Forward for Help Line is available not only to Group companies in Japan and overseas, but also to the local community, suppliers, supply chain workers, and others outside the Company. It also affords means to facilitate direct reporting to and consultation with the outside directors. In

April 2022, we put in place an external consultation service available in three languages to ensure the anonymity of whistleblowers and greater flexibility in information gathering to identify risk sources. The contents of reports and consultations are also reported at the Management



A card spreading awareness of the Come Forward for Help Line

Meetings and Board of Directors' meetings. In fiscal 2022, the Come Forward for Help Line received 23 inquiries. Of these, there were 20 cases involving opinions, consultations, and improvement suggestions, one related to mental health, one concerning

harassment, and one involving an internal rule violation. We addressed these inquiries by conducting investigations and fact-checking as needed to improve the workplace environment. There were no inquiries related to legal violations, and no disciplinary actions were taken.

Risk Management

To deal with major risks that could adversely affect our stakeholders, we identify risks every year before they materialize and become threats. The identified major risks are evaluated in terms of brand and monetary damage and personal injury, based on severity and frequency of occurrence in the risk assessment matrix. Risks considered to be “high” by the Management Meeting and the Board of Directors are monitored by the General Affairs Department and risk aversion measures are taken groupwide.

Information Security

In order to properly protect its information assets and take the appropriate information security measures, the Company has established the Information Security Committee and the Technology Leak Prevention Committee, in addition to formulating the Information Security Control Policy and ensuring compliance thereof, formulating and implementing countermeasures, and providing the necessary training. We protect our customers

and suppliers as well as internal data from such threats as errors, accidents, damage from disasters, and criminal acts by clarifying the method to handle information based on risks and the level of importance. The Company complies with relevant laws, regulations, and other rules and continuously improves its control system, which is well-coordinated with changes in the business environment.

Business Continuity Plan (BCP)

Yorozu has formulated a business continuity plan (BCP) to ensure the uninterrupted performance of the core businesses and to fulfill our social responsibilities as an enterprise in the event of unforeseen incidents and natural disasters. To ensure a stable supply structure for customers, we have designated our headquarters as a control tower and have taken steps to prevent fires and accidents at plants that provide production equipment essential to product delivery. Disasters and accidents could render our suppliers incapable of manufacturing and delivering products, which could halt our production and thereby cause our customers' production lines to stop. To avoid such consequences, we regularly update the database of our die assets used for key products in Japan so that we can quickly switch to alternative production locations. We are well prepared with information on the type of presses required at the alternative plants to ensure a stable supply of stamping products. To prevent the halting of our production lines due to aging facilities, we inspect the stamping presses with

vibration gauges, oil degradation meters, and ultrasound meters to quantify the degree of deterioration. We are working on a thorough follow-up process when conducting statutory inspections and a preventive maintenance system based on IoT technology. Additionally, the Company has set up an emergency communication plan, increased the resilience of its IT systems, stockpiled food and supplies, and distributed a pocket guide for emergencies to employees. Our efforts are also focused on disaster prevention training and regular drills.



Disaster drill at Yorozu Global Technical Center (YGTC)

Materiality (Material Issues)

Yorozu has identified five material issues (materiality) that must be addressed through its business activities. As we seek solutions to such issues, we will continue to provide value to society in a sustainable manner.




















Moreover, in order to promote sustainability initiatives across the entire Group, we are proactively engaging in ESG management and establishing key themes related to environmental (E), social (S), and governance (G) factors.

Materiality Identification Process

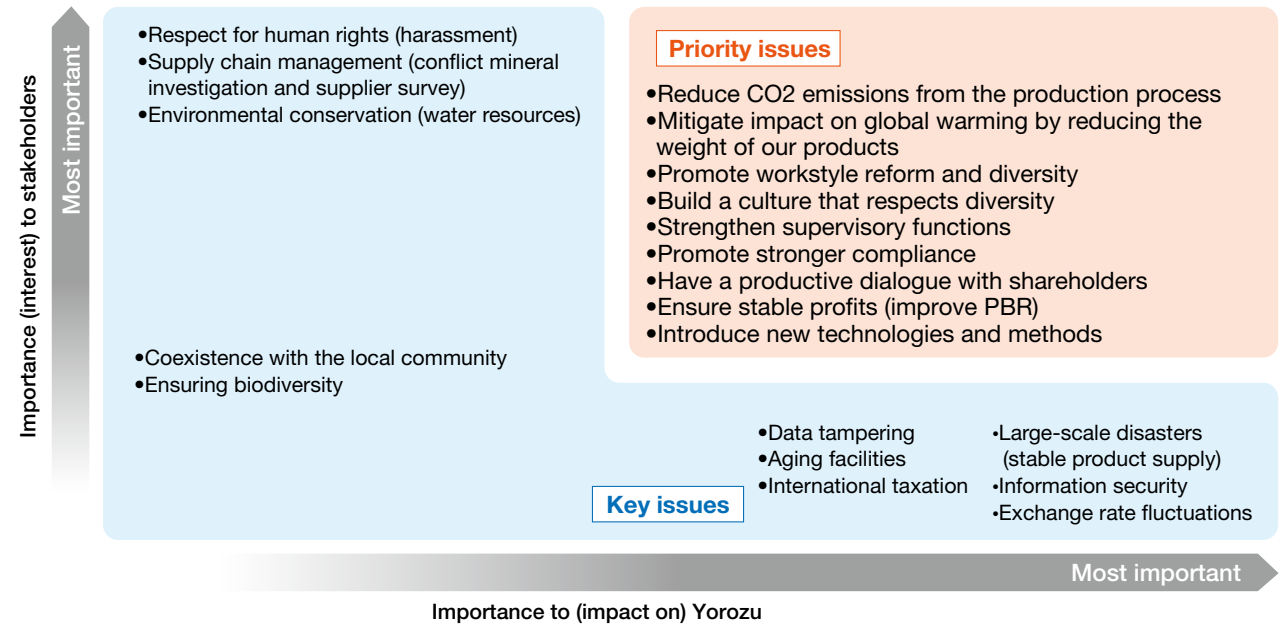
Yorozu identified its materiality through a five-step process that involves reviewing and selecting social issues and determining the significance of their impact.

STEP 1	Uncover all material issues (materiality)	Identify and select key material issues
STEP 2	Measure the significance of material issues	Determine the significance of selected key issues from the viewpoint of their impact on stakeholders and on medium- to long-term increases in corporate value
STEP 3	Determine the order of priority of material issues	Set the order of priority of material issues in accordance with management strategies, etc.
STEP 4	Devise a materiality matrix	Compose a materiality matrix with importance to stakeholders on one axis and importance to the Yorozu Group on the other
STEP 5	Obtain internal approval	Deliberate and decide on material issues at the Management Meeting and Board of Directors' meetings

Materiality and Risks/Opportunities

Materiality		Disclosure in the integrated report	Risks related to materiality	Opportunities related to materiality	Initiatives	KPIs	Relevant SDGs
Business	Stable profits (operating income ratio, ROE)	Pages 6–7 Message from the CFO	•Rising raw material costs •Impact from customer sales trends •Manufacturer responsibility •International situation •Exchange rate fluctuations	•Increased customers and enhanced competitiveness due to stable quality and price •Corporate structure resilient to fluctuations in customers' production volume	<Revenue expansion> <Sustainable growth> •Adjust manufacturing costs, reduce costs, negotiate price with customers, make multiple purchases •Increase profits and sales, reduce fixed costs, rationalize operations, reduce costs, pursue external sales of production equipment •Enhance investment profitability assessment and project revenue management •Reduce capital investment further through the adoption of new technologies and methods	•Sales •Operating income ratio •ROE •PBR, share price •Improvement in total asset turnover ratio •Equipment utilization rate •Reduction of fixed costs	     
Business/ environment	New technologies and methods	Pages 16–19 Medium-Term Business Plan Pages 20–23 R&D Strategy	•Delay in product development using advanced technology and materials •Decreased competitiveness due to a delay in differentiation from competitors	•Expanded revenue opportunities through product differentiation •Increased customers and enhanced competitiveness due to stable quality and price	•Strengthen proposals for steel products contributing to CO2 emissions reduction •Develop lightweight technology through ultra-high-tensile-strength steel (980MPa) products •Address sound and vibration performance required for EVs	•Weight reduction •Reduction of CO2 emissions through weight reduction •Number of patent applications	  
Environment	Reduction of CO2 emissions (carbon neutrality)	Pages 31–35 Environmental Management Pages 20–23 R&D Strategy	•Deterioration of corporate image and trust due to delayed response to environmentally friendly products •Increasing environmental investment costs •Climate change	•Expanded revenue opportunities through products compatible with carbon neutrality (such as lightweight products) •Enhancement of corporate value	•Strengthen proposals for products contributing to CO2 emissions reduction •Undertake efforts to reduce CO2 emissions in the production process (energy-saving activities, sourcing renewable/zero-carbon electricity, etc.) •Disclose information in accordance with the TCFD	•2030: CO2 emissions reduction by 50% (compared to 2013 levels); •2040: Achieve carbon neutrality (progress in emissions reduction) •Continuing ISO certification •Zero environmental accidents	  
Social	Creation of a healthy, motivating workplace	Pages 24–29 Human Resources Strategy	•Insufficient management of employee safety and health •Decreased productivity •Loss of opportunity to secure excellent talent and high turnover rate	•Higher productivity •Retention •Innovation, corporate value creation •Securing excellent talent	•Promote labor safety and health •Promote health and productivity management •Advance diversity •Create a comfortable work environment	•Number of industrial accidents •Employee satisfaction and turnover rate •Mental health checks •Percentage of male employees taking parental leave •Percentage of paid leave taken •Remote work rate •Rate of participation in training •Employment rate of people with disabilities •Diversity and ratio of females in managerial positions	     
Governance	Practice of highly transparent governance	Pages 37–43 Corporate Governance	•Downturn in business activities due to compliance violations •Erosion of social trust •Decline in corporate value	•Establishment of a stable management foundation through improved decision-making transparency •Gaining the trust of stakeholders	•Strengthen corporate governance framework •Conduct fair business activities •Implement compliance training •Operate the Risk Compliance Committee •Engage in SR activities	•Attendance rate at Board of Directors meetings •Attendance rate at Audit & Supervisory Committee meetings •Analysis and survey evaluating the effectiveness of the Board of Directors •Number of whistleblowing reports/disputes •Types and number of disciplinary actions •Hours of compliance training completed	

The Yorozu Group's Material Issues



New Initiatives Toward the Next Medium-Term Business Plan

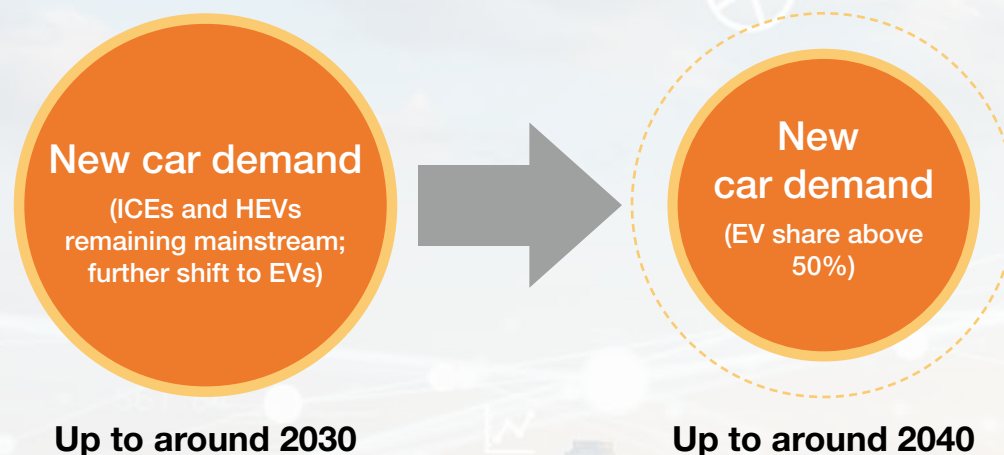
To further accelerate our efforts in new technologies and methods as laid out in YSP2023, we are launching new initiatives aimed at the next medium-term business plan.

How We Foresee the Evolving Automotive Landscape Worldwide

The global automotive industry is currently undergoing a once-in-a-century transformation. More stringent environmental laws and regulations in various countries aimed at achieving a carbon-neutral society are expected to result in electric vehicles (EVs) accounting for at least half of the automobile market by around 2040. Furthermore, with

the advancement of Mobility as a Service (MaaS)*, it is anticipated that automobiles will transition from individual "ownership" to an era of collective "sharing."

* The concept of services that enhance the convenience of people's mobility by combining various information and communication technologies across all modes of public transportation and services



Opportunities and Threats

For Yorozu, opportunities lie in the increasing sophistication of technological requirements, such as weight reduction and sound and vibration issues, as well as the growing demand for EV-related components. This provides us with opportunities to expand into areas beyond the expertise we have gained so far.

On the other hand, threats include the potential for a future decrease in automobile production volumes and the transformation of the automotive industry structure from traditional vertical integration to a more horizontally segmented model.

Opportunities

- Increasingly advanced requirements for EV technology (weight, sound, vibration)
- Growing demand for EV-related components

Threats

- Decrease in automobile production volumes
- Structural changes in the automotive industry (from vertical integration to horizontal segmentation)

Development of New Technologies and Methods in Response to Environmental Changes

To address threats and seize as many opportunities as possible, we have identified four key themes and are committed to building a collaboration system encompassing

joint development projects based on self-developed technology.

Step up the technology of applying ultra-high tensile-strength materials (980MPa)

Develop new items for automotive parts

Develop new items from new materials

Go into non-automotive parts business

Medium- to Long-Term Vision and Roadmap

Supporting the Transforming Automotive Industry and Aiming for the Next Phase of Growth

The Yorozu Group has been steadily advancing together with stakeholders toward the vision of developing the Yorozu brand into a premier supplier of suspensions along with the times. The automotive industry is currently experiencing a profound transformation. Building upon the extensive integration of ESG management within our medium-term business plan, YSP2023, our eyes are now set on the next phase of growth in the forthcoming medium-term business plan.

2000–2002

Yorozu Survival Plan

Amid significant changes in the business environment driven by the Nissan Revival Plan, we were forced to make tough decisions to survive, including the closure of Fukushima Yorozu, and personnel reductions through an early retirement incentive program. However, through the collective efforts of the Group, we prevailed and achieved our cost reduction target of ¥5.8 billion.

2003–2014

Yorozu Success Plan

During this period, we established bases in the U.S., China, Mexico, and other regions, significantly increasing our overseas sales ratio. Through Company-wide efforts, we grew and evolved into a global company.

2015–2017

Yorozu Spiral-up Plan

Under this plan, we sought to enhance the value of the Yorozu brand in the global market. Despite challenges such as declining sales due to a strong yen and decreasing customer orders in emerging markets, we executed key initiatives to strengthen profitability, including the operation of unmanned production lines.

2018–2020

Yorozu Spiral-up Plan 2020

Significant changes in the business environment, including escalating U.S.–China trade tensions, a substantial decrease in production volumes among major customers, and the widespread impact of the COVID-19 pandemic, led to declines in consolidated sales and operating income ratio. Despite this, we increased profitability by enhancing profit and cost management per project and reducing capital investment, enabling the establishment of a robust foundation.

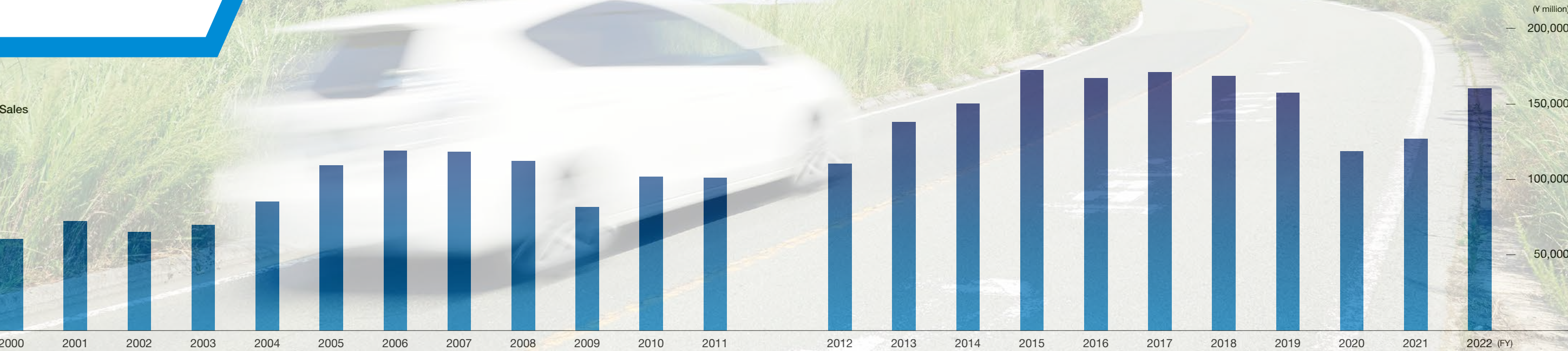
2021–2023

Yorozu Sustainability Plan 2023

We established a more sustainable business foundation by focusing on ESG management, including carbon neutrality initiatives for climate change mitigation, the development of new technologies and methods for EVs, and global sales expansion efforts. To strengthen our presence in the era of electrification, we initiated various activities, such as the construction of the new Tokai base, marking the first such development in over half a century in Japan.

Next Medium-Term Business Plan

To enhance corporate value in the advancing era of electrification, we aim to strengthen ESG management while also building a collaboration system encompassing joint development projects to bolster new technologies and methods that drive growth. By advancing new initiatives in collaboration with partners based on our in-house technological development and increasing sales, we aim for an expansive management approach that is resilient to environmental changes.



Five-Year Summary of Financial and Non-Financial Data

Yorozu Corporation and Consolidated Subsidiaries

	FY2018	FY2019	FY2020	FY2021	FY2022
Financial Data (¥ million)					
Profit / Loss statements (fiscal years)					
Sales	169,111	157,680	118,863	127,316	160,560
Cost of sales	149,295	141,331	106,626	113,015	143,384
Gross margin	19,816	16,349	12,237	14,301	17,175
SG&A expenses	14,525	14,142	11,859	12,204	14,087
Operating income	5,290	2,206	377	2,096	3,088
Non-operating income	796	594	1,715	991	687
Non-operating expenses	864	2,030	643	802	782
Ordinary income	5,222	770	1,449	2,284	2,992
Extraordinary gains	288	73	279	194	78
Extraordinary losses	2,650	11,760	6,011	98	183
Net income (loss) attributable to owners of parent	402	(12,933)	(6,195)	876	1,422
Cash flows (fiscal years)					
Cash flows from operating activities	17,603	10,824	13,218	14,914	2,924
Cash flows from investing activities	(13,807)	(9,584)	(7,048)	(4,536)	(5,164)
Cash flows from financing activities	1,103	(7,718)	3,775	(13,816)	(4,819)
Financial condition (fiscal year-ends)					
Cash and cash equivalents, end of period	24,970	19,019	29,259	27,146	22,287
Net assets	92,310	74,550	65,738	70,378	77,439
Total assets	168,097	139,700	134,723	133,992	141,511
Per-share information					
Net income (loss) per share (¥)	16.94	(544.05)	(259.07)	36.55	59.00
Net assets per share (¥)	3,182.74	2,507.05	2,229.87	2,374.88	2,635.58

Other Financial Data					
Operating income ratio	3.1%	1.4%	0.3%	1.6%	1.9%
Return on equity (ROE)	0.5%	(19.1)%	(11.0)%	1.6%	2.4%
Return on assets (ROA)	3.0%	0.5%	1.1%	1.7%	2.2%
Equity ratio	45.0%	42.7%	39.6%	42.6%	45.0%
Dividend payout ratio	271.5%	—	—	35.6%	42.4%
Capital investments	15,451	11,216	7,219	3,367	6,997
Depreciation	12,075	12,522	10,246	8,903	9,880
R&D expenditures	8,179	7,391	5,149	5,335	7,201
R&D expenditures to sales ratio	4.8%	4.7%	4.3%	4.2%	4.5%

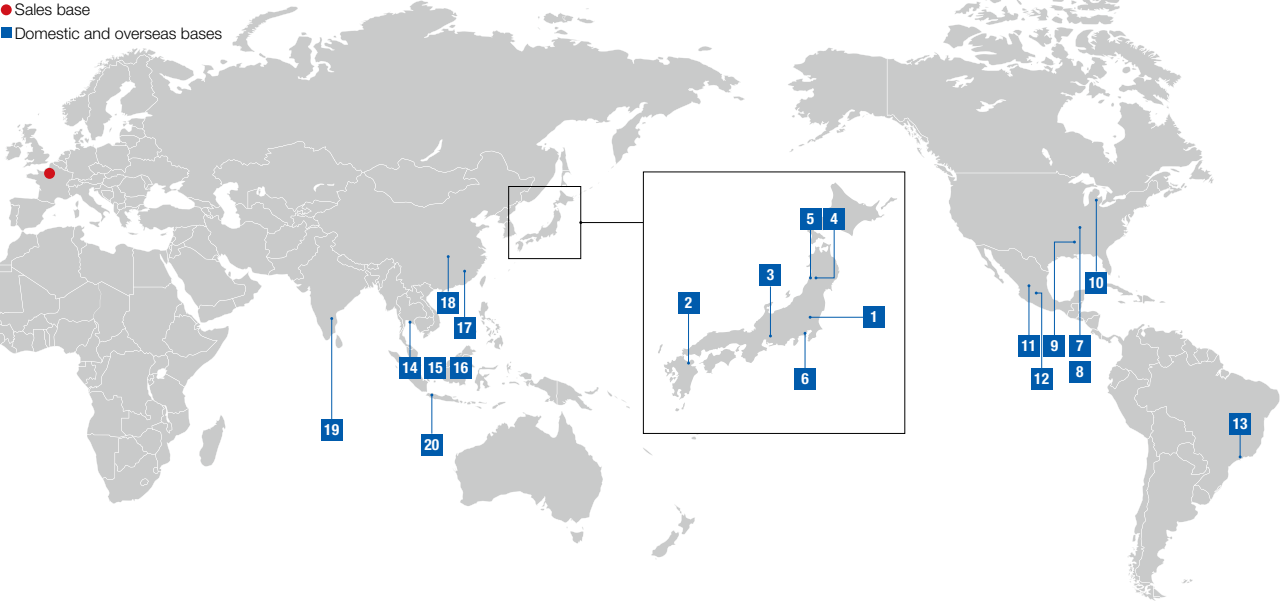
Non-Financial Data					
CO2 emissions (t-CO2)	Scope 1	25,985	26,509	19,712	18,333
	Scope 2	103,992	107,708	77,431	71,469
Waste emissions (tons)		5,040	3,200	3,326	3,150
Water use (1,000 m³)		1,324	1,309	1,086	1,057
Number of employees (consolidated)		6,597	6,475	6,162	5,666
Ratio of non-Japanese employees		4.59%	6.57%	6.25%	5.70%
Ratio of women in management positions		5.95%	8.05%	10.90%	12.35%
Ratio of paid vacation taken		80.1%	84.2%	50.8%	66.70%
Number of accidents that led to lost working days		0	0	0	0

Corporate Information (as of March 31, 2023)

Company Overview

Company name:	Yorozu Corporation	Business activities:	Development, design, production, and sale of auto parts, agricultural machinery parts, and manufacturing equipment
Address:	3-7-60 Tarumachi, Kohoku-ku, Yokohama, Kanagawa, Japan		
Foundation:	April 1, 1948	Employees (consolidated):	5,726
Capital:	¥6,200 million		

Yorozu's Global Network



	Name	Location	Capital or investment amount	Main business
1	Yorozu Tochigi Corporation	Oyama, Tochigi Prefecture	100 million Japanese yen	Manufacture and sale of auto parts
2	Yorozu Oita Corporation	Nakatsu, Oita Prefecture	100 million Japanese yen	
3	Yorozu Aichi Corporation	Nagoya, Aichi Prefecture	100 million Japanese yen	
4	Shonai Yorozu Corporation	Tsuruoka, Yamagata Prefecture	100 million Japanese yen	
5	Yorozu Engineering Corporation	Mikawa, Higashi-Tagawa, Yamagata Prefecture	100 million Japanese yen	Manufacture and sale of dies and equipment
6	Yorozu Service Corporation	Yokohama, Kanagawa Prefecture	10 million Japanese yen	Insurance services, money lending, temporary staffing, service contracting, etc.
7	Yorozu America Corporation	Morrison, Tennessee, U.S.A.	192 million U.S. dollars	A holding company in the U.S.A.
8	Yorozu Automotive Tennessee, Inc.	Morrison, Tennessee, U.S.A.	95 million U.S. dollars	Manufacture and sale of auto parts
9	Yorozu Automotive Alabama, Inc.	Jasper, Alabama, U.S.A.	100 million U.S. dollars	
10	Yorozu Automotive North America, Inc.	Battle Creek, Michigan, U.S.A.	20 million U.S. dollars	
11	Yorozu Mexicana S.A. de C.V.	San Francisco de los Romo, Aguascalientes, Mexico	754 million Mexican pesos	Manufacture and sale of auto parts
12	Yorozu Automotive Guanajuato de Mexico, S.A. de C.V.	Apaseo el Grande, Guanajuato, Mexico	1,853 million Mexican pesos	
13	Yorozu Automotiva do Brasil Ltda.	Resende, Rio de Janeiro, Brazil	250 million Brazilian real	
14	Yorozu (Thailand) Co., Ltd.	Rayong, Thailand	1,800 million Thai baht	
15	Y-Ogura Automotive (Thailand) Co., Ltd.	Rayong, Thailand	1,383 million Thai baht	
16	Yorozu Engineering Systems (Thailand) Co., Ltd.	Rayong, Thailand	65 million Thai baht	Manufacture and sale of dies and equipment
17	Guangzhou Yorozu Bao Mit Automotive Co., Ltd.	Guangzhou, Guangdong, China	189 million Chinese yuan	Manufacture and sale of auto parts
18	Wuhan Yorozu Bao Mit Automotive Co., Ltd.	Wuhan, Hubei, China	276 million Chinese yuan	
19	Yorozu JBM Automotive Tamil Nadu Pvt. Ltd.	Tamil Nadu, India	4,000 million Indian rupees	
20	PT. Yorozu Automotive Indonesia	Karawang, West Java, Indonesia	770 billion Indonesian rupiah	

Websites

Investor Relations

<https://www.yorozu-corp.co.jp/en/investors/>
The IR section has information about management policies, strategies for medium-term business plans, financial results, and FAQs.

CSR

<https://www.yorozu-corp.co.jp/en/csr/>
The CSR section introduces Yorozu's CSR policy, occupational safety and health initiatives, and environmental preservation activities for realizing a sustainable society.

Environmental Preservation

<https://www.yorozu-corp.co.jp/en/csr/eco/>
This section introduces Yorozu's environmental conservation initiatives and efforts to its stakeholders, which include its Environmental Philosophy and vision as well as CSR activities and ISO certifications obtained by Group companies around the world.

Inquiries regarding IR information

Yorozu Corporation Accounting Department 3-7-60 Tarumachi, Kohoku-ku, Yokohama, Kanagawa 222-8560, Japan