

YOROZU
INTEGRATED
REPORT
2024

YOROZU

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TO NET ZERO Emissions



YOROZU

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 sixth 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/>

Period and Scope of Reporting

- Period: Fiscal 2023 (April 1, 2023–March 31, 2024) (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 could differ significantly from these projections due to a variety of factors.

Message from the President

Amid unprecedented changes in the automotive industry, we are taking bold actions to increase corporate value and become the company of choice for our stakeholders.

Tsutomu Hiranaka

President and COO
Member of the Board

Reflecting on Fiscal 2023

The automotive industry is currently experiencing a once-in-a-century transformation. As the shift toward a decarbonized society accelerates, electrification has become a major focus in the industry, and how companies respond to this is now a critical challenge. In the last couple of years, the COVID-19 pandemic, which had a significant impact on the global economy, has gradually subsided. Nevertheless, the severe semiconductor shortage has disrupted the supply and demand balance in the automotive industry. In fiscal 2023, the semiconductor shortage began to ease, and automobile production started to recover, providing signs of optimism. However, recent revelations of multiple scandals involving misconduct at Japanese automakers have cast a shadow over the situation. Looking globally, international conflicts remain unstable, presenting significant geopolitical risks that include inflationary factors. In addition, exchange rate fluctuations and the slowdown of the Chinese economy have made the situation more uncertain. In our industry, Chinese automakers are gaining prominence in the global EV market, and attention is focused on how Japanese, European, and U.S. manufacturers will respond.

In this environment, the Yorozu Group posted consolidated sales of ¥181.5 billion, up 13.0% year on year, and an operating income of ¥4.5 billion, up 44.4%. We attribute these results to our deployment of the high-efficiency production method*, which can adapt to fluctuating demand conditions.

* High-efficiency production method: Since the COVID-19 pandemic, our customers' production volumes have fluctuated greatly, making it difficult to determine the best time to increase production. This has forced us to secure manufacturing personnel and put them on standby. In response, we introduced a cycle of three days of concentrated production and two days of rest (*yosedome*), which allows our factories to operate in a more balanced and efficient manner.

Summary of Medium-Term Business Plan, YSP2023

In April 2021, we launched our three-year medium-term business plan, Yorozu Sustainability Plan 2023 (YSP2023), of which fiscal 2023 was the final year. In my first year as President in 2021, I faced various challenges, such as COVID-19 and the shortage of semiconductors. Despite having to navigate these difficult conditions,

I focused on laying the foundation for the Company's next stage of growth. With respect to the consolidated numerical targets of the plan, we achieved our target for sales but fell short of our targets for operating income ratio and ROE. Despite the headwinds of COVID-19 and the semiconductor shortage, which pushed many automotive parts manufacturers into the red, the Company was able to generate positive operating income. This is entirely due to the efforts of our employees, for which I am deeply grateful.

During the YSP2023 period, our industry saw significant advancements in electrification. In line with our growth strategies, which center on creating new technologies and methods that contribute to the electrification of society and expanding sales, we capitalized on the momentum of electrification to offer attractive products to our customers. As a result, approximately 80% of EVs sold in Japan now feature our products, with the remaining 20% being imported vehicles, which means that our products are used in virtually all domestically produced EVs. This has allowed us to establish a strong market presence, to the point where Yorozu is now recognized as "synonymous with EVs." Our uncompromising lightweight products enable customers to significantly reduce the weight of their vehicles. This has matched the needs of EV manufacturers and contributed to our success in the EV market.

Under YSP2023, we promoted ESG management aimed at delivering sustainable growth, which produced great results, especially with respect to carbon neutrality. We implemented various measures, starting with the establishment of new organizational structures, including the ESG Office and the Carbon Neutrality Office, and reinforced others. In particular, we have led the industry in the use of green electricity at our business sites. During the YSP2023 period, we transitioned all our facilities to green energy, except for those with existing contracts, and we are on track to complete the full transition to green energy at all domestic sites by the end of fiscal 2024. In January 2024, Yorozu Sustainable Manufacturing Center, Inc., in Gifu Prefecture commenced operations as a carbon-neutral factory. At that factory, we changed the heat source for our paint drying ovens, which previously relied partially on fossil fuels, to green energy, achieving 100% carbon neutrality. Our goal is for this facility to become a model factory for the automotive parts manufacturing industry. Other initiatives include the installation of solar panels on the roofs of our factories and parking lots. We view environmental issues as our own and take pride in leading society by pursuing unprecedented

initiatives. We believe that the ability to take such initiatives is testament to the competitiveness of the Yorozu Group.

Despite these achievements, there are also issues that remain to be addressed under YSP2023. Productivity is a critical factor for us as a manufacturing company. However, we have yet to achieve a satisfactory result in this area and see considerable room for improvement. In our global operations, as well, we have observed a decline in China and other parts of Asia, highlighting the need for region-specific strategies. In our financial strategy, we focused excessively on profit-oriented, P&L-driven management, and we are reflecting on this. We recognize that incorporating balance sheet management into our financial strategy is a future challenge.

Overview and Outlook of the New Medium-Term Business Plan, YSP2026

In April 2024, we launched a new three-year medium-term business plan, Yorozu Sustainability Plan 2026 (YSP2026). This plan focuses on improving our operating income ratio, which fell short under YSP2023, with the immediate objective of enhancing our earning power and strengthening profitability. Achieving this objective will improve our ROE, and if the market responds positively, it will be reflected in a higher stock price, ultimately boosting our price-to-book ratio (PBR). Therefore, we are determined to ensure our objective is met. Under YSP2026, our goal is to become the company of choice for all stakeholders by supporting the electrification era with aggressive measures for growth. As a B2B company, becoming the company chosen by our customers in the automotive sector is the critical starting point. There are multiple factors influencing this choice and the most direct ones are quality, cost, delivery, and development (QCDD). Moreover, our efforts toward carbon neutrality and contributions to local communities, along with activities to benefit all stakeholders, will help make us the company of choice. Beyond that, our vision is to be a company that has earned the “long-lasting trust” of all stakeholders by globally providing “safety, security, and comfort” in mobility with unparalleled quality. While we describe ourselves as a 100-year-old company, our aim is to become a forward-looking organization that continually addresses social challenges through value creation, leveraging our people, technology, and information, and collaborating with external partners. In doing so, we aim to build long-lasting trust.

In YSP2026, we have established two basic policies—“strengthening our business foundation” to improve economic value and “strengthening our management foundation” to improve social value—and we will pursue strategic initiatives to achieve both. In this context, we will place particular emphasis on creating new technologies and methods and expanding sales. As a *monozukuri* (manufacturing) company through and through, our top priority is to demonstrate our competitiveness in the field of manufacturing. Only when we have firmly established this foundation can our contributions to the community and society be meaningful. To excel in our core business, we must continuously challenge ourselves with new technologies and manufacturing methods. These new technologies and methods are managed through patents and are used to benefit our customers. The most valuable ones become a powerful force in expanding sales. One example of our commitment to expanding sales is our relationship with Toyota. Historically viewed as being closely tied to Nissan, we pivoted around the year 2000 to become an independent parts manufacturer, adopting an all-encompassing sales strategy, and in recent years we have seen a significant increase in orders from Toyota. Currently, our sales to Toyota account for around 9% of consolidated sales, but under YSP2026 we will strive to increase this figure to 15% or higher by fiscal 2026. In the meantime, we will work to expand our product supply to manufacturers other than Toyota, leading to a significant increase in our overall sales. This will serve as an indicator of our success in expanding sales.

Another key point in creating new technologies and methods and expanding sales is collaboration with other companies. In the world of gasoline and diesel vehicles, which involves 30,000 to 40,000 parts, automakers and parts manufacturers had to coordinate and specialize in the production of such parts. With EVs, however, there is a significantly lower number of parts, so the barrier to entry for parties from other industries is much lower. Parts manufacturers have entered a highly competitive era, and it will be difficult to stay ahead of the competition by relying on the same practices as in the past. The key to survival in this era of major transformation will be to actively collaborate with manufacturers that possess specialized expertise, including in materials, and rapidly advance the development of highly competitive technologies.

With respect to the other basic policy of strengthening our management foundation to improve social value, we will work to improve employee engagement, enhance governance, and strengthen our financial strategy. To demonstrate our commitment to benefiting all

stakeholders, we will continue contributing to local communities and creating a comfortable work environment for our employees. Recently, we have been improving our workplaces by installing air conditioning in our factories and renovating restrooms to make them more comfortable and brighter. We plan to expand these initiatives as a standard practice throughout the Company. In terms of financial strategy, reflecting on the challenges of the previous medium-term plan, we will actively promote balance sheet management and focus on the proper allocation of management capital, including cross-shareholdings, to strengthen our financial foundation.

Addressing Risks and Opportunities in a Changing Industry

One potential risk in this era of major transformation is the concern that global automobile production volumes might decline. This is due to shifting trends in the Chinese market and the current discord in U.S.-China relations, which could potentially impact production volumes. As the shift from gasoline and diesel vehicles to EVs progresses, moreover, the number of automotive parts required will significantly decrease, as mentioned earlier. This is expected to lower entry barriers and shift the industry’s structure from a vertical model to a horizontal one. There is also a risk that competition will intensify, and the question is how to survive. Fortunately, our core product, vehicle suspension, will remain essential as long as automobiles are designed to run on tires, so we are confident that this product will remain



indispensable. However, competition will continue to intensify and we need to take decisive steps in response.

In terms of opportunities, advances in vehicle electrification present a significant chance for market expansion. We have strengths in lightweight technology and vibration control, both of which are essential for the components required in EVs. As EVs become more mainstream, the potential for significant opportunities in an expanding market is growing. We anticipate particularly strong growth in the market for Toyota, which is a key focus of our YSP2026 strategy.

To All Stakeholders

As outlined in the basic policies of YSP2026, we are committed to maximizing both economic and social value, with an emphasis on improving our corporate performance. We are dedicated to implementing the initiatives we have outlined to date and meeting the expectations of all our stakeholders. For our customers, we will enhance our technologies to deliver high-quality products. For our business partners, we will foster mutual growth by engaging in fair and sound transactions. For our shareholders, we will fulfill our responsibility by setting a minimum dividend per share, ensuring transparency in the handling of cross-shareholdings, and conducting share buybacks as necessary. For our local community, we will, for example, equip the Yorozu Sustainable Manufacturing Center with solar panels and other equipment, enabling it to function as a shelter in the event of a natural disaster. And for our employees, we will continue implementing measures to help employees feel a sense of motivation in their work. With the slogan of thinking outside the box to create new value, we aim to foster a corporate culture that excites and inspires each and every employee.

For all our stakeholders, we will continue providing the latest information about the Yorozu Group through IR and PR activities. We greatly appreciate your continued feedback and will work to meet your expectations. We ask for your understanding of our efforts to seek medium- to long-term sustainable growth and enhancement of our corporate value, and we look forward to your continued support in the future.

T. Hirayama
 President and COO
 Member of the Board



Message from the CFO

By emphasizing management that is conscious of capital cost, we will maintain a sound financial position to foster our growth.

Norio Hirano

Executive Vice President & CFO
Member of the Board

Basic Financial Policies

Our main products are suspension parts, which are large in both volume and weight. Due to these characteristics, we need to establish production sites near the factories of our automaker customers to efficiently produce and deliver our products. As our customers have expanded globally, we have also set up production facilities to align with their international operations. By also operating an integrated production system, from initial stamping to final painting, we can manufacture products that fully incorporate Yorozu's advanced technologies. However, this approach requires significant capital investment, in a sense, similar to an apparatus industry, and has a risk of making us rather susceptible to fluctuations in our customers' production volumes. To maintain a healthy and stable financial foundation and ensure the continued stability of our business operations, therefore, we need to maintain an equity ratio of at least 40% to 50%.

Regarding capital policy, meanwhile, it is important to recognize the cost of capital and to increase return on capital. Here, we will focus on improving profitability while streamlining our balance sheet. To fund our capital investments, we will maintain financial soundness by keeping an eye on the debt-to-equity ratio, and we will leverage debt to control capital costs.

While working to improve ROE through these efforts, we will provide appropriate shareholder returns to enhance PBR. By overseeing various financial indicators, we will work to increase corporate value.

Business Environment and Performance in Fiscal 2023

In fiscal 2023, global economic conditions were uncertain, as in the previous fiscal year, with prices remaining high due to expanding international conflicts, sharp exchange rate fluctuations resulting from monetary tightening in various countries, and a slowdown in the Chinese economy. Production volume in the automotive industry, to which our business is closely tied, showed a recovery trend due to improvement in the supply of semiconductors and other factors. In China and across Asia, however, the rise of Chinese automakers in the EV market led to a significant drop in sales for Japanese manufacturers, which affected their production volumes. Under these circumstances, the Group posted consolidated sales of ¥181.5 billion, up 13.0% year on year, driven by higher production volume and favorable currency exchange factors. Despite cost increases due to persistently high energy prices and rising labor costs from wage hikes, operating income grew 44.4%, to ¥4.5 billion, supported by recovery in production volumes in Japan and the Americas, as well as fixed-cost reductions. Ordinary income increased 51.0% to ¥4.5 billion. Due to production declines at our key Japanese automaker customers in China, we posted impairment losses on fixed assets of our consolidated subsidiaries in China, India, and Thailand, after considering the future recoverability of those assets. We also posted an increase in income taxes due to reversal of deferred tax assets. As a result, we reported a net loss attributable to owners of parent of ¥3.9 billion, compared with net income attributable to owners of parent of ¥1.4 billion in the previous year. Although we ended up in the red due to the

impairment losses, we view this positively as an action to strengthen our foundation for delivering profits from next fiscal year and beyond. In addition, with the opening of the Yorozu Sustainable Manufacturing Center (YSMC) in the Tokai District in January 2024, we have established a structure that will help us improve profitability as we work toward the targets of YSP2026.

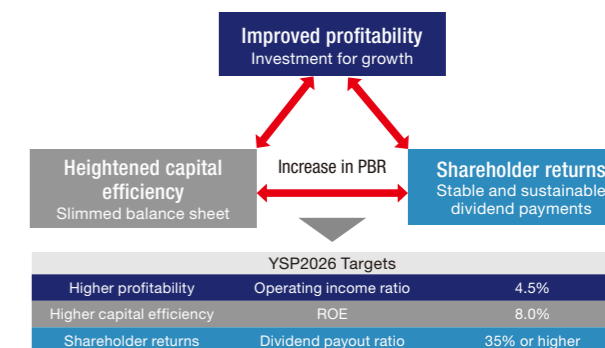
Review of YSP2023

Regarding the financial targets of YSP2023, we achieved the sales target due to rising steel prices and the yen's depreciation, although our production volume fell short of our goal. Due to reduced production volume and sharp rises in material, resource, and energy costs, the operating income ratio fell short of our target. In addition, the aforementioned impairment of fixed assets resulted in a net loss for the period, and ROE fell short of our target. However, we believe that we successfully laid a solid foundation for the Company's future growth. In short, we steadily implemented and made progress on the strategic initiatives outlined in YSP2023, including responding to electrification and promoting ESG management. Despite lack of earnings growth due to external conditions, over the past three years, we continued implementing activities to elevate elements of ROE, such as financial leverage and total asset turnover ratio, and these activities have permeated the front lines of each business division. In particular, we worked to streamline our balance sheet by reducing investments (maintaining appropriate depreciation rates) aimed at compressing total assets, while also cutting SG&A expenses (fixed-cost reduction).

Financial Strategies of the New Medium-Term Business Plan, YSP2026

Under YSP2026, we will strengthen our financial strategies by practicing management that is conscious of capital costs. Our basic policy is to drive sustainable growth and enhance corporate value through effective allocation of management resources by improving our ability to generate cash flow and heightening capital efficiency. Under this policy, we have set three strategic pillars—improving profitability, heightening capital efficiency, and increasing shareholder returns—and established numerical targets for each.

With respect to improving profitability, we set a target of 4.5% for the operating income ratio. To increase and



stabilize profitability, we will promote business growth through environmental investments toward carbon neutrality and capital investments in DX (digital transformation) while reducing fixed costs. These efforts will enhance our ability to generate cash flow from operating activities. We will also set targets for the depreciation ratio, the SG&A expense ratio, and other items and regularly monitor our progress with the aim of improving profitability.

As for heightening capital efficiency, we have set an ROE target of 8.0%. To achieve this target, we will control capital investments, optimize the use of the Group's internal funds, and streamline the balance sheet. By increasing total asset turnover and carefully managing financial leverage in these ways, we aim to improve ROE.

Shareholder Returns

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 aim to pay stable and sustainable shareholder returns with a minimum annual dividend of ¥31 per share. Our goal is to achieve a dividend payout ratio of 35% or higher in light of our ongoing financial results and dividend levels. As announced in YSP2026, we have set an initial goal to reduce cross-shareholdings by 10% by March 31, 2027 (compared with the market value as of March 31, 2024) and allocate all of the proceeds to share buybacks.

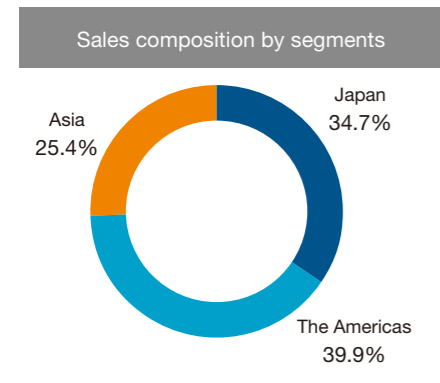
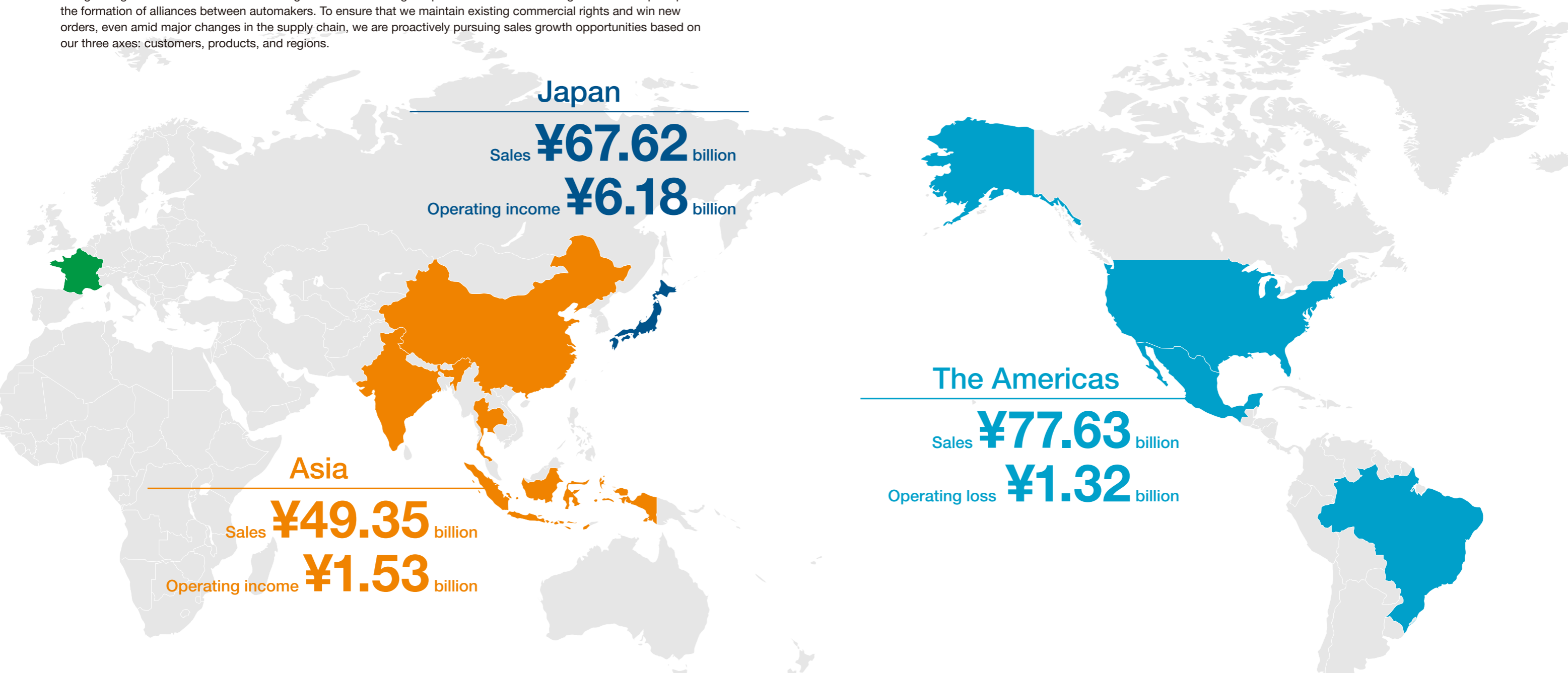
In fiscal 2023, we paid an annual dividend of ¥30 per share. In fiscal 2024, we plan to raise the dividend to ¥31 per share to reward shareholders for their continued support.



Executive Vice President & CFO
Member of the Board

Yorozu in Numbers

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



Financial highlights	
Sales	Operating income
¥181.4 billion	¥4.4 billion
Operating income ratio	R&D expenditures
2.5%	¥7.1 billion

Non-financial highlights	
Number of Group companies	Ratio of women in management positions
Number of companies: 21	13.0%
Number of countries: 9	
Number of employees (consolidated)	Ratio of non-Japanese employees
5,700	12.3%

Note: Includes intersegment sales and transfers

- <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

As of March 31, 2024

Medium- to Long-Term Vision and Roadmap

Aim to become the “Company of preferred choice” for all stakeholders that supports the age of electrification

The Yorozu Group has been steadily advancing together with stakeholders toward the vision of developing the Yorozu brand into a premier supplier of suspensions in any age.

The automotive industry is currently in a period of profound transformation. To achieve sustainable growth, Yorozu will aim to become the “Company of preferred choice” for all stakeholders that supports the age of electrification by promoting the aggressive approach set forth in the new medium-term business plan, Yorozu Sustainability Plan 2026.

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. As part of the Nissan Revival Plan, a half-century capital tie-up was dissolved. In 2000, however, we formed a capital alliance with Tower Automotive, Inc. in the United States. Later, we bought back our own shares, marking a fresh start as an independent auto parts manufacturer.

2003–2014
Yorozu Success Plan

By distinctively shifting into the Yorozu Success Plan from the Yorozu Survival Plan, namely, “strategies for success rather than survival,” we further strengthened our competitiveness through technological development and capability enhancement as well as global business expansion. For those purposes in the management reforms, we introduced the Toyota Production System for “Production Revolution” and switched to function-based management for “Management Revolution” thereby achieving overall optimal management. We rapidly expanded our overseas operations with six bases in three years in India, Indonesia, and Brazil in addition to the United States, China, and Mexico, and increased our overseas sales ratio.

2015–2017
Yorozu Spiral-up Plan

With the aim of further enhancing the value of the Yorozu brand in the global market, we adopted the Yorozu Spiral-up Plan. Under this plan, we worked to further strengthen our product and development capabilities, expand sales channels to the world’s major automakers, and strengthen global management that respects diversity. In addition, we achieved 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 the 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.

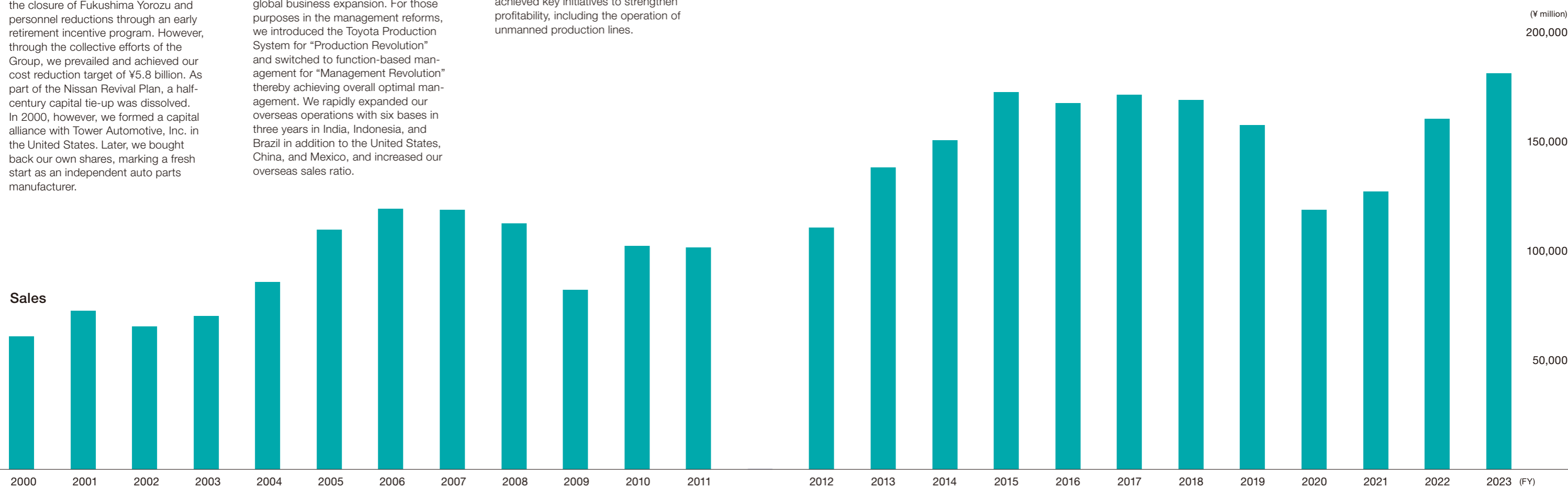
2021–2023
Yorozu Sustainability Plan 2023

We were able to establish a growth strategy and set the course for our strong presence in the age of electrification by focusing on ESG management, notably, carbon neutrality initiatives for climate change mitigation, development of new technologies and methods for EVs, and global sales expansion efforts through the introduction of such products. At the same time, at our domestic production bases, we launched various initiatives for the future, including the commencement of operations at YSMC*, marking the first new base in half a century.

*Yorozu Sustainable Manufacturing Center

2024–2026
Yorozu Sustainability Plan 2026

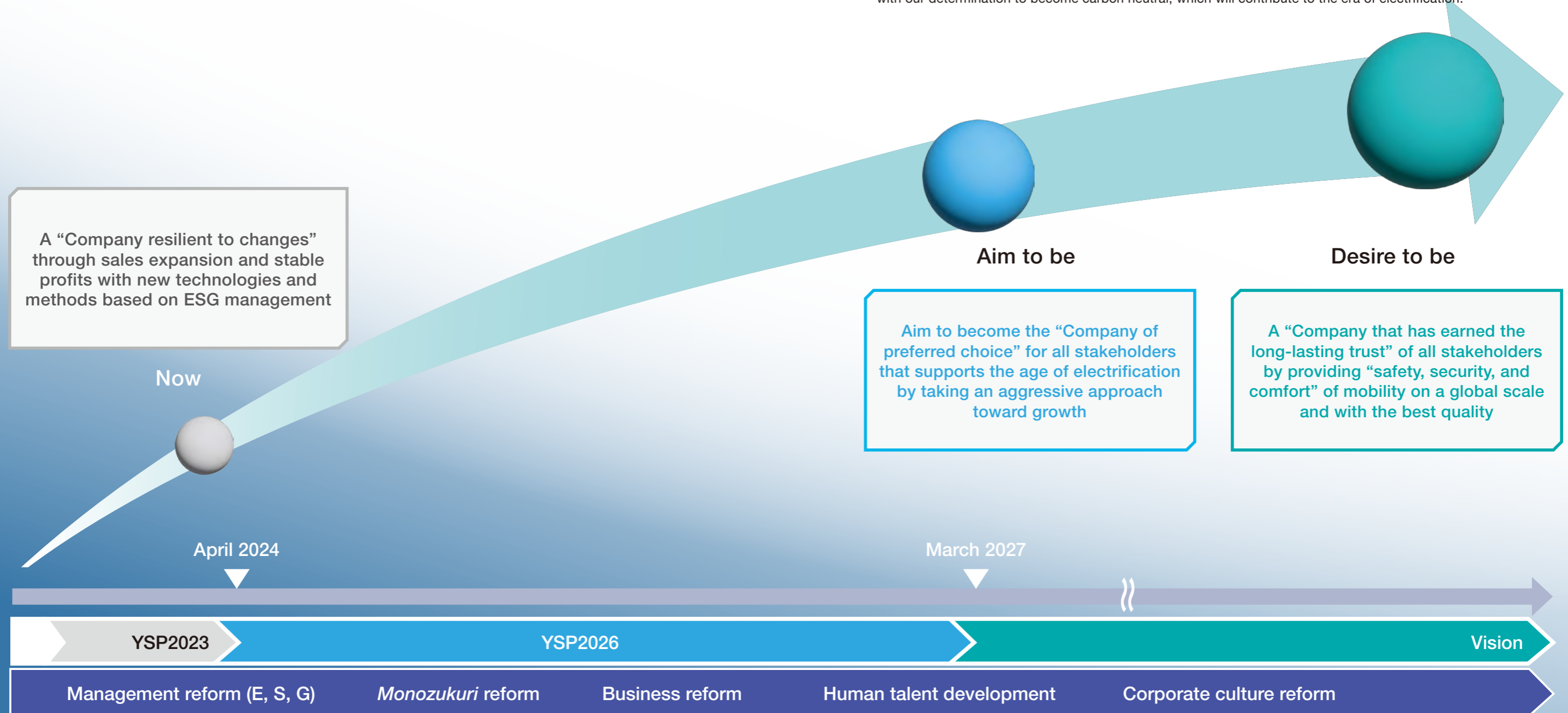
We aim to become the “Company of preferred choice” for all stakeholders that supports the electrification era by fulfilling the duties and responsibilities as a member of society and taking an aggressive approach toward growth. To achieve this, we aim to strengthen our business foundation and improve economic value by integrating E (environmental) management, our strength, with our growth and profitability initiatives. Moreover, we will strengthen our management foundation and raise social value through overall optimization, including financial strategies, based on S (society and individuals) and G (governance). By maximizing these two values, we aim to increase our corporate value.



What We Desire to Be (Yorozu's Long-Term Vision)

A Company that has earned the long-lasting trust of all stakeholders by providing safety, security, and comfort of mobility on a global scale and with the best quality

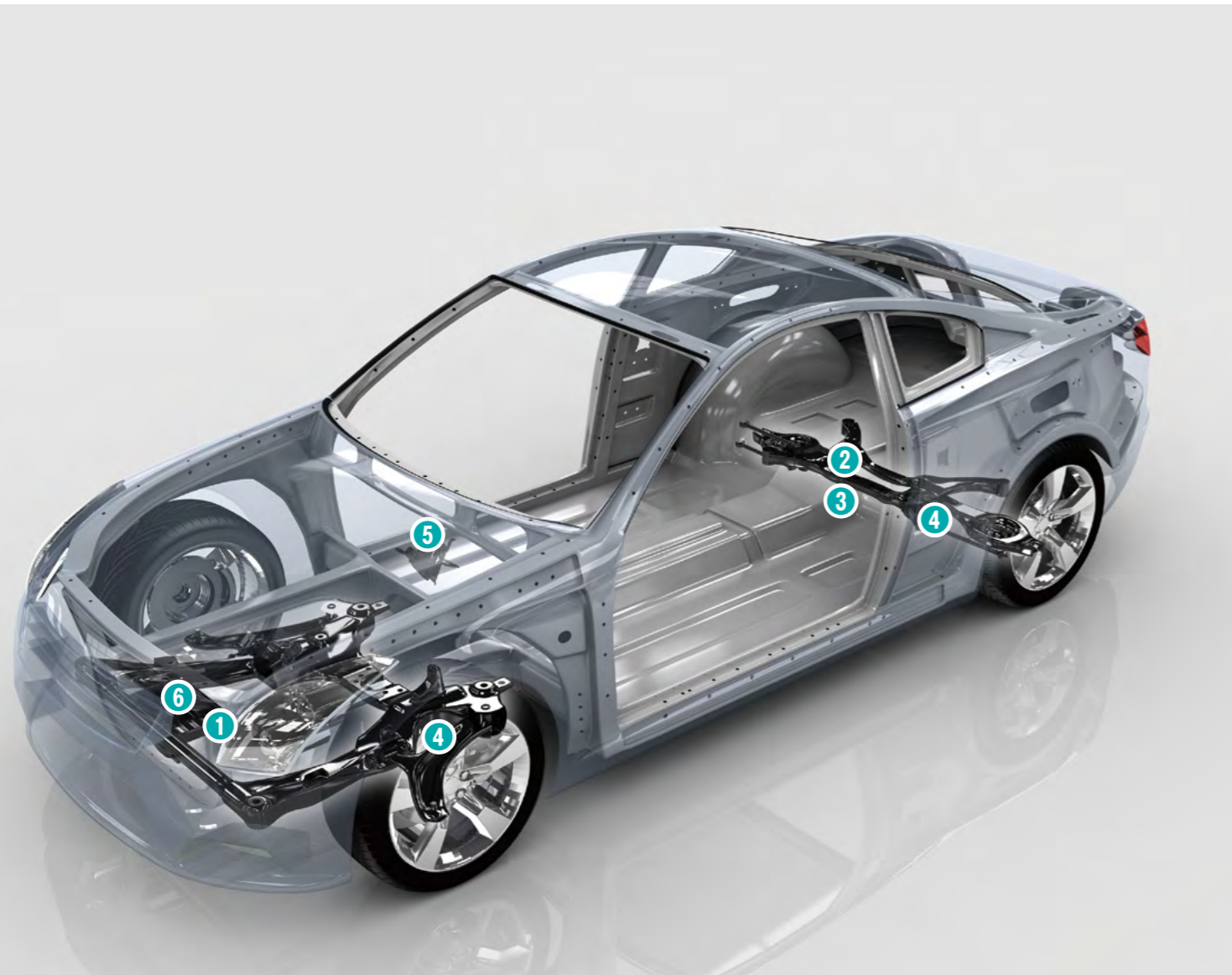
- ▶ To permanently acquire the important values of trust and confidence from all stakeholders in line with our Corporate Philosophy, in which social contributions are our primary mission, we aim to achieve even higher levels of safety and quality, which are at the core of our corporate activities.
- ▶ To become a company that has earned long-lasting trust, we aim to be a group that can continue to solve social challenges by creating values through internal and external collaboration, with people, technology, and information as the starting points.
- ▶ We strive to further strengthen our business and management foundations toward the growth stage beyond YSP2026 (FY2024–2026), while sustainably enhancing our value creation initiatives under YSP2026, armed with our determination to become carbon neutral, which will contribute to the era of electrification.



Yorozu's Main Products

The key to every aspect of an evolving car—its mobility, comfort, and safety—lies in its undercarriage mechanisms. At Yorozu, we are engaged in the entire process, from development to manufacturing, of a wide range of automotive parts, with a focus on suspensions, which are the cornerstone of the undercarriage mechanisms.

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 with fiscal 2018) for improved fuel efficiency contribute to carbon neutrality.



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.

1 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 from the tires through the mounting points. To meet these requirements, suitable materials are strategically positioned to ensure optimal performance.

2 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 the various forces from the tires through the mounting points. By using high-tensile-strength materials, we achieve lightweight construction.

3 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 right and left trailing arms, resulting in characteristics similar to an independent suspension. This component accommodates various structures, contributing to lightweight construction.

4 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.

5 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 foot brake lever contributes to reduced vehicle weight through various designs, adopting thick plates, pipes, and thin sheet welding.

6 Oil pan



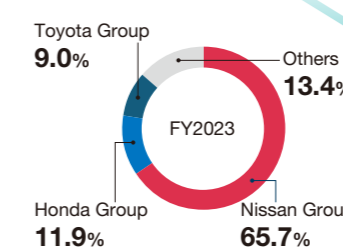
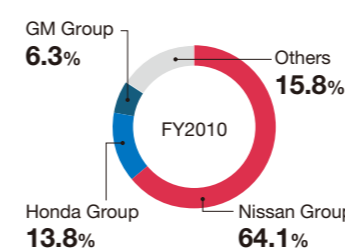
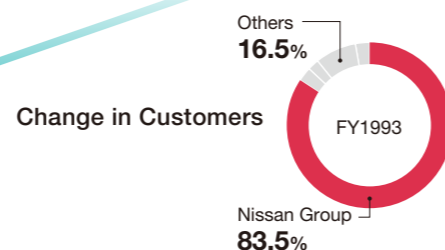
This part is located at the bottom of the engine. It holds a certain amount of engine oil, which is necessary for lubricating engine parts, and prevents it from leaking out. Our high press technology ensures the flatness and sealing of the joint with the engine.

History of Value Creation

—Response to Changes in the External Environment

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. 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.



Five Defining Periods of Our Business



External Factors	<p>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.</p>	<p>Global Financial Crisis of 2008 The bankruptcy of Lehman Brothers Holdings Inc. in the United States triggered a global economic downturn, which had a massive impact on the automotive industry in Japan as automakers incurred losses and posted substantially less profits.</p>	<p>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 an operating income ratio 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.</p>	<p>COVID-19 Pandemic COVID-19, identified as "viral pneumonia of unknown origin" in Wuhan, Hubei Province, People's Republic of China, in December 2019, spread globally, causing a severe recession in the global economy. 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.</p>	<p>Profound Transformation in the Automotive Industry, Growing ESG Responsibility, and the Post-Pandemic The value of automobiles is undergoing a "once-in-a-century transformation" that requires more sophisticated driving support systems, such as communication solutions, safe driving support, and autonomous driving, in addition to the basic functions of conventional vehicles. Also, expectations for environmental conservation, social contribution, and transparency of governance in business activities have increased. As a result, there is a growing need to curb global warming, actively utilize recycled materials, make further contributions to employees and local communities, and implement ethical business practices. Furthermore, in the post-pandemic era, expectations for stable profits have also increased.</p>
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Countermeasures by Yorozu	<p>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.</p> <p>Cost reductions: Streamlined production and reduced personnel</p> <ul style="list-style-type: none"> 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 	<p>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."</p> <ul style="list-style-type: none"> 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 <i>monozukuri</i> (manufacturing) and educational reforms Relocated the R&D functions and related departments to Tochigi Prefecture to develop globally competitive products <p>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.</p>	<p>In response to the Nissan Power 88 plan, Yorozu pursued proactive overseas expansion.</p> <ul style="list-style-type: none"> 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 <p>These measures resulted in gaining additional customers, particularly overseas, and increasing the percentage of our sales abroad.</p>	<p>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.</p> <ul style="list-style-type: none"> 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 <p>As a result, we achieved the safety of our employees and fulfilled our responsibility of supplying parts.</p>	<p>We announced the Yorozu Sustainability Plan 2023 (FY2021–2023) to further strengthen management and realize our new vision in a rapidly changing market environment, and took the following measures.</p> <ul style="list-style-type: none"> Gave consideration to the environment, created healthy and rewarding workplaces, and realized highly transparent governance based on ESG management Reformed the corporate structure by promoting digital transformation Secured a stable revenue base by optimizing production capacity, restructuring on-site capabilities, strengthening cash flow management, and building a corporate structure that is resilient to fluctuations in production volumes Created products with high added value through the development of new technologies and methods, proposed products for EVs, engaged in proactive sales expansion, and expanded external sales of production equipment Established Yorozu Sustainable Manufacturing Center, Inc. (YSMC), with the aim for a model factory of an automotive parts manufacturer that contributes to electrification with product capabilities that contribute to customers through full attention to the environment and coexistence with local communities
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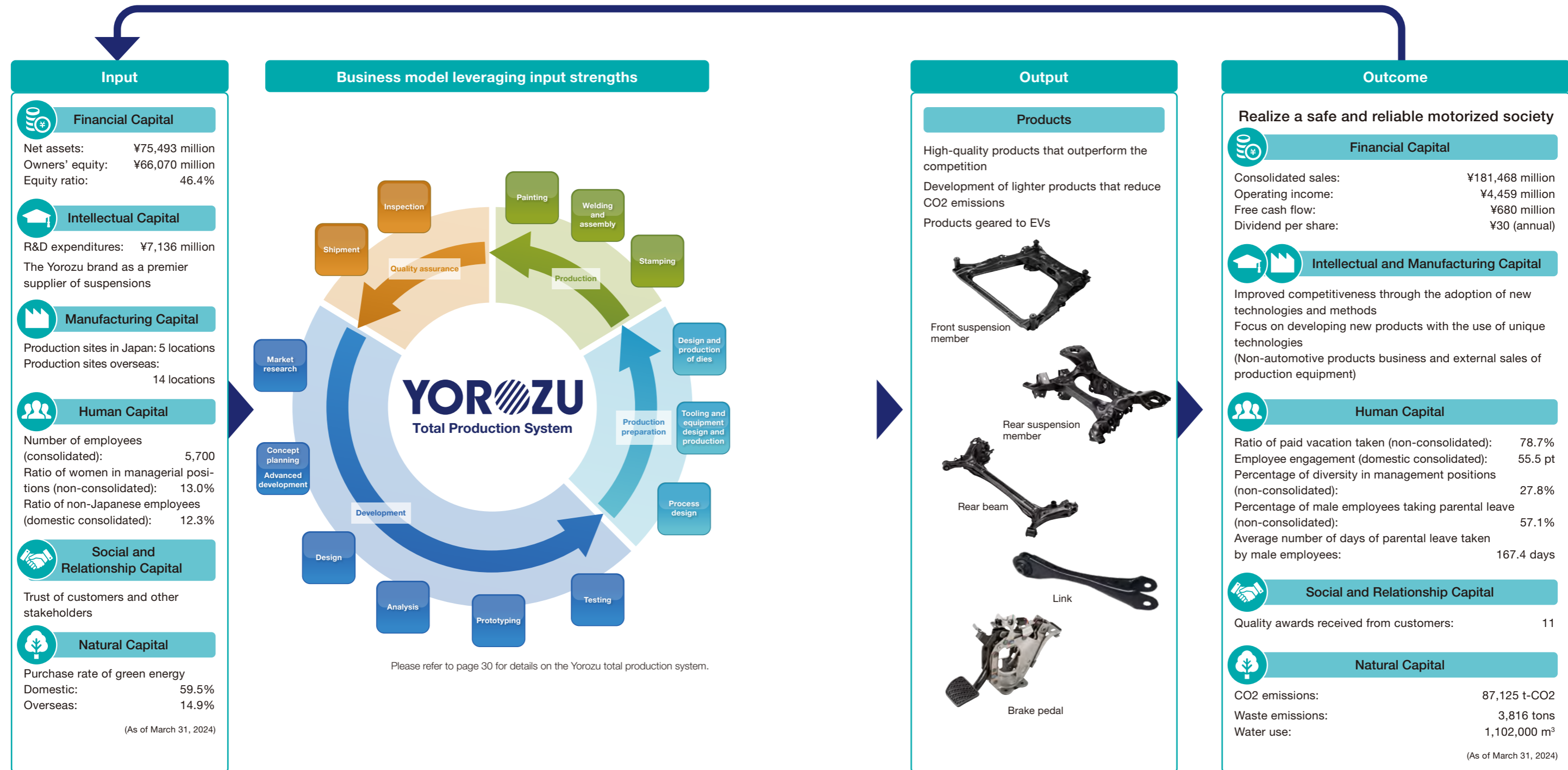


Technological Achievements	<p>Hydroforming (1998–) A metal-forming process in which hydraulic pressure is applied to the inside of pipe materials to form the pipe into the dies' inner shape. It allows to make complex shapes, leading to improved shape accuracy and reduced welding time.</p>	<p>Aluminum 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.</p>	<p>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 (<i>monaka</i>) structure consisting of upper and lower parts.</p>	<p>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.</p>	<p>High-Tensile-Strength Materials for Suspension Parts Although high-tensile-strength materials have lower press formability, we have addressed the issue by improving the design and forming technology. The application of this material has been expanded to major structural components such as frames and arms.</p>	<p>Arm with a New Stamping Structure In the past, component parts such as pipe materials were welded together. We succeeded in forming the product from a single sheet metal (patented technology). It contributes to freedom of design as well as safety and lightweighting and will be applied to a variety of parts in the future.</p>
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Value Creation Process

At Yorozu, we aim to continuously evolve as a company that delivers solutions to customers' needs on the strengths of our unique and superior technologies and developmental capabilities in suspensions. To that end, we have developed a value creation process designed to deliver value to society, and we are evolving 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 for sustainable growth and enhance corporate value.



Operating environment

Carbon neutrality by 2050

Uncertainty of the global situation and economy

Emergence of CASE

Large-scale investments to address future needs

Strategic alliances between automakers

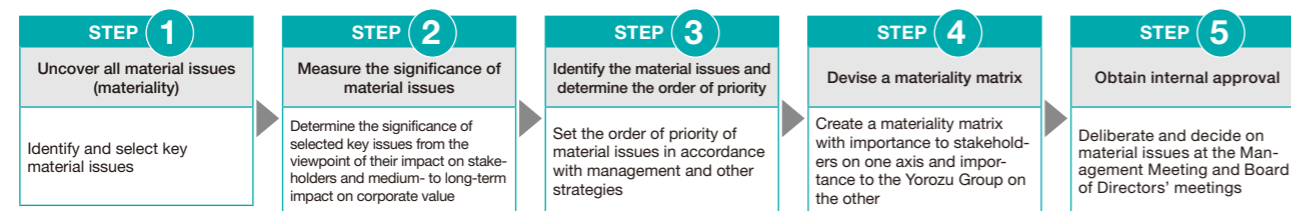
Rising labor costs

Materiality (Material Issues)

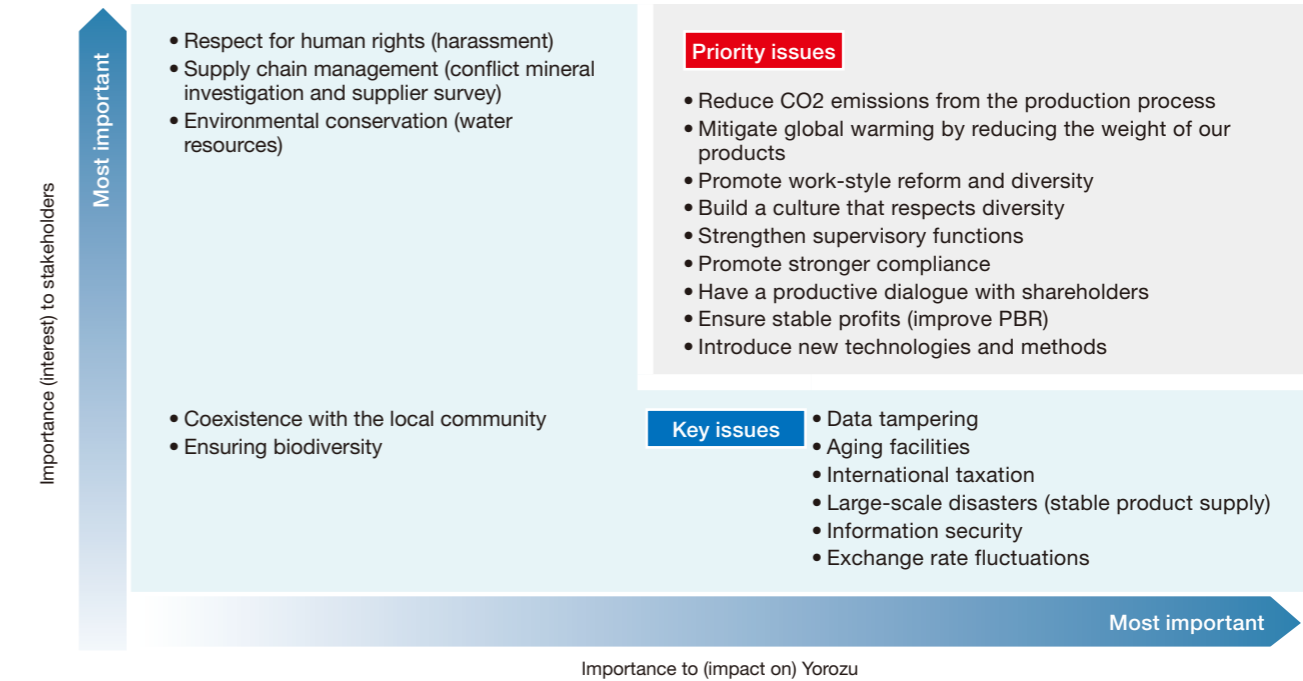
Yorozu has identified five material issues (materiality) that must be addressed through its business activities. As we seek solutions to such issues, we will continue to provide value to society in a sustainable manner. Moreover, to promote sustainability initiatives across the entire Group, we are proactively 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.



The YoroZu Group's Material Issues



Materiality and Risks/Opportunities

Materiality	Disclosure in the integrated report	Risks related to materiality	Opportunities related to materiality	Initiatives (example)	KPIs (example)	FY2023 actual
Business Stable profits (operating income ratio, ROE) YSP2026: Improvement of profit structure and financial strategy	Pages 6–7 Message from the CFO	<ul style="list-style-type: none"> Rising raw material costs Impact from customer sales trends Manufacturer responsibility International situation Exchange rate fluctuations 	<ul style="list-style-type: none"> Increased customers and enhanced competitiveness due to stable quality and price Corporate structure resilient to fluctuations in customers' production volume 	<Rise in profits> <Sustainable growth> <ul style="list-style-type: none"> Adjust manufacturing costs, reduce costs, negotiate prices with business partners, consider multiple sourcing 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 <YSP2026> <ul style="list-style-type: none"> Enhance and promote the CAPDo cycle Reduce the lead time for die preparation Jidoka for next generation assembly lines Optimize production load balance at each plant 	Sales Operating income ratio ROE PBR Dividend per share	¥181.4 billion 2.5% (6.1%) 0.35 ¥30
Business/ environment New technologies and methods YSP2026: Creation of new technologies and methods, and sales expansion	Pages 22–29 Medium-Term Business Plan Pages 32–34 R&D Strategy	<ul style="list-style-type: none"> Delay in product development using advanced technology and materials Decreased competitiveness due to a delay in differentiation from competitors 	<ul style="list-style-type: none"> Expanded revenue opportunities through product differentiation Increased customers and enhanced competitiveness due to stable quality and price 	<ul style="list-style-type: none"> Develop products that contribute to the reduction of CO2 emissions Develop lightweight technology through ultra-high-tensile-strength steel (980 MPa) products Develop products with added value for EVs Address sound and vibration performance required for EVs <YSP2026> <ul style="list-style-type: none"> Expand non-automotive product business Promote external sales of production equipment 	Weight reduction Reduction of CO2 emissions through weight reduction Develop ultra-high-tensile-strength steel (980 MPa) products Number of patent applications Quality awards received from customers Increase share of sales to Toyota Group: 15% or more by FY2026 (compared with FY2023)	Achieved cumulative weight reduction target of 30% from FY2018 1,590 t-CO2 Ultra-lightweight lower arm products jointly developed with Mazda Motor Corporation put into a car race 2 11 quality awards 9.0%
Environment Reduction of CO2 emissions (carbon neutrality) YSP2026: E: Monozukuri with our weapon—environmental performance	Pages 41–45 Environmental Initiatives Pages 32–34 R&D Strategy	<ul style="list-style-type: none"> Deterioration of corporate image and trust due to delayed response to environmentally friendly products Increasing environmental investment costs Climate change 	<ul style="list-style-type: none"> Increased revenue opportunities through products compatible with carbon neutrality (such as lightweight products) Enhancement of corporate value 	<ul style="list-style-type: none"> Develop products that contribute to the reduction of CO2 emissions Undertake efforts to reduce CO2 emissions in the production process (e.g., energy-saving activities, sourcing renewable/zero-carbon electricity) <YSP2026> <ul style="list-style-type: none"> Promote DX, establish a smart factory 	2030: CO2 emission reduction by 60% (compared with fiscal 2013 levels) 2040: Achieve carbon neutrality (progress in emission reduction) Continuing ISO certification Zero environmental accidents	Reduced by 19% (compared with fiscal 2013 levels) Certification continued Zero environmental accidents
Social Creation of a healthy, motivating workplace YSP2026: Enhance engagement	Pages 35–40 Human Capital Strategy	<ul style="list-style-type: none"> Insufficient management of employee safety and health Decreased productivity Loss of opportunity to secure excellent talent and high turnover rate 	<ul style="list-style-type: none"> Higher productivity Retention Innovation, corporate value creation Securing excellent talent 	<ul style="list-style-type: none"> Create a vibrant workplace for all Promote industrial safety and health <YSP2026> <ul style="list-style-type: none"> Promote DEI Engage in health and productivity management 	Ratio of women in managerial positions (non-consolidated) Percentage of diversity in management positions (non-consolidated) Employment rate of people with disabilities (domestic consolidated) Presenteeism SPQ (University of Tokyo single question ver.) Employee engagement (domestic consolidated) Employee turnover rate (non-consolidated) Percentage of paid leave taken (non-consolidated) Percentage of male employees taking parental leave (non-consolidated) Remote work rate (non-consolidated) Rate of participation in training (domestic consolidated) Number of industrial accidents (domestic consolidated)	13.0% 27.8% 1.79% 20.0% 55.5 pt 5.2% 78.7% 57.1% 29.9% 95.5% 0
Governance Practice of highly transparent governance YSP2026: Enhance governance	Pages 50–59 Corporate Governance	<ul style="list-style-type: none"> Downturn in business activities due to compliance violations Erosion of social trust Decline in corporate value 	<ul style="list-style-type: none"> Establishment of a stable management foundation through improved transparency in decision-making Gaining the trust of stakeholders 	<ul style="list-style-type: none"> Strengthen corporate governance framework Conduct fair business activities and ensure fair pricing practices Maximize the efficiency of the Human Rights Due Diligence Committee Maximize the efficiency of the Risk Compliance Committee Engage in shareholder relations (SR) <YSP2026> <ul style="list-style-type: none"> Strengthen governance and compliance Comply with appropriate business practices 	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 Activities of the Human Rights Due Diligence Committee (informing and supporting suppliers) Number of whistleblowing reports/disputes (domestic consolidated) Types and number of disciplinary actions (domestic consolidated) Compliance training attendance rate (non-consolidated) Interviews with shareholders and other stakeholders	99.3% (9 people/year) 100% (all 3 people) 100% (implemented annually since FY2018) 100% 17 cases 0 cases 84% 13 companies

Medium-Term Business Plan

Here is a review of the previous medium-term business plan YSP2023 and an overview of the new medium-term business plan YSP2026.

Review of the Previous Medium-Term Business Plan YSP2023

In 2021, when the Yorozu Sustainability Plan 2023 (YSP2023) was announced, there were major changes in various aspects, including the once-in-a-century transformation in the automotive industry symbolized by CASE and the acceleration of efforts to become carbon neutral in each industry. In improving earnings, we also faced the need to strengthen our corporate structure to be less susceptible to fluctuations in automobile production volumes.

In this environment, to achieve sustainable growth as the Group we have focused on the three pillars of management, (1) ESG Management (2) Stable Profits, and (3) New Technologies and Methods, and worked to achieve sound management that is resilient to changes.

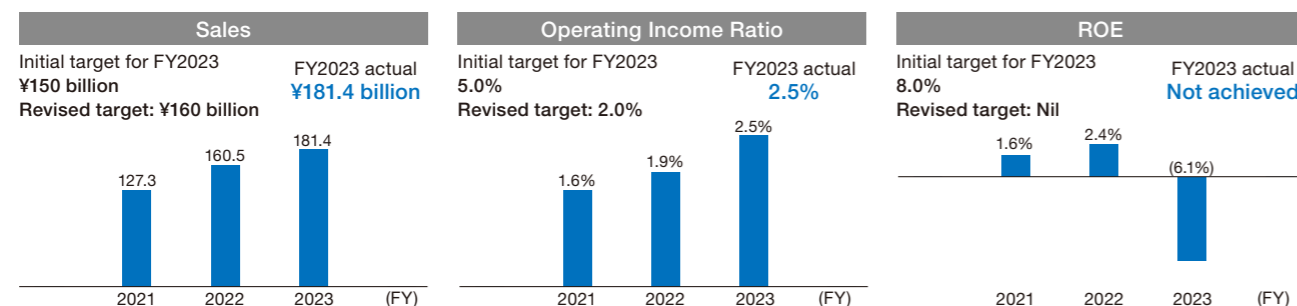
Management policy

1	ESG Management	2	Stable Profits	3	New Technologies and Methods
<ul style="list-style-type: none"> Achieve medium- to long-term sustainable growth Promote DX (digital transformation) aimed at changing the corporate culture <p>E: Engage in earth-friendly <i>monozukuri</i> S: Create a healthy and engaging workplace G: Realize highly transparent governance</p>		<ul style="list-style-type: none"> Shift to optimum production capacity Recreate a strong <i>gamba</i> (frontline operations) Strengthen cash flow management Build a robust corporate structure that is less affected by production volume 		<ul style="list-style-type: none"> 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 	

Financial performance summary

Despite a decrease in output from major customers due to the impact of semiconductor shortages and other factors, net sales exceeded the target thanks to favorable foreign exchange rates and price increases in the steel materials market. The operating income ratio fell short of the initial target of 5% due to costs associated

with the launch of new models and soaring material, resource, and energy costs while the revised target of 2% for the fiscal year-end was achieved. ROE did not meet the target due to a net loss from an impairment loss on fixed assets, resulting from the deteriorating business environment in China.



Shareholder returns

Under our basic policy of “aiming for sustainable dividends while maintaining a target dividend payout ratio of 35% or more,” we have continued to pay sustainable dividends to reward the support of our shareholders.

	Fiscal 2021 (Actual)	Fiscal 2022 (Actual)	Fiscal 2023 (Actual)
Dividend per share (yen)	13	25	30
Dividend payout ratio	35.6%	42.4%	—

Summary of measures and results

Through ESG management, the introduction of new technologies and methods for electric vehicles, and the strengthening of global sales expansion activities, we

built a growth strategy and a roadmap, thereby establishing the foundation of the company to be widely known as “Yorozu for EVs.”

Basic policy	Review and analysis	Rating	
ESG management	E: Environmental	• Surpassed the targets outlined in the CN roadmap with proactive disclosure practices	Good
	S: Social	• Enhanced employee engagement, acquired Platinum Eruboshi, Kurumin, and Health & Productivity Management Outstanding Organization certificates	Good
	G: Governance	• Overcame challenges to meet the continued listing standards for the TSE Prime Market	Fair
	DX promotion	• Implemented individual improvement consistently	Fair
Stable profits	• Increased investments in new model launches • Experienced significant divergence between customers' required volume and our production capacity in the Chinese market	Fair	
New technologies and methods	• Developed innovative lightweight technologies with patented products for sales growth • Commenced “collaboration” in development	Good	
Sales expansion	• Completed construction and started operation at Yorozu Sustainable Manufacturing Center (YSMC) • Received orders for EV parts from a diverse range of customers	Good	

Issues for YSP2026

In YSP2023, there were delays in strengthening financial strategies and responding to market and business changes, and the pending issues became clear.

Under YSP2026, we will further strengthen, go in-depth, and recover, by taking concrete measures to aggressively pursue the growth strategies established in the previous plan, including pending issues.

Basic policy	Self-evaluation	Issues pending from YSP2023	Category of pending actions	In relation to the new medium-term plan	
ESG management	E: Environmental	Good	Experiencing a relative decline in its front-runner status	Strengthen	Maintain our “advantages” and support business activities
	S: Social	Good	Lack of group-wide measures	Go in-depth	Develop individuals and the organization with a vision for future social and business structure
	G: Governance	Fair	Delay in strengthening financial strategies	Go in-depth	Respond to demand from stakeholders
	DX promotion	Fair	Delay with Horizontal-DX (H-DX)	Recover	Recover through application to YSMC (model factory)
Stable profits	Fair	Delay in responding to market and business changes	Go in-depth	Manage the plants with structural reform in mind	
New technologies and methods	Good	Difficulties in creating unique technologies and new products	Strengthen	Dare to challenge the possibility of expanding technologies rather than sticking to in-house products and development	
Sales expansion	Good	No significant changes in customer composition	Strengthen	Strengthen business foundation through sales to a diverse range of customers	

Overview of the New Medium-Term Business Plan YSP2026

As for the business environment surrounding the Group, the outlook for the global economy remains uncertain due to factors such as shifts in monetary policy in various countries and concerns about geopolitical risks.

At the same time, the automobile industry as a whole is facing major changes in the market and structural changes, such as the rapid growth of OEMs of emerging EVs amid a gradual recovery in production. In addition, in response to climate change, automakers are accelerating their efforts to make cars that are carbon neutral and are putting EVs on the market.

Against this backdrop, Yorozu formulated its YSP2026 medium-term business plan, which covers the period from fiscal 2024 to fiscal 2026, with the aim of increasing corporate value.

Thoughts embodied in the name

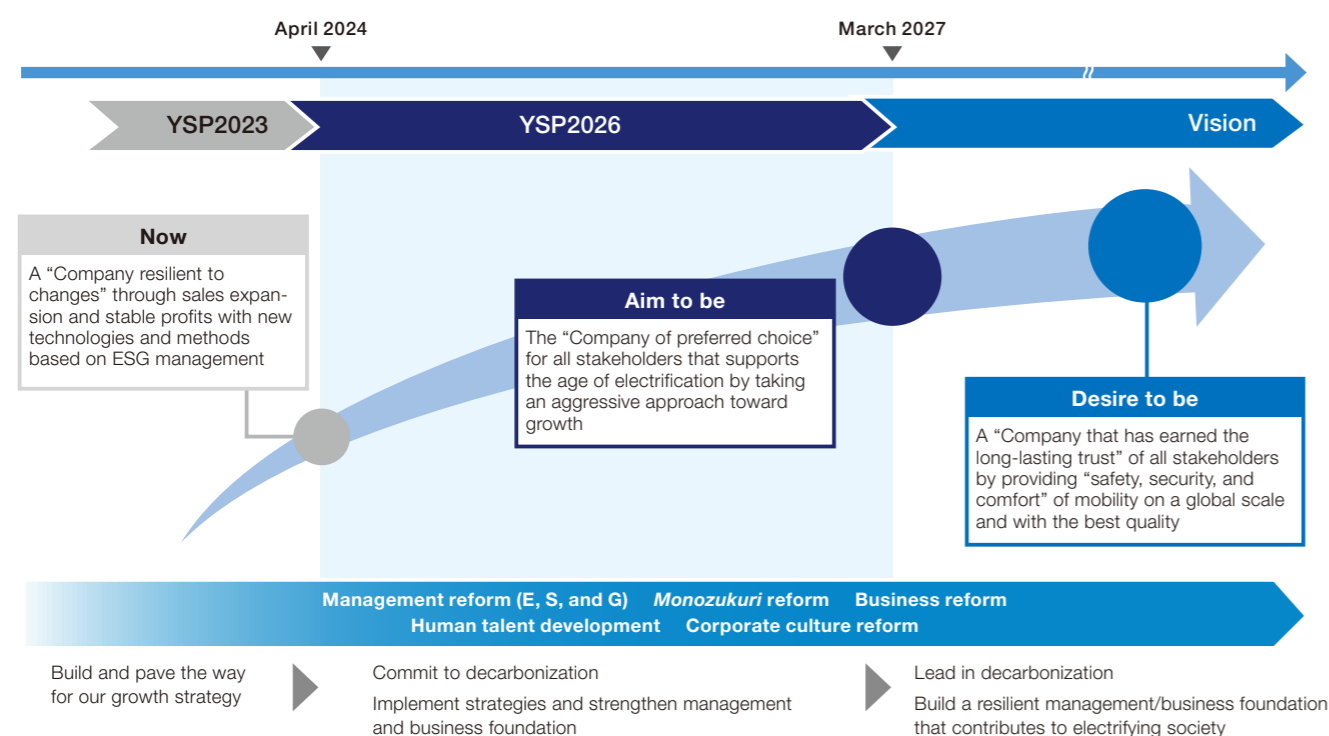
The new medium-term business plan has been named the Yorozu Sustainability Plan 2026, or YSP2026. The reason we inherited the term “sustainability” from the previous medium-term business plan was because we

believe that “sustainable initiatives” is precisely the concept necessary for us to recover, delve deeper into, and strengthen the issues and actions pending from YSP2023.

What we aim to be

Working toward our long-term vision to become a Company that has earned the “long-lasting trust” of all stakeholders by providing “safety, security, and comfort” of mobility on a global scale and with the best quality,

under YSP2026 we aim to become the “company of preferred choice” for all stakeholders that supports the age of electrification by taking an aggressive approach toward growth.



Overview of YSP2026

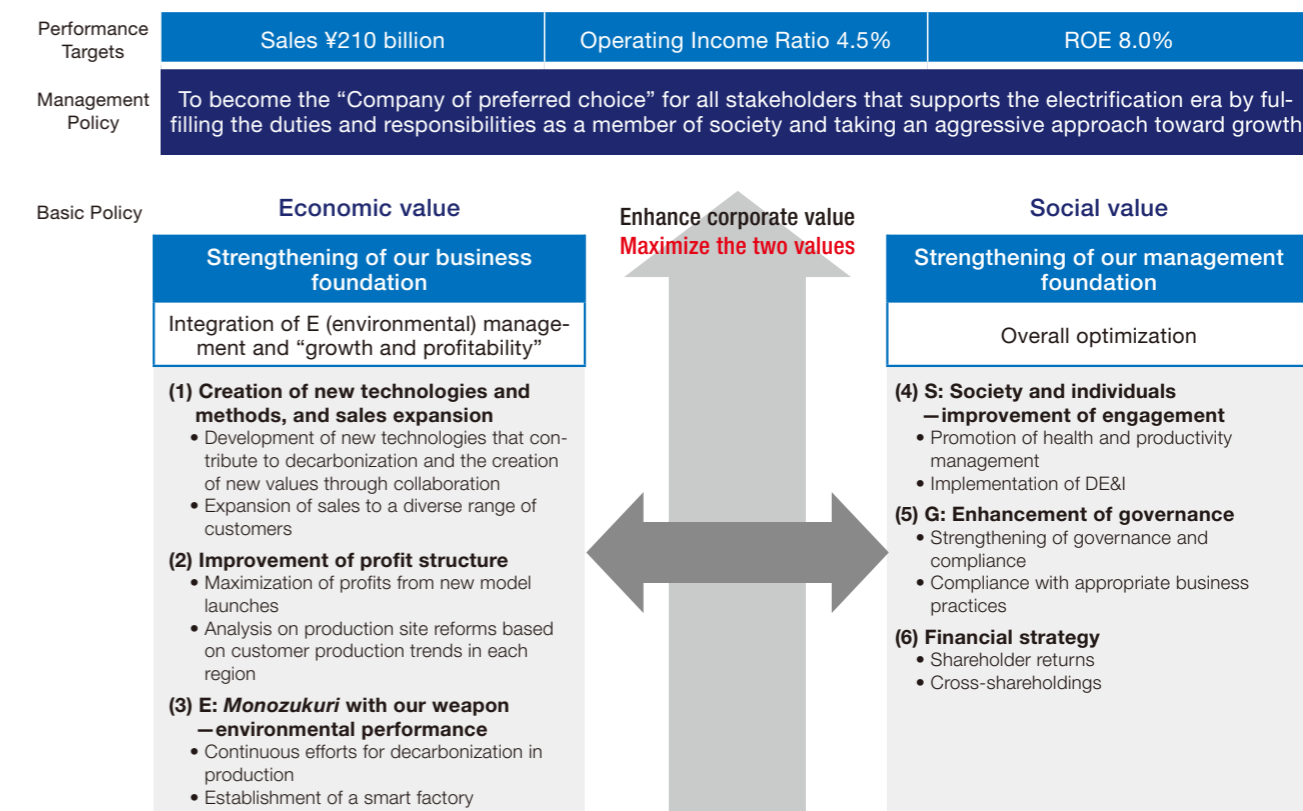
Our consolidated performance targets for fiscal 2026, the final year of YSP2026, are net sales of ¥210 billion, an operating income ratio of 4.5%, and ROE of 8.0%.

Our management policy for achieving these targets is “to become the ‘Company of preferred choice’ for all stakeholders that supports the electrification era by fulfilling the duties and responsibilities as a member of society and taking an aggressive approach toward growth.” For this, we need to enhance corporate value,

and we are working to maximize economic value and social value.

As part of our efforts to maximize these two values, our basic policy is to strengthen our business foundation and management foundation, and we are focusing on six key initiatives.

The following pages explain the six measures in detail.



Shareholder returns

In appreciation of shareholders’ support, we have set a minimum dividend of ¥31 per share and a dividend payout ratio of 35% or more. We will also flexibly acquire

our own shares in consideration of our business performance and dividend levels.

Cross-shareholdings

We will promote further reductions in cross-shareholdings by setting quantitative targets. Specifically, our immediate target is a 10% reduction by the end of fiscal 2026 on a

market value basis at the end of March 2024. Also, the entire funds acquired through selling of the cross-held shares will be appropriated to buy back our own shares.

(1) Creation of New Technologies and Methods, and Sales Expansion

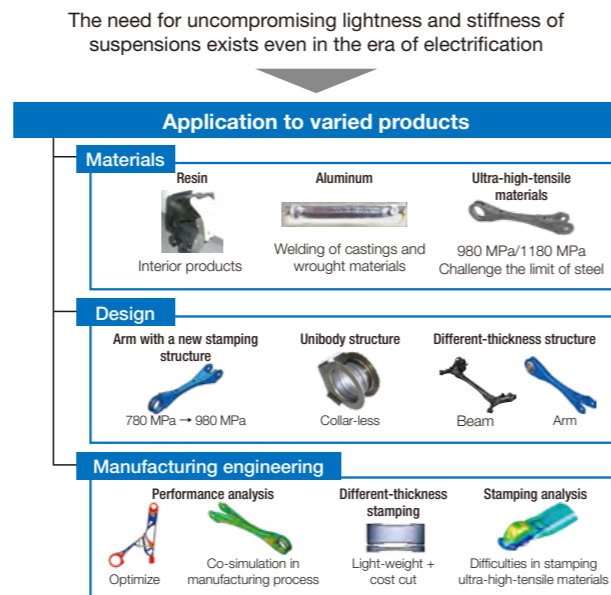
Development of new technologies that contribute to decarbonization and the creation of new values through collaboration

[Strategy 1] Undertake the challenge of refining our lightweighting technology and expanding the range of our products

Even in the era of electrification, suspension parts are increasingly required to be uncompromisingly light, which contributes to the reduction of CO2 emissions, and stiff enough to withhold the increase in vehicle weight due to the installation of batteries. As a manufacturer specializing in suspensions, Yorozu is committed to fulfilling its social responsibilities by creating new technologies and methods and expanding sales.

It is important to integrate the three elements of “materials,” “design,” and “manufacturing engineering” for “lightness” and “stiffness.”

In fiscal 2023, we succeeded in using ultra-high-tensile-strength steel sheet materials (980 MPa and 1180 MPa grades) in mass production. We are aiming for ultimate design (structural optimization that matches new methods) through improvements in design technology by studying different materials and weight reduction with thinner plates and developing products incorporating innovative ideas with new structures (new stamping structure, alternative materials, and stamping difficulties).

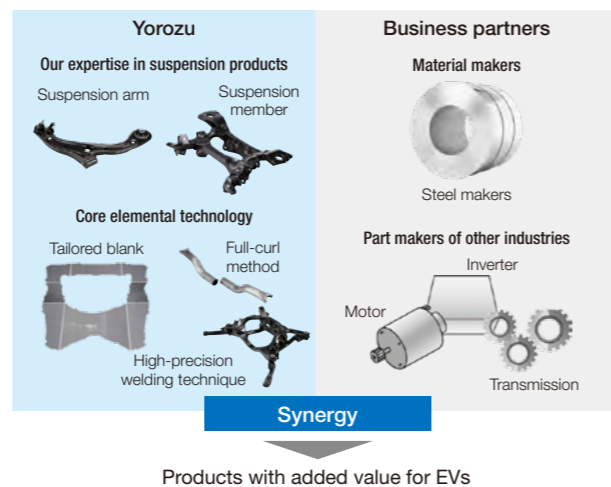


[Strategy 2] Increase a product's added value through collaboration

In the current automotive industry, the concept of completing development of new technologies through in-house development alone has changed to the concept of complementing each other through collaboration and utilizing the results of such development.

At Yorozu, we are developing products with the aim of generating synergies through collaboration with material manufacturers, which are specialists in iron and steel materials, and component manufacturers, which have strengths in components from different industries. By bringing together the expertise of each company and exchanging opinions from different perspectives, we create new values.

By using high-value-added products in the electric vehicles of many automakers, we aim to be widely recognized as “Yorozu for EVs” and to contribute to a decarbonized society.



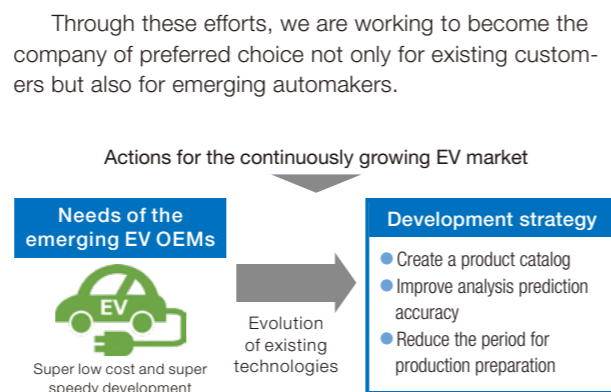
[Strategy 3] Develop innovative products for the emerging OEMs of EVs

Super low cost and super speedy development have become the norm for emerging EV manufacturers around the world. We are pursuing three new strategies to become the parts manufacturer of choice for these automakers.

The first is to create a product catalog that allows customers to choose from specifications that we have selected in advance in accordance with the requirements of the automaker.

The second is to improve analysis prediction accuracy, which reduces the need for re-testing and re-evaluation, enabling short-term development.

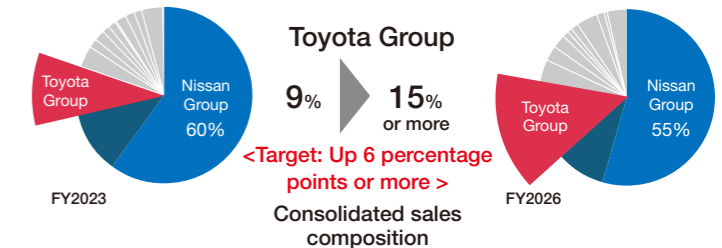
The third is the establishment of a mechanism and system to reduce the period for production preparation.



Expansion of sales to a diverse range of customers

[Strategy 1] Expand sales of EV products for major customers

We will aggressively expand sales in three areas: customers, products, and regions. As for customer-centered sales, we will work to increase the share of sales to the Toyota Group by 6 percentage points or more. Maintaining the level of sales to Nissan and increasing sales to the Toyota Group will stabilize and further strengthen our corporate foundation. We will also expand sales by responding promptly and flexibly to the business and regional strategies of each automaker.



Start of operations at YSMC

Production began at the YSMC Gifu Factory in January 2024. Starting from the stamping process, we plan to launch welding, assembly, and painting processes. Production will be transferred from the YSMC Aichi Factory (former Yorozu Aichi) and consolidated. YSMC aims to become a model plant for automotive parts manufacturers, a base that is proud of both CS and ES. In addition to its overwhelming competitiveness in *monozukuri*, it strives to contribute to customers through electrification with quality products, by giving full attention to the environment and coexisting with the community. Based on the competitiveness of these four initiatives, we will strengthen our efforts to expand sales of lightweight products, which are one of our strengths, to customers particularly in the Tokai and Kansai regions from a base that has achieved carbon neutrality.



[Strategy 2] Venture into new business areas

Utilizing the development and production technologies we have cultivated in suspension products, we will take on the challenge of entering new business domains that are not limited to the automobile business in order to build a foundation for future growth. We aim to expand our business in non-automotive products by establishing cutting, bending, and welding technologies for construction machinery products with plate thickness of more than 20 mm. We are also working to develop external sales of production equipment (e.g., dies, welding equipment) into a new business by improving our competitiveness and technological capabilities through sales to parties outside the Group.

Non-automotive products

Make products for construction machinery using more than 20 mm thick sheet materials (Stamping/welding)

External sales of production equipment

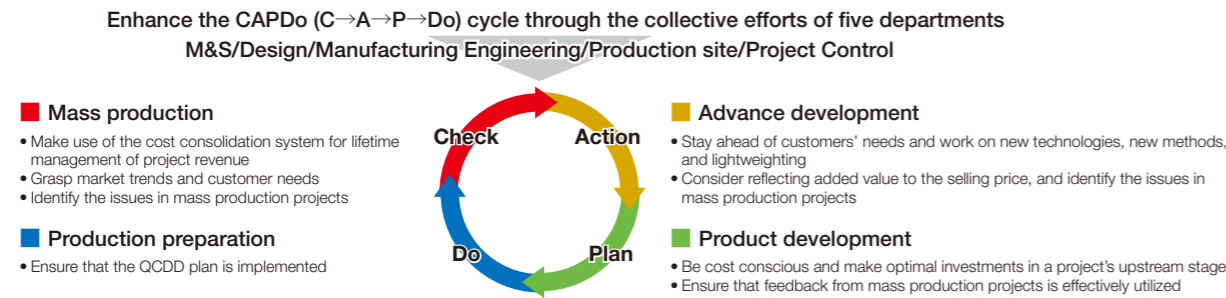
Develop new businesses by enhancing our competitiveness and technologies

(2) Improvement of Profit Structure

■ Maximization of profits from new model launches

[Strategy 1] Establish an organizational structure focused on maximizing profits

We will promote seamless and continuous improvement activities from current vehicles to new models through the CAPDo (C→A→P→Do) cycle with the collective efforts of five departments: M&S/Design/Manufacturing Engineering/Production site/Project Control.



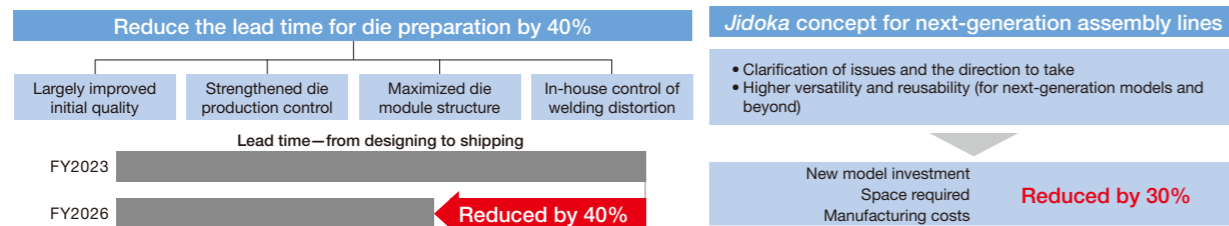
[Strategy 2] Enhance the development of dies and equipment

Reduce the lead time for die preparation

We will promote activities to reduce the lead time from designing to shipping by 40% by improving forming simulation technology and significantly enhancing initial quality.

Jidoka concept for next-generation assembly lines

We aim to improve new model investment, space efficiency, and manufacturing costs by 30% each, with maximum consideration given to versatility and reusability, with the aim of utilizing equipment for next-generation models and beyond.

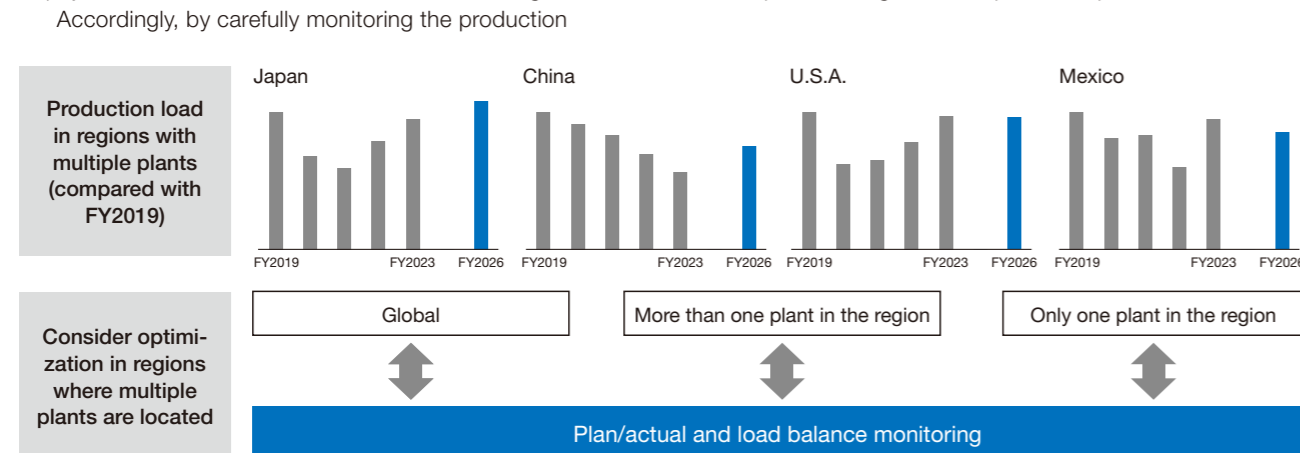


■ Analysis of production site reforms based on customer production trends in each region

[Strategy] Rebuild future strategies through careful monitoring of profits earned at each production site

During the YSP2026 period, we expect an overall increase in production and sales volumes. However, the business environment is expected to remain uncertain, and we need to pay closer attention to notable trends in each region.

Accordingly, by carefully monitoring the production plans and performance at each plant, we will work on reforms to optimize load balancing, mainly in regions where we have multiple plants. At the same time, we will reform future plant strategies and improve our profit structure.



(3) E: Monozukuri with Our Weapon—Environmental Performance

■ Continuous efforts for decarbonization in production

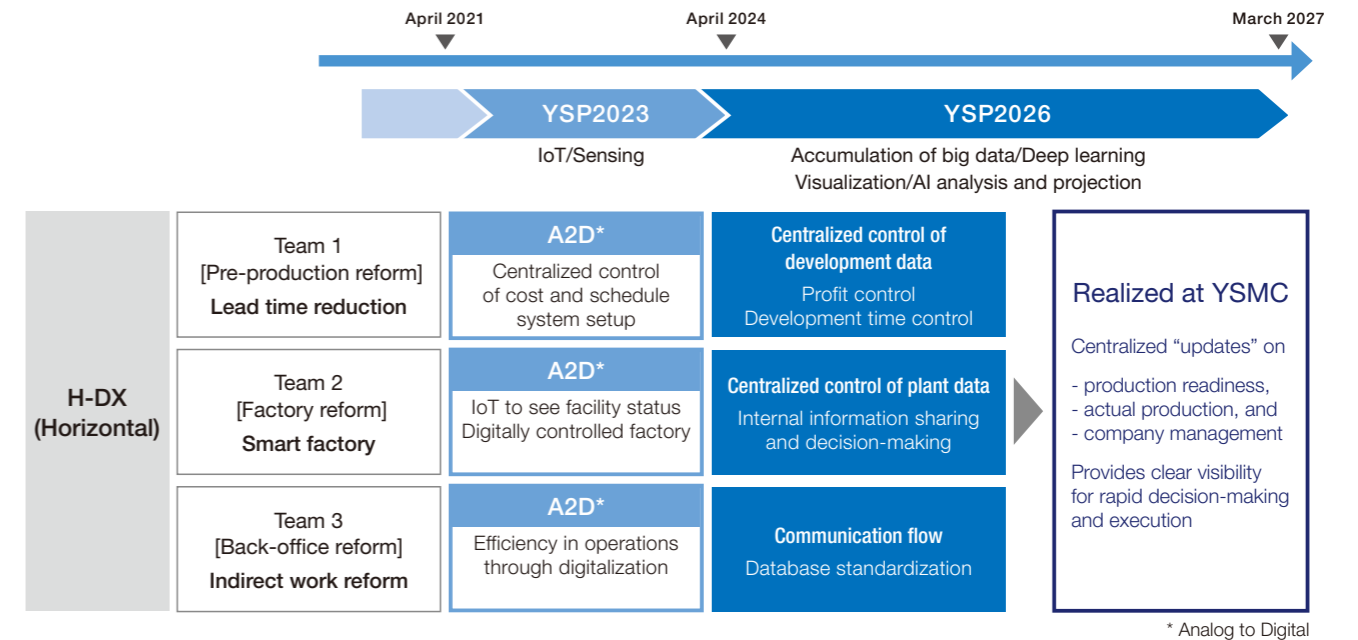
Please refer to page 42 for details on accelerating CN targets to maintain our position as the frontrunner. Please refer to page 43 for the promotion of Scope 2 (electricity) and Scope 1 (fuel).

■ Establishment of a smart factory

[Strategy] Realization of a model factory at YSMC

To establish smart factories, we have been working to contribute to the realization of “competitive *monozukuri*” at YSMC as a business reform utilizing DX. Specifically, with an aim to significantly reduce operational lead times, we formed three teams to address *monozukuri* lead time reduction, the smart factory, and indirect work reform. The teams promoted A2D (Analog to Digital), which is the eradication of analog data and the digitalization of information.

Under YSP2026, we will work on the accumulation of big data and the construction of technologies using AI in order to dramatically improve the efficiency of our operations. Such efforts will lead to the visualization of the current status of production preparations, production, and management, and enable us to establish a smart factory that is capable of rapid decision-making.



(4) S: Society and Individuals—Improvement of Engagement

Refer to pages 35–40.

(5) G: Enhancement of Governance

Refer to pages 50–59.

(6) Financial Strategy

Refer to pages 6–7 and 25.

Total Production System

Yorozu's advantage in the development of component parts lies in our distinctive total production system. Under this system, all processes are planned and conducted in-house, from research and development starting with product marketing to design and production.

What is a total production system?

With the extensive data and experience we have accumulated to date, we participate in joint development from the vehicle conceptualization stage at automakers. The consistent flow of operation from product designing, prototyping, testing, die and tooling design and fabrication, and product manufacturing to quality assurance enables us to leverage our comprehensive competitiveness as a strength. Also, by introducing IT and DX throughout the entire system, we have gained dramatic advantages in terms of quality, cost, and speed. We promote co-creation activities based on relationships of trust with a wide range of stakeholders, including customers, partner companies, and employees. These are incorporated into each process of the total production system, and we are working to develop new technologies and methods and to address social challenges such as carbon neutrality. Through co-creation activities, we aim to create new values together with stakeholders and enhance our competitive advantage.



Development

In the development phase, we conduct market research to investigate and analyze market needs and trends, and testing to confirm and guarantee the performance of the final product.

We use the data and know-how accumulated through product design, analysis, and testing to create more competitive product specifications.

To develop the products that our customers want in a timely manner, we are advancing the development of cutting-edge technologies. In addition to quality, performance, cost, and delivery, we are making company-wide efforts for reduced weight, which is an unchanging need for automotive products.



Design Review Meeting

Production preparation

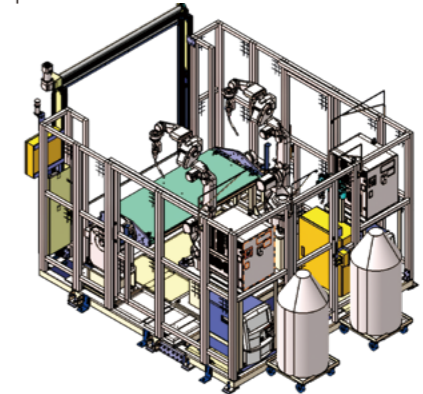
In the production preparation phase, to realize a decarbonized society, we are focusing on the establishment of optimal welding and stamping technologies for the development of lighter-weight products using thinner ultra-high-tensile-strength steel sheets.

We are also making efforts to create reusable facilities and equipment to reduce investment costs.

As one of the measures, we are considering adopting an assembly-type aluminum frame stand instead of the conventional square steel pipe stand with a welded structure.

Because it is an assembly type, it can be reused as necessary and because of its lightweight structure, it can be used in a two-story layout instead of the conventional

flat line layout, with the aim of making effective use of limited space.



Flexible assembly-type aluminum stand instead of the conventional welded steel frame

Production

The know-how gained through the development of lightweight products in the development phase and the new manufacturing methods developed in the production preparation phase are reflected and managed in the production phase. In addition, we are working to electrify the painting process as a challenge to carbon neutrality for a decarbonized society. At YSMC, the electricity used to produce parts is provided by an in-house solar power system and green power, which does not emit CO2. Furthermore, electric boilers and ovens have been installed to renew the conventional mass production processes, such as steam production using LPG/LNG and the paint drying process requiring

high temperature hardening, and we are continuing to evolve toward the realization of carbon neutrality.



Newly installed electric boilers used in painting facilities

Quality assurance

In the quality assurance phase, we are focusing our efforts on ensuring quality in the process. For this, factor management based on total quality control is in place where the 4M factors (man, material, machine, and method) related to production activities are completely standardized to provide our customers with products of the highest quality and gain their trust. In addition, the entire company works together in incorporating new process designs and inspection technologies for accurate feedback to the development and production preparation phases and in promoting computerization and *jidoka* (automation) to make the digitalization of 100% quality assurance of customer-specific products possible, which previously relied on human checks.



Measurement using an image-based non-contact measuring machine

For more information on our total production system, please visit the following webpage.
<https://www.yorozu-corp.co.jp/en/technology/>



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.

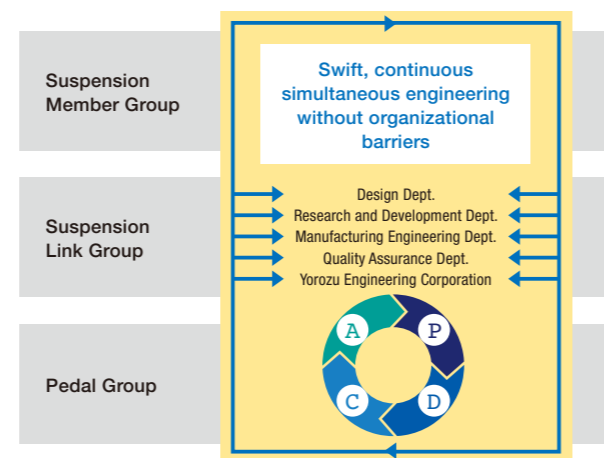
Simultaneous engineering

During the development phase, we implement simultaneous engineering by concurrently engaging in both product design and production process design. This involves iterating through optimizing performance and cost.

From the early stages of development, the design, production process design, die and jig design, and even the production plant, depending on the specifications, work together to examine the specifications. By doing so, we are able to receive feedback from the production and manufacturing sides at an early stage and minimize the need to go over the examining process again once the specification review has progressed.

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.



Toward enhanced R&D capabilities

In fiscal 2023, we were able to achieve the “cumulative weight reduction target of 30% (compared with fiscal 2018)” set in YSP2023.

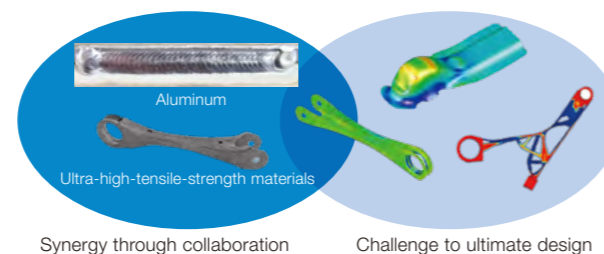
We will continue to engage in initiatives aimed at achieving products that satisfy environmental, performance, quality, and cost requirements to support our customers, the automotive makers, in their efforts to lower CO2 emissions and advance EV development.

In fiscal 2024, we are focusing on joint development with automakers, parts manufacturers in other industries, and material manufacturers. Yorozu, which has expertise in suspension products and core elemental technology such as press forming and welding, together with business partners, is currently engaged in R&D with the aim of creating completely new technologies.

As a lightweight solution that contributes to carbon neutrality, we are actively engaged in the development of elemental technology and the study of innovative new structures, including the improvement of forming technology and welding technology for ultra-high-tensile steel sheet materials and bonding technology for aluminum alloys.

At the same time, we are aiming for “ultimate design” by improving our design technology, and are focusing in particular on deepening our analysis technology. We are trying to improve the accuracy of analysis by incorporating the strains and variations generated in the manufacturing process into the structure analysis. This new method enables analysis closer to the actual vehicle, which has been difficult with conventional methods, and reduces the cost and man-hours required to redo prototypes and experiments.

We will continue to contribute to the realization of a carbon-free society by creating new structures and methods through collaborations that leverage our strengths as a manufacturer specializing in suspensions, as well as through optimization using high-performance analysis technology.



Ultra-high-tensile-strength—Challenge the limits of steel

In fiscal 2023, we successfully launched the 980 MPa-class ultra-high-tensile-strength materials. Aiming for further application to parts with stamping difficulties, we are advancing research and development to challenge the limits of steel products by refining our forming and welding technologies. We are also actively promoting collaboration with parts and material manufacturers in other industries to create new added value.

Furthermore, we are proceeding with the mass production development of lightweight lower arm products that use hot-rolled 980 MPa-class ultra-high-tensile-strength thin sheet adopting the new type low slag welding method, which is jointly developed with automakers and material manufacturers.

We will continue to develop high-value-added products with the aim of making Yorozu the company of preferred choice for many automakers by demonstrating a strong presence in the electrification era.



Next-generation materials

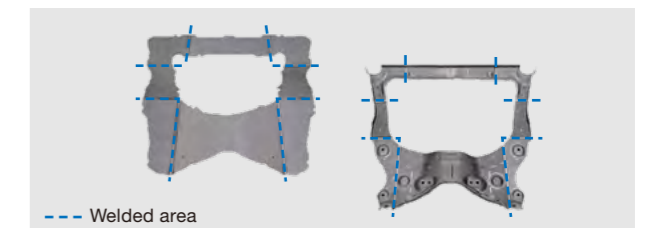
Development of differential pressure steel sheet forming technology

Since 2006, we have been mass-producing tailor welded blanking products, honing our technology and accumulating experience and know-how in mass production. At present, we are working on development of the press-forming technology for steel sheets with different thicknesses by applying differential pressure, which is said to be the advanced form of our technology.

In contrast to tailor welded blanking technology, in which several types of steel sheets of different thicknesses are welded together to form a single panel and then press-formed, differential pressure steel sheet forming technology uses steel sheets having sheet thicknesses already set to match the finished product. By evolving our tailor welded blanking technology, both weight and cost reductions are achieved. We are

currently working with automakers on development toward concrete applications.

Aside from the difficulty of producing such steel sheets itself, the technology requires systematic thickness designing from the planning stage and accuracy of forming. This is a technology unique to Yorozu, whose strength lies in its own integrated production and total production system.



Advanced aluminum welding technology

In addition to steel materials mainly used for our products, we have adopted aluminum alloy in producing front and rear sub-frame products since 2001, which is gaining demand in the automotive parts industry as a lightweight material. At present, our research and development continue in various welding technologies for aluminum alloys, from conventional wrought materials to extrusions and castings, and we are energetically working on the technological development of optimal solutions that contribute to carbon neutrality.

Our approach to carbon neutrality is not limited to a single material or a single method, as proved by a past example of achieving significant reduction in CO2

emissions during material production by replacing aluminum with iron.

We will continue our research and development to achieve weight reduction and carbon neutrality through the combination of optimal materials.



Deepening of analysis technology

We make full use of the know-how and various analysis technologies that we have honed through development to date so that the reliability of design specifications is enhanced by predicting the performance of design proposals in advance at the stages of response to RFQ*

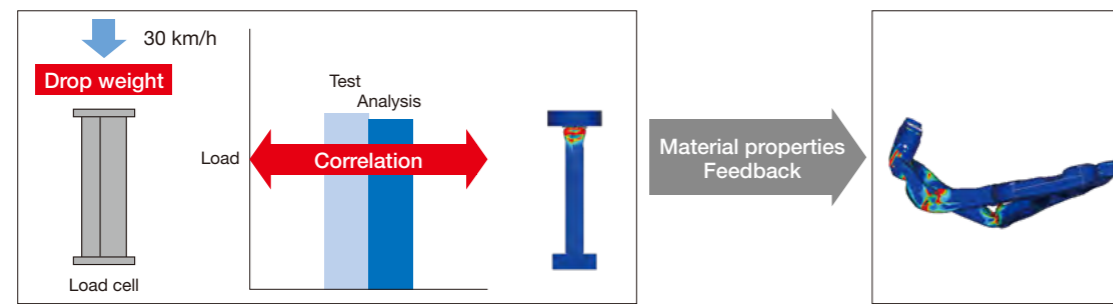
and initial design review. Our high-precision analysis technology helps us reduce the number of prototypes and tests that had to be repeated in the past and take on the challenge of ultimate design.

*RFQ: Request for quotation

Collision analysis

We conduct collision analysis to predict the collision modes of automobiles at the component level. To study the correlation with an automaker's vehicle body collision analysis, we are working to establish analysis technology that can reproduce dynamic loads.

Correlation is examined by performing falling weight impact tests on the material's strain rate, and the outcome is reflected in the collision analysis of our products.

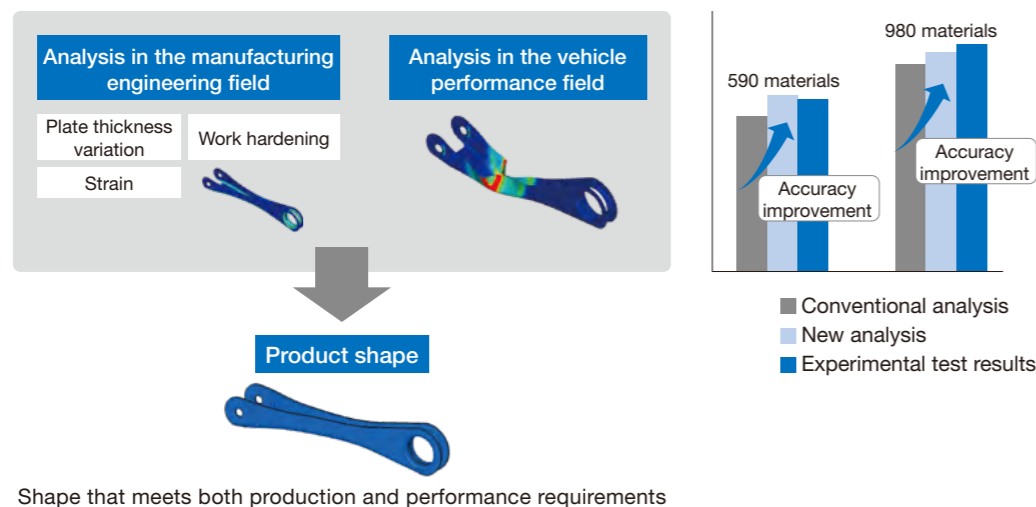


Analysis taking into account the manufacturing process

To reduce weight, it is necessary to optimize the design of high-tensile-strength and ultra-high-tensile-strength materials, and highly accurate strength prediction is required. In particular, with regard to ultra-high-tensile-strength materials, which is a new material, there is little data from the past, so the accuracy of prediction in analysis is more important. Until now, we have managed this with margins in the designs, but to make the most of the strengths of ultra-high-tensile materials, we are

improving the accuracy of predictions by using analyses that can take into account all types of strain and variation factors that occur in the manufacturing process.

Through improvements in the accuracy of analysis, it has become possible to predict accuracy as in an actual vehicle. The aim is to reduce the cost of redoing prototypes and tests, which would have occurred in the past, and to shorten man-hours for development.



Shape that meets both production and performance requirements

Human Capital Strategy

Message from the head of HR

It is none other than the “People” who support the enhancement of corporate social value.



Chikara Haruta

Executive Vice President (EVP)
Chairman of Management and DX Function Group

Our efforts in creating new technologies and methods, expanding sales, strengthening our profit structure, and engaging in *monozukuri* with our weapon—our environmental performance—are all aimed at increasing corporate value on a strong business foundation, which is entirely supported by our employees. Based on the belief that individuals are valuable assets that are the management resources of a company, we use the term “capital or assets” as in “human capital/assets” rather than human resources, and are implementing various measures to make the most of our human assets.

Amid dramatic changes in the business environment, we need to not only strengthen our business foundation but also improve our organizational capabilities to achieve sustainable growth and increase corporate value over the medium to long term. Yorozu has strengthened the process of hiring, developing, and empowering employees. In addition, YSP2026 aims to further improve engagement and raise the motivation of each employee by promoting initiatives based on the two pillars of health and productivity management and DE&I.

We place emphasis on diversity in recruitment to increase human assets with diverse experience and knowledge in new fields, and we will continue to do so in the future. As a manufacturer of vital safety parts, the Yorozu Group has focused on developing dependable and honest human resources. However, in an uncertain environment where the future is more or less unpredictable,

it is also important to take a multidimensional view of things at all times, apply ideas according to the situation, and respond flexibly to allow improvements. For this reason, we have added human assets who are aware of and open to changes, skilled in thinking and taking actions, and willing to cultivate their sensitivity to changes, to our existing HR policy. We are working on the sub-theme of this year's President's Policy: The strong and exciting desire of every one of us is what drives the company. Through our talent management system and the renewed appraisal system, we will create a workplace where employees can feel a sense of satisfaction in their jobs.

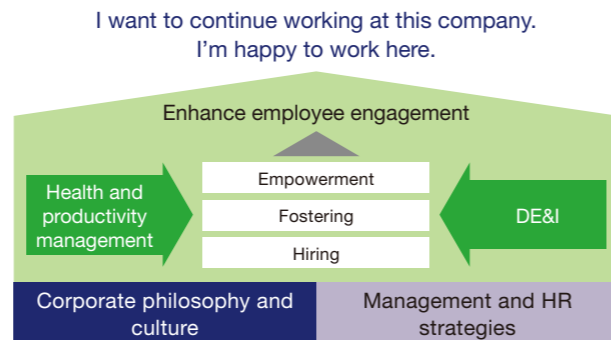
In addition to ensuring that all Yorozu Group employees lead healthy lives in society, we provide support for health promotion and are building a vibrant workplace so all our employees can stay healthy and feel motivated to continue working into their senior years. To create an environment in which everyone can demonstrate their abilities to the fullest, we will also put our efforts into supporting careers and offering various work styles, including working from home.

To become the company of preferred choice and earn the long-lasting trust of all stakeholders, the Group will continue to hire and cultivate human assets who protect the good while creating new ideas and things, and improve corporate value through an effective personnel cycle that encourages their active roles.

HR strategy integrated with business strategy

We believe that to realize our business strategy, it must be closely linked to our HR strategy. So far, we have shifted our focus from work-style reform to employee engagement reform, and worked to improve engagement by creating a healthy and rewarding workplace where everyone wants to continue working and feels happy.

Under YSP2026, we have positioned enhancement of employee engagement as an important element, and aim to do so by promoting initiatives based on two pillars: health and productivity management and DE&I.



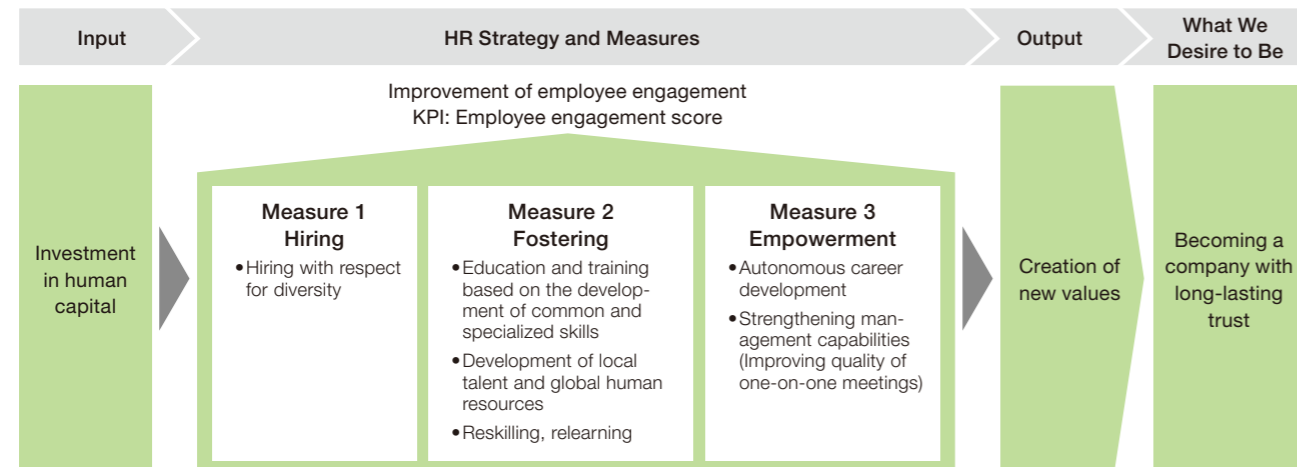
Creating new value by enhancing employee engagement

Cooperation among diverse members and the creation of new value are essential to sustainable growth. To achieve this, every person working at Yorozu must grow autonomously, and we believe that the key factor in promoting this self-sustaining growth is employee engagement.

For this reason, from fiscal 2023, we have conducted an engagement survey (a tool for measuring and supporting employee engagement) to measure employees' engagement

with their work. The survey results are analyzed on an item-by-item and department-by-department basis using a point system so that issues are identified, and measures are taken to improve employee engagement in each department. Our target is to increase the score by 4.5 points by fiscal 2026.

We will take various measures to improve employee engagement and create a culture with a challenging spirit that will lead to the creation of new values.



Hiring based on medium- to long-term enhancement of corporate value

In addition to hiring new graduates, we are aware of the need to increase our workforce with diverse experience and knowledge in new fields, and to improve our organizational capabilities. Based on the belief that promoting diversity, including gender and nationality, also leads to improved corporate performance, we are promoting the hiring of non-Japanese employees. As a result of direct recruitment activities in Thailand and Vietnam, in addition to domestic exchange trainees, we have hired 27 people from China, Sri Lanka, Malaysia, the United

States, and other countries at our head office departments. After joining Yorozu, we not only provide Japanese-language lessons but also support the retention of foreign nationals through periodic interviews.

As of March 2024, the percentage of mid-career hires in managerial positions was 44.4%. In fiscal 2023, we established the Referral System (a recruitment method that uses employee networks) and the corporate alumni hiring system.

Fostering policy

The Group is developing human assets that bring value to the organization and supports employees in achieving self-fulfillment. We are focusing on developing "Yorozu Persons," employees with a strong sense of ethics who continue to proactively recognize challenges, engage in problem-solving, and actively pursue learning and growth. We are also aware of the importance of fostering an environment that enhances employee engagement by sharing career plans with supervisors and subordinate members and providing education from a medium- to long-term perspective.

To realize our goal of creating a healthy and engaging workplace, we are actively promoting employee engagement reforms and human resource development. It is important for each and every employee to achieve self-sustaining growth and to engage in bottom-up initiatives. In particular, we believe that the support of the company and managers is essential to promote this

self-sustaining growth in employees. For this reason, in fiscal 2023 general managers and group managers were provided with trainings for management skills needed to support their careers. In fiscal 2024, this system will be introduced to section managers, and in fiscal 2025 to general employee levels. In this way, we will focus on cultivating autonomous human resources.

We have plans to introduce the Self Career Dock by fiscal 2026. It is a combination of career consulting and career training by an in-house career counselor to help employees review, proactively think about, and build their careers. Through the Self Career Dock, we aim to raise the awareness of each and every employee toward personal growth and revitalize the organization.

We will continue to support healthy and fulfilling ways of working and contribute to the development of the entire organization toward a sustainable workplace environment, with an emphasis on employee growth and engagement.

	FY2023	FY2024	FY2025	FY2026
General managers and group managers	Career development support training	PDCA for updated career development support measures		
Section managers		Career development support training	Continuation of updated career development support measures	Introduction of Self Career Dock
General employees			Career interview, one-on-one Autonomous career training	Realization of a career



Training session

System to encourage employees to play active roles

We believe that to improve the level of employee engagement, 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 decided to adopt and evaluate KPIs linked to the medium-term business plan for all managers. Through this, we are working to ensure that all management staff can gain a sense of connection between their work and management policies and promoting the improvement of employee engagement that leads to the success of employees.

Over the years, we have placed the right people in the right positions in line with our management strategy and supported employees to demonstrate their abilities. In fiscal 2023, we introduced a talent management system to understand our human capital and improve its value.

Furthermore, since April 2024, the general employee evaluation system and wage system have been revised

to clearly set forth the career paths and to link performance with pay.

For general employees to have career autonomy, company and managerial support is indispensable. For this reason, we not only conduct evaluation interviews but also hold one-on-one interviews to enhance daily communication. We have also introduced a system in which employees can mutually confirm the details of interviews recorded by their superiors within the talent management system.

In the future, we will select appropriate human resources based on competency and background. If we are unable to supplement the necessary human resources, we will turn to internal recruitment, reskilling (education for value creation), and external recruiting, and create an HR portfolio that is consistent with our management strategy.



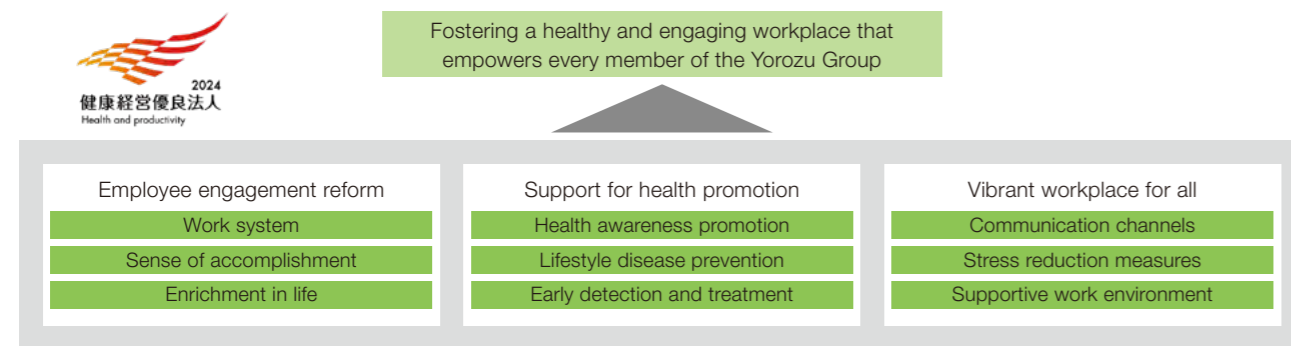
A one-on-one interview

Promoting health and productivity management

The health and productivity management of the Yorozu Group began with the work-style reform in 2017. In October 2019, we issued our Health Management Declaration and have since been working to realize our goal of creating a healthy and engaging workplace. The Group continues to make efforts to ensure an environment where employees can work healthily and for a long time.

Yorozu has been certified as an Excellent Enterprise for Health and Productivity Management (Large

Enterprise Category) by the Ministry of Economy, Trade and Industry, the Ministry of Health, Labour and Welfare, and the Nippon Kenko Kaigi for four years straight, and the Yorozu Group, including six domestic sites, has been certified for two consecutive years. Every year, we adopt new health programs that all employees can participate in, aiming to raise health awareness, improve communication, and create a vibrant workplace where all employees can work healthily.



Support for health promotion

As stated in “Health and Productivity Management,” in our medium-term business plan, we implement new measures every year to support the health of all employees in the Yorozu Group. These measures are intended to ensure not only that all employees currently lead healthy social lives but also that they can continue to lead healthy lives.

● **All-employee events**

We held a “Let’s Eat Vegetables” event, an easy-to-join event, for our employees to learn about healthy eating. At the event, the participants were offered nutritional evaluations, muscle mass and body fat measurements using a body composition scale, and other tests that cannot be done at home. Other events are also held to stimulate employees’ interest in their own body while having fun.

We will continue to plan various events to provide opportunities for employees to address their health in a fun way.

● **Women’s health seminar by public health nurses**

Women experience different life events at certain ages that can influence their physical conditions. Understanding and responding to the health issues specific to women is essential for a long-term career. Therefore, in our seminars for women, we explain the changes in their bodies over the years and the significance of having regular breast cancer and uterine cancer examinations. In addition, seminars for managers are held to help them understand issues with women-specific

symptoms or the potential need to take time off, and to deepen their knowledge of women’s health in order to create a comfortable workplace where women can feel free to seek advice.

● **Participation in events organized by the Kanagawa Prefecture Iron and Steel Industry Health Insurance Association and the National Federation of Health Insurance Societies (Kanagawa Federation)**

We are working with external organizations to manage and promote the health of our employees. For example, we encourage employees to participate in the No-Smoking Program sponsored by the Health Insurance Association and a walking event sponsored by the National Federation of Health Insurance Societies, which is designed to encourage communication and physical exercise.



Regular health check-ups and encouraging secondary examinations

Yorozu continues to ensure that 100% of all Group employees in Japan receive their regular health check-ups so that everyone can work in good health. In addition, to prevent lifestyle-related diseases and detect

them at an early stage, each department follows up on its members’ rate of receiving secondary examinations and urges those needed to take the examinations.

Participation rate for regular health check-ups

	FY2020	FY2021	FY2022	FY2023	FY2025 Targets
Regular health check-up rate	100%	100%	100%	100%	100%
Secondary examination rate	35.0%	37.6%	63.1%	92.9%	95% or more

Notes:
 1. Regular health check-up rate: Excluding long-term absentees, those on leave before and after childbirth, or childcare leave
 2. Secondary examination rate: Number of people who underwent secondary examinations/number of people encouraged to take secondary examinations (2020 and 2021 figures are for the Head Office only; 2022 figures onward are for the entire Group)

Raising health awareness

Our most important focus is to raise the health awareness of all employees. At our monthly Health and Safety Committee meetings, employees are given health lectures on different themes. We also post health columns in the Company magazine and on the intranet, and periodically hold short seminars during lunch breaks to raise awareness of health in our daily lives. The content of health lectures is also shared with our suppliers.

We believe that employees’ well-being improves their engagement and that the optimal performance of each and every employee helps the company grow, and ultimately, contributes to society. The Yorozu Group will continue to strive to create a healthy and engaging workplace.

In addition, Yorozu is implementing the following measures to raise employee health awareness.

● **Self-care “Pocket Therapist” App: Individually tailored support for eliminating mental and physical concerns**

A meeting with a specialized therapist is arranged to offer advice and support to the employee facing a problem. Through repeated self-care and face-to-face consultations, this app enables employees to maintain their health by recovering from problems. It also enables employees to seek advice from specialists to deal with problems that they cannot discuss in the workplace or in their daily lives. As it can be accessed from a smartphone, anyone can receive thoughtful one-on-one guidance anywhere at a time convenient to them. When they find it difficult to keep up their fitness routine on their own, the virtual therapists are available to join and encourage them. Early recovery

from mental and physical disorders leads to the prevention of a more serious illness. In addition, a healthy daily life motivates people to work, and having everyone fully demonstrate their abilities leads to employee engagement, which is the aim of this health support.



Source: BackTech Inc.

● **Wellness App: Developing healthy habits in daily life**

Another health app was introduced using vending machines installed at all sites. Making major lifestyle changes for health is difficult, but employees can lead a health-conscious life by making small changes to their behavior in their daily lives and acquiring healthy habits. We also conducted a walking event using a health app at all domestic sites. The event gives opportunities for exercise and leads to the improvement of communication among employees.



Source: Suntory Beverage & Food Limited

DE&I initiatives

In the promotion of diversity, we have been focusing our efforts on the advancement of female employees. As a result, in November 2021 we became the first company in the manufacturing industry and the first in Kanagawa Prefecture to be awarded Platinum Eruboshi certification.

We are also actively working to increase the percentage of male employees who take childcare leave, and in June 2023 we were granted Kurumin certification as a company that supports child-rearing.

However, looking back on our efforts to date, we realized that our interpretation of “diversity” might have been too narrow.

Therefore, in YSP2026, we decided to use the term “DE&I,” which includes the perspectives of “equity” and “inclusion” to create an organization that focuses on its future social and business structure as a global company. In the true sense of the word, we are committed to establishing a work environment where everyone can fully demonstrate their potential.

The Diversity Steering Committee, which was established in March 2022 and is headed by the President,

has set a target of raising the percentage of diversity in management positions at headquarters to 30% in fiscal 2030. As of fiscal 2023, the percentage stood at 27.3%. In April 2024, non-Japanese employees were appointed to managerial positions for the first time.

From fiscal 2024, we are working to improve the following four categories in Japan: (i) the ratio of female managers; (ii) the ratio of male employees who take childcare leave; (iii) the ratio of foreign-national managers; and (iv) the ratio of people with disabilities. In addition, we have been working to develop local management personnel overseas. We will implement initiatives to achieve further progress toward the goals of YSP2026.

Right: Platinum Eruboshi Certification
Left: FY2023 Kurumin Certification



Environmental Initiatives

Message from the head of environment

We will continue to make steady progress toward our Environmental Vision 2040.



Hiroshi Kume

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

While the Group’s environmental initiatives gained momentum in the early 2000s, the idea of “for the benefit of society,” or contributions to local communities, has been embedded in the corporate culture since its founding as evidenced by the corporate philosophy stating that social contribution is the core purpose of its business. YSP2026, formulated after overcoming the global COVID-19 pandemic and the semiconductor shortage suffered by the automotive industry, instills environmental initiatives to create both economic and social value. Looking ahead, we will accelerate our initiatives even further.

Despite changes in the definitions and expressions, we will create new values based on social contribution, which is our foundation.

Also, in today’s rapidly evolving social environment created by human activities, the natural world does not pause for change. Climate change has been causing frequent extreme weather events such as intensified typhoons, heat waves, and droughts in various regions.

It is conceivable that “abnormal” weather events will become “the norm” in the not-too-distant future. To minimize the enormous damage caused by these extreme events, the challenge of achieving carbon neutrality, or in other words, the realization of our Environmental Vision, is essential, and steady progress is necessary.

As a measure to prevent global warming, the YoroZu Group actively promotes activities to reduce CO2 emissions, particularly focusing our efforts on transitioning to green energy sources. In this advancement, YoroZu Sustainable Manufacturing Center, Inc. (YSMC Gifu Factory) has achieved 100% carbon neutrality, and other overseas sites are following suit with the aim of us becoming a frontrunner in the industry. We believe that these environmental considerations in production contribute to our customers and all our stakeholders. We will continue with these activities as our core commitments and contribute to a more sustainable society.

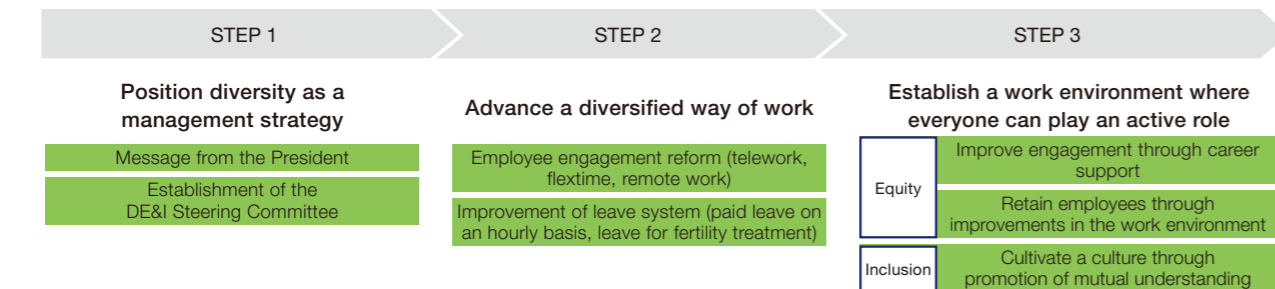
Environmental Philosophy

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



Metrics and targets

Strategy	Index	FY2021	FY2022	FY2023	Goal
Engagement	Employee engagement	—	—	55.5 pt	60 points by fiscal 2026
Human resource development	One-on-one meeting implementation rate	—	—	47.0%	80% or more by fiscal 2026
	Training hours	2,032 h	3,466 h	5,649 h	—
	Ratio of diversity in management positions*1	18.8%	22.2%	27.3%	30% in fiscal 2030
	Ratio of women in management positions	10.6%	12.3%	13.0%	22.7% in fiscal 2030
	Ratio of mid-career hires among managers	38.8%	39.5%	44.4%	—
	Ratio of non-Japanese employees	12.4%	12.4%	12.3%	—
	Percentage of male employees taking parental leave*2	71.4%	22.2%	57.1%	80% or more by fiscal 2026
Advanced work styles	Employee turnover rate	6.5%	6.6%	5.2%	—
	Remote work rate	34.1%	36.6%	29.8%	50% telecommuting rate every fiscal year
	Ratio of paid vacation taken	66.7%	72.5%	84.2%	80% or more of general employees taking paid leave every year
	Annual total actual working hours	1,831 h	2,046 h	2,088 h	—

*1 Female, senior, foreign national, disabled, etc.

*2 100% of male employees who applied for childcare leave took the leave

Challenge to achieve carbon neutrality by 2040

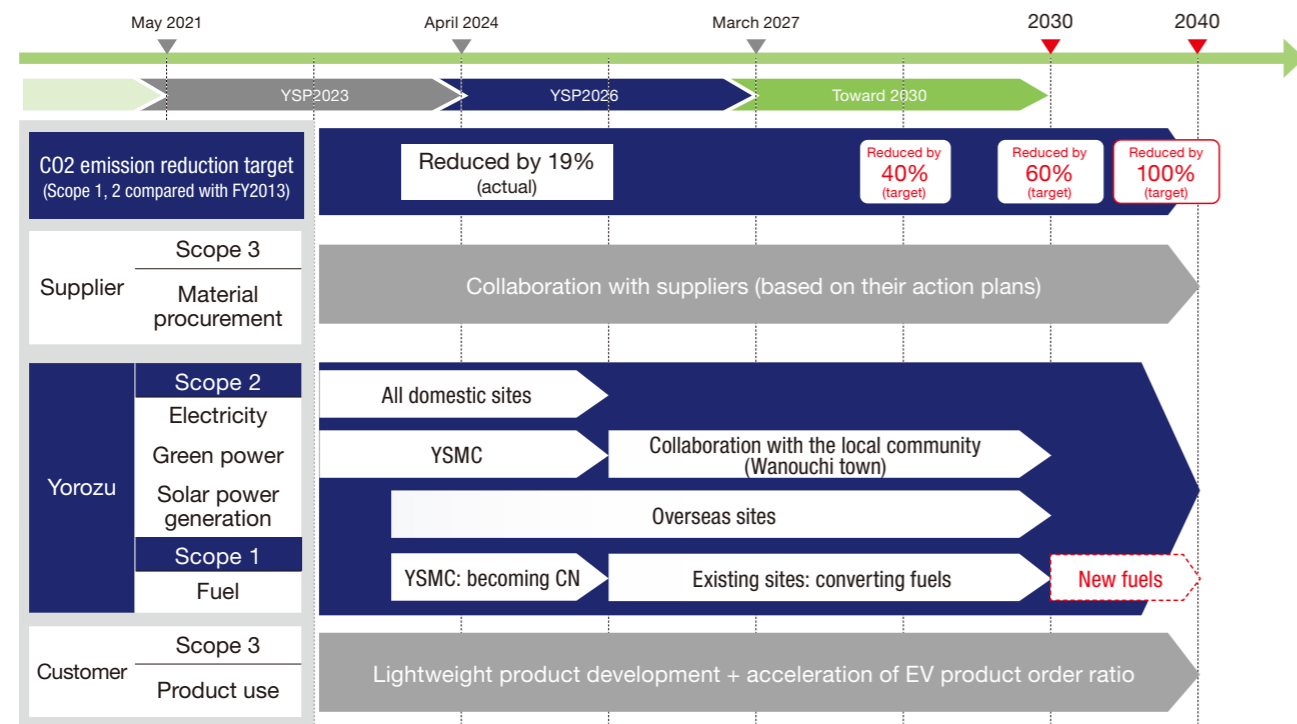
In the Yorozu Global Environmental Vision 2040, which the Group formulated in 2021 and has been promoting, we set the ambitious target of becoming carbon neutral by 2040. After three years of activities, we have achieved reductions that exceed the target. (See below.)

To reduce CO2 emissions while achieving corporate growth, we established the ESG Office and the Carbon Neutrality Office as the departments to actively promote company-wide activities based on four measures as the main pillars: (1) energy conservation, (2) adoption of renewable energy, (3) procurement of green energy, and (4) fuel conversion.

Our activities to reduce CO2 emissions from electricity use (Scope 2) have produced solid results, and with regard to fuel combustion (Scope 1), we are actively promoting decarbonization by electrifying the coating process and considering adoption of next-generation fuels. In addition, as carbon neutrality is not only an internal issue but also applicable to the entire supply chain, we are working to identify and reduce CO2 emitted at suppliers in the Scope 3 category, which has the greatest impact.

To reduce CO2 emissions during product use, we are developing lighter products, which will lead to an increase in orders.

Carbon neutral targets to maintain our position as a frontrunner



Introduction of green power

Green power has been introduced mainly at domestic sites, starting with Yorozu Oita in fiscal 2021, followed by three sites in fiscal 2022 and Yorozu Tochigi in fiscal 2024. The adoption of green power is scheduled to be completed at six domestic sites, including the YSMC Gifu Factory. This is expected to result in an annual reduction in CO2 emissions of 11,700 tons compared with the level prior to the introduction, which means an 80% reduction in domestic CO2 emissions compared

with 2013, and we expect to meet the company-wide target of a 60% reduction set for 2030 ahead of schedule.

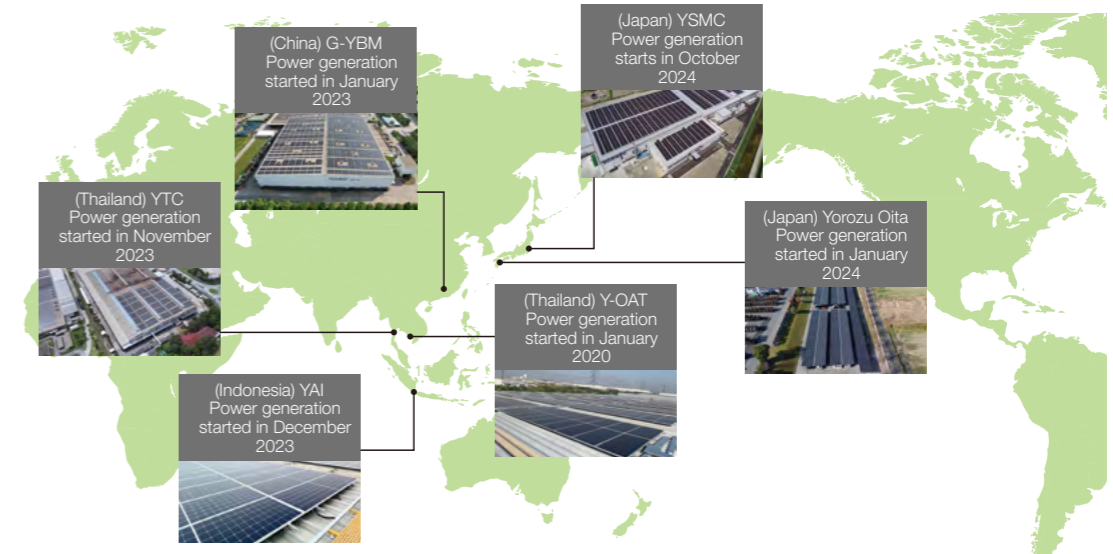
Outside Japan, all the purchased electricity at our Brazil site and a portion of it at the two sites in India and Tennessee in the United States have already switched to green power. Furthermore, in fiscal 2023, the introduction of 100% green power was completed at the Alabama site in the United States.

Introduction of solar power generators

We have been globally promoting the installation of solar power generators and have already completed installation at six sites in four countries as shown below.

We believe that solar power generation has higher environmental value because it generates renewable

energy on its own (energy creation) and uses the produced electricity for its own consumption. We will continue to consider installation in other regions and promote the decarbonization of electricity.



Carbon neutrality at the YSMC Gifu Factory

The newly established YSMC Gifu Factory in Wanouchi-cho, Gifu Prefecture, operating since January 2024, has achieved carbon neutrality since its inception. In addition to the adoption of green power and solar power generation, with the coating facilities moving to all electric from fossil fuels, the plant is 100% carbon neutral. The factory's products have achieved zero CO2 emissions in the manufacturing process, contributing also to the automakers through reduction of CO2 emissions in the supply chain.



Data on supply chain emissions (t-CO2)

		FY2019	FY2020	FY2021	FY2022	FY2023	
Scope 1	Domestic	3,542	2,984	3,066	3,574	3,867	
	Overseas	22,967	16,728	15,267	16,291	15,715	
	Total	26,509	19,712	18,333	19,865	19,581	
Scope 2	Domestic	13,762	11,520	12,280	6,387	5,821	
	Overseas	93,946	65,911	59,189	63,808	61,723	
	Total	107,708	77,431	71,469	70,195	67,544	
Scope 3	Cat. 1	Purchased goods and services	482,757	340,518	351,238	449,251	509,887
	Cat. 2	Capital goods	39,829	29,419	12,091	24,070	44,483
	Cat. 3	Fuel- and energy-related activities	7,489	5,741	5,185	5,681	5,565
	Cat. 5	Waste generated in operations	2,177	1,559	1,733	1,919	1,928
	Cat. 6	Business travel	228	233	209	235	160
	Cat. 7	Employee commuting*	1,169	1,176	1,256	1,172	1,227
	Cat. 9	Downstream transportation and distribution	6,344	5,263	5,424	5,048	5,006
	Cat. 11	Use of sold products	—	—	4,003,488	3,896,637	3,983,518
	Cat. 12	End-of-life treatment of sold products	1,341	1,159	1,242	1,175	1,189
	Total		—	—	4,384,882	4,388,216	4,557,565

* The method of converting the fuel economy of vehicles used for commuting (cars, motorcycles) has been reviewed, and the data for the past five years has been revised.



Response to the 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	<p>One of the management policies of YSP2026 is “E (environmental): <i>Monozukuri</i> with Our Weapon.” In the Yorozu Global Environmental Vision 2040 formulated in 2021, the Board of Directors resolved the declaration that “the Group will strive to achieve carbon neutrality by 2040.” In addition, the Management Meeting shares business risks and opportunities arising from climate change and makes decisions on measures, which are then reported to and approved by the Board of Directors.</p> <p>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 including climate change-related issues promotes environmental management, regularly reports the progress to the Management Meeting and the Board of Directors, which is then deliberated as a management issue, and seeks the judgment of the President.</p>	<p>Corporate Governance Structure</p> <p>https://www.yorozu-corp.co.jp/en/csr/governance/corporate-governance/</p>
Strategy	<p>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.</p> <p>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, could impact orders received. Nevertheless, we view these challenges as major business opportunities that we are proactively and eagerly pursuing. Furthermore, in the short to medium term, we recognize the possibility of impacts from increased natural disasters due to climate change that 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.</p> <p>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 are the core of our business strategy.</p> <p>With regard to the above, the Yorozu Group assessed the impacts from climate change under the respective future scenarios of 1.5°C and 4°C temperature rises. We will incorporate the risks that have particularly significant impacts in our future management strategy. (See page 45 for the analysis of the scenarios.)</p>	<p>YSP2026</p> <p>https://www.yorozu-corp.co.jp/wp-content/themes/YOROZU%201.0.3/images/en/investors/YSP%202026(240524%20final%20Ver-%20English%20over.pdf</p>
Risk management	<p>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.</p> <p>1. Pursuing carbon neutrality throughout the production process [Risk: Laws and regulations] (Medium/long term) Taxes imposed on CO2 emissions would increase expenditures and squeeze 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.</p> <p>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 could 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.</p> <p>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 in a timely manner.</p> <p>These plans and initiatives are decided upon following reporting to and approval from top management. The details are then disseminated throughout the Company, and they are linked to the operational plans or environmental activity plans of each department.</p>	<p>Internal Control System</p> <p>https://www.yorozu-corp.co.jp/en/csr/governance/internal-control/</p>
Metrics and targets	<p>In terms of pursuing carbon neutrality throughout the production process (Scope 1 and 2), we set the CO2 emission goal to “carbon neutrality by 2040,” and from this fiscal year, we have raised the target by the 2030 milestone from 50% reduction to 60% reduction (compared with 2013 levels).</p>	<p>Please refer to pages 43 and 60 for details on the Group’s Scope 1 and 2 emissions.</p>

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 timing 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) Introduction of new policies and regulations is slow, 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 earth’s 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)	Medium	<ul style="list-style-type: none"> Achieve carbon neutrality for Scope 1 and 2 emissions by 2040 (avoid taxation). Collaborate throughout the supply chain to minimize cost increases.
	Strengthening of decarbonization policies	Medium	<ul style="list-style-type: none"> Procure renewable energy (solar power generation facilities, green energy sourcing), enhance logistics efficiency.
	Rapid shift to zero-emission vehicles (ZEVs) (market)	Medium	Analyze industry trends and demand effectively, and promote lightweight technology to expand sales.
	Proliferation of decarbonization technologies (market)	High	Mitigate risks effectively by closely monitoring market trends and continuously improving development capabilities.
	Investor behavior (reputation)	High	Mitigate risks by continuously developing corporate capabilities, such as unique product development expertise and <i>monozukuri</i> technology, over the long term.
Physical risks (4°C)	Temperature rise (chronic)	Medium	<ul style="list-style-type: none"> Improve the work environment. Take steps to improve employee satisfaction (ES) and become a people-friendly company.
	Extreme weather (acute)	High	<ul style="list-style-type: none"> 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.

3) Results of analysis

Impact on Yorozu’s business	<p>The analysis of the potential impact on our business in the latter half of the 2030s under the 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:</p> <ul style="list-style-type: none"> Realize carbon neutrality by 2040 Effectively advance lightweight technology for our products to enable flexible adaptation to changing mobility trends
Future initiatives	<ul style="list-style-type: none"> 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.

Dialogue between the President and an Outside Director



Tsutomu Hiranaka

President and COO
Member of the Board

Hiroshi Moriya

Outside Director
(Independent Officer)

The Yorozu Group promotes ESG management in conjunction with its medium-term business plan and, spearheaded by the Board of Directors, is strengthening governance and practicing rigorous risk management. Here, Outside Director Hiroshi Moriya and President Tsutomu Hiranaka discuss these themes.

Transparent corporate governance

Hiranaka The Company has appointed independent outside directors and is working to strengthen the Board of Directors' decision-making and supervisory functions from a more diverse perspective. To begin with, could you tell me about the state of the Company's corporate governance?

Moriya I believe that transparency is the most important aspect of corporate governance. To ensure such transparency, it is important that discussions in diverse forums, such as Board of Directors' meetings, the Management Meeting, and meetings with employees,

are conducted in a transparent manner. Previously, the effectiveness of the Board of Directors was evaluated based on internal surveys, but now that we incorporate a third-party evaluation, we believe that transparency has been further enhanced. Under the strong leadership at the top, which is also essential for fully achieving transparency, President Hiranaka, the executive team, and all levels of employees understand the Company's direction and are moving forward as one team through effective communication. I feel that the level of cohesion has been improving year by year.

Hiranaka In terms of internal communication, we make sure to visit all of our domestic and overseas sites as

much as possible. In each region, we adopt a dual approach for communication. First, we hold group discussions with employees in managerial positions and above. Second, we conduct one-on-one meetings with the top management of the site, engaging in deeper conversations. These efforts are directed at intentionally sharing my vision and thoughts to staff on the frontlines.

Moriya On the other hand, in terms of corporate governance, it is also important to deepen discussions about succession planning and the development of the next generation of leaders, including the President and other executives. However, we have not yet delved deep enough into this issue, so it remains a matter to be discussed.

Hiranaka I am aware of this issue. As a measure, we started an initiative two years ago where executive officers who are candidates for future leadership roles participate in Board of Directors' meetings several times a year. During these meetings, they give business updates and presentations on specific themes. By providing such opportunities, we aim to not only deepen communication with outside directors but also foster the development of executive officers. Starting in fiscal 2024, we plan to increase the number of these sessions so that outside directors can gain a clearer and deeper understanding of each executive officer's responsibilities, as well as their personalities and perspectives. Building on these activities, I hope to advance the discussions to a concrete succession plan moving forward.

Moriya Through this ongoing effort, I am confident that we can develop the talent who will play a central role in the Company's management.

New medium-term business plan

Moriya I am impressed with President Hiranaka, the Board of Directors, and department heads in the formulation of the new medium-term business plan, YSP2026, which was completed after investing significant time and effort. We outside directors also participated in discussions at Board meetings, actively asking questions and making suggestions to support the planning process. One of the most effective initiatives outside of the Board of Directors was a two-day retreat held in December 2023. In addition to Board members, our executive team, which plays a central role in the Company, gathered for the retreat, allowing for open and in-depth discussions. I highly evaluate the fact that, through these discussions, we developed a well-thought-out and robust plan.

Hiranaka The planning process began in January 2023 with a focus on a company-wide approach that was divided into three key steps. First, we started by sharing various assumptions for the plan, such as automobile production volumes, exchange rates, and customer share. Then, we discussed how to interpret changes in the external environment to ensure alignment. Finally, we structured the business plan by function, such as marketing and sales, purchasing, and engineering. Through these three steps, we developed a plan with a level of consensus that we have never reached before. I felt that our outside directors, who have perspectives different from ours, were able to drive a wedge into our often-biased viewpoints. For example, Mr. Moriya suggested that we could collaborate with local equipment manufacturers in China. This provided us with new insights as we previously tended to focus solely on making our own equipment.

Moriya The formulation of the plan accounts for only about 10% of the entire process. The remaining 90% lies in the plan's execution, which is the most critical part. As an outside director, I will continue focusing on providing follow-up support that leads to tangible results.

Hiranaka We have positioned YSP2026 as an aggressive plan, with a strong emphasis on initiatives centered on new technologies and new manufacturing methods. We aim to create a solid program with the participation of all employees, combining both bottom-up and top-down approaches, to ensure we move forward with a strong and aggressive stance. At the same time, we will enhance our education and training programs by visualizing the expertise of experienced employees and documenting that in manuals. We will also establish a backup system to provide support when the plan doesn't go smoothly, eliciting the participation of all employees in these processes.

Enhancing corporate value

Moriya To increase corporate value, we need to make improvements on both the financial and non-financial fronts. On the financial side, the main point is to improve our earning power. Here, the key to success is the creation of a system that allows us to consistently release Yorozu's unique new technologies and products to the market. By also maintaining rigorous quality control and daily operations, I believe our earning power will naturally increase, leading to an improvement in the financial aspect of our corporate value.



On the non-financial side, human talent is the key. As a global company, we must seek out talent from around the world. Especially in our overseas operations, it's best to appoint people to management levels who are well-grounded locally and familiar with the situation in each country and region. For higher-level positions, however, we must attract motivated individuals from diverse national backgrounds or develop such talent internally. Diversification of human capital is directly related to the non-financial aspect of corporate value enhancement.

Hiranaka I couldn't agree more. With the declining population and the noticeable outflow of talent from the manufacturing industry, I feel that conducting business activities solely with Japanese personnel has already reached its limits. Accordingly, we are advancing initiatives to diversify and internationalize our talent pool with a sense of urgency. We will continue opening our doors to motivated people around the world to secure the right people for the right jobs. At the management level, as well, we will adopt a global perspective in identifying a broad range of potential future leaders from both within and outside the Company. By refining the mentioned succession plan, we will focus on developing such talent. Our aim is to strengthen training at all levels, systematize and share experiences and know-how, and improve the skills of the entire organization, which will lead to increased corporate value.

Managing external risks

Moriya Clearly, we are now in a time of unprecedented and intense change. How we can be flexible and agile in the face of such change becomes important.

Hiranaka Our policy is to weather every storm against us with the utmost caution, much like walking a tightrope.

Moriya The biggest risk for our company lies in the various challenges arising from the struggles of Japanese automakers in the Chinese market. Just like our customers, we are also facing difficulties, and the situation is not simple because our customers' recovery does not guarantee our own recovery. The question is whether we have the ability to prevail, recover, and find new strategies when these difficulties arise. Here, the key is resilience. To fully demonstrate our resilience, leadership of top management is particularly important. In this regard, I have a high opinion of Mr. Hiranaka as the President taking the responsibility and initiative to confront the challenges we face. That said, from my experience, it is better to have a little leeway in resilience, so I think it would be beneficial for leadership to embrace unexpected situations with a positive mindset.

Hiranaka To increase the resilience of the entire organization, it is important to have a backup system that helps employees to do their best. By communicating with our employees, we intend to improve work environments to make them feel safe and empowered. I also received valuable words of wisdom from you, Mr. Moriya, regarding the mindset leaders should embrace.

I often talk about my mindset as "being true to myself, and not acting in a specific role," which means handling matters with responsibility while staying humble, not becoming arrogant, and never losing sight of who I am. I intend to fulfill my duties without losing sight of the direction I should take and face these times of change by "being a president, and not merely acting like a president."



Board of Directors (As of June 27, 2024)



- 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

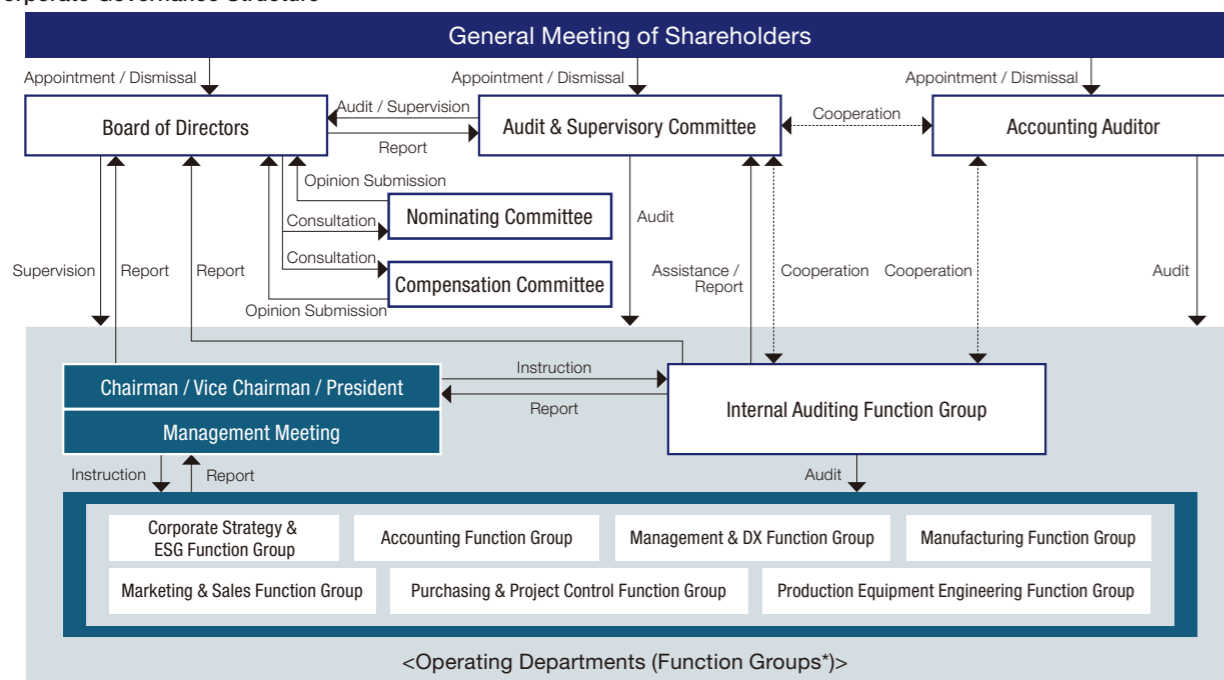
an Audit & Supervisory Committee, the majority of which consists of outside directors, thereby strengthening corporate governance and audit and supervisory functions.

Overview of Corporate Governance

Type of organizational design	Company with an Audit & Supervisory Committee
Directors who are not members of the Audit & Supervisory Committee	6 (including 2 independent outside directors), term of office 1 year
Directors who are members of the Audit & Supervisory Committee	3 (including 2 independent outside directors), term of office 2 years
Directors	9 (including 4 independent outside directors)
Ratio of independent outside directors	44.40%
Ratio of female directors	22.20%
Executive Officer System	Yes
Accounting auditor	Ernst & Young ShinNihon LLC

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

Corporate Governance Structure



* A cross-functional organization consisting of eight function groups (Corporate Strategy & ESG Function Group, Accounting 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).

Roles and activities of major organizations and meetings

1. Board of Directors Held 17 times in fiscal 2023

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

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 agility 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, individuals who are suitable for business management, and individuals who have international experience to ensure diversity and well-balanced knowledge, experience, abilities, and gender 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.

2. Audit & Supervisory Committee Held 13 times in fiscal 2023

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.

In addition, the Audit and Supervisory Committee 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 effectiveness and efficiency of the audits.

3. Nominating Committee and Compensation Committee Held three times each in fiscal 2023

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. Also, the

chairperson of each committee is an outside director. 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. The Company evaluates the effectiveness of both committees every year.

4. 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 group-wide, the Company divided the 21 functional axes into eight function groups (Corporate Strategy & ESG Function Group,

Accounting 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 separated each site based on the three regions (Japan, the Americas, and Asia).

5. Internal Auditing Office

The Internal Auditing Office has been established to maintain effective internal control and supervisory functions. It conducts internal control activities in cooperation with the

Audit & Supervisory Committee and the accounting auditor in the investigation of operations and financial assets and execution of other auditing duties.

6. Accounting Auditor

To maintain close cooperation, the Company's accounting auditor, Ernst & Young ShinNihon LLC, the Audit and Supervisory Committee, and the internal auditing departments regularly exchange information and opinions on

matters such as annual audit plans, the status of audits, and quarterly reviews and audit results, and share issues and matters for improvement, in an effort to conduct efficient and effective audits.

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 diversity and well-balanced knowledge, experience, abilities, and gender in the boardroom, 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 of each director.

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	Member of the Board	Outside Independent	Male	●	●	●	●			
Hiroshi Moriya	Member of the Board	Outside Independent	Male	●	●	●	●			●
Satoshi Miura	Member of the Board (Full-Time Audit & Supervisory Committee Member)		Male	●	●	●	●	●	●	
Chiaki Tsuji	Member of the Board (Audit & Supervisory Committee Member)	Outside Independent	Female	●	●		●			
Chieko Ogawa	Member of the Board (Audit & Supervisory Committee Member)	Outside Independent	Female	●	●		●	●		

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 our 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.

Name	Attendance at the Board of Directors' Meetings	Reason for appointment	Concurrently held positions
Masashi Oshita Nominating Committee Chairperson Compensation Committee member	17 out of 17 meetings (100%)	Since assuming the role of outside director in June 2018, Masashi Oshita has provided 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 this reason and our expectation that he will continue to fulfill these roles.	<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 Chairperson of Japan Auto Parts Industries Health Insurance Association
Hiroshi Moriya Nominating Committee member Compensation Committee member	16 out of 17 meetings (94.1%)	Since assuming the role of outside director in June 2020, Hiroshi Moriya has provided valuable advice from an independent and neutral position based on his extensive experience and knowledge acquired in the automotive industry and as a senior executive of a global corporation. Mr. Moriya is fully qualified to serve as an outside director based on this reason and our expectation that he will continue to fulfill these roles.	Outside Director of SNT Corporation
Chiaki Tsuji Nominating Committee member Compensation Committee member	17 out of 17 meetings (100%)	Since assuming the roles of outside director and member of the Audit & Supervisory Committee in June 2017, Chiaki Tsuji has provided valuable advice based on her expertise and 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 advice that will be of value to the supervisory and audit functions for the Group's management.	<ul style="list-style-type: none"> Outside Director of MIRARTH HOLDINGS, Inc. External Audit and Supervisory Board Member of Moriroku Holdings, Co., Ltd.
Chieko Ogawa Nominating Committee member Compensation Committee Chairperson	17 out of 17 meetings (100%)	Since assuming the roles of outside director and member of the Audit & Supervisory Committee in June 2017, Chieko Ogawa has provided valuable advice based on her expertise 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 advice that will be of value to the supervisory and audit functions for the Group's management.	<ul style="list-style-type: none"> Representative Audit Commissioner of Toda City, Saitama Outside Audit & Supervisory Board Member of Seven Bank, Ltd.

Main proposals at the Board of Directors meeting in fiscal 2023

In fiscal 2023, the Company's Board of Directors met 17 times for reports on statutory matters as well as the approval of quarterly financial results, consideration of the next medium-term business plan, deliberations on matters related to sustainability, discussions toward a

PBR improvement above 1, deliberations and resolutions on matters related to the appointment and compensation of officers, and the status of activities and medium- to long-term plans in each business division.

Meeting 1	Shareholder relations (SR) implementation report
Meeting 2	Company-wide risk response activities
Meeting 3	Audit report of the Audit & Supervisory Committee
Meeting 4	Evaluation report on the effectiveness of the Board of Directors
Meeting 5	Compensation for directors
Meeting 6	Materiality (risk analysis) and TCFD (scenario analysis)
Meeting 7	Consideration of the next medium-term business plan and consolidated financial results for the first quarter
Meeting 8	Report of Compliance Committee (eight major risk activities)
Meeting 9	Report on executive officer business

Meeting 10	Consideration of the next medium-term business plan
Meeting 11	Consolidated financial results for the second quarter
Meeting 12	Revision of the Internal Control Reporting System and future measures
Meeting 13	Dialogue with institutional investors
Meeting 14	Consolidated financial results for the third quarter and full-year outlook
Meeting 15	Appointment and dismissal of officers
Meeting 16	Evaluation of the effectiveness of the Board of Directors and Committees
Meeting 17	Full-year consolidated results

Evaluation of the effectiveness of the Board of Directors

For the purpose of enhancing the effectiveness of the Board of Directors, the Company provides opportunities to analyze and evaluate the effectiveness of the Board of Directors as a whole by conducting questionnaire surveys and interviews with the directors themselves once a year.

In fiscal 2023, the Board of Directors deliberated on the evaluation method, including the necessity of evaluation by a third-party organization. As a result, the Company conducted its own survey, focusing on (i) the composition and operation of the Board of Directors, (ii) management and business strategies, (iii) corporate ethics and risk management, (iv) performance monitoring and evaluation of executives and their compensation, and (v) matters related to dialogues with shareholders and other stakeholders.

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.

● Fiscal 2023 evaluation

In fiscal 2023, we concluded that the effectiveness of the Company's Board of Directors was sufficiently ensured.

- 1) The Board of Directors consists of a sufficient proportion of independent outside directors who can provide constructive feedback to the management as necessary and raise objections when necessary.
- 2) In addition, the roles expected of the Board of Directors are clearly defined, and it has been recognized that director appointments are made based on the qualifications and skill matrix required to fulfill these roles effectively.
- 3) The Group is promoting various forward-looking initiatives, including carbon neutrality, to achieve a sustainable society through business activities. It was concluded that the Board of Directors also engages in meaningful discussions and regularly monitors progress in addressing sustainability challenges.

- 4) The officer in charge of IR and public relations reported the status of dialogues with shareholders and investors to the Management Meeting and the Board of Directors, which was shared and discussed within the Company. We also shared the opinion that feedback is appropriately provided, as it is utilized in the review of management strategies and the formulation of business plans.
- 5) In fiscal 2023, the Board of Directors enhanced its deliberations on the involvement and supervision of succession planning of the CEO and executives, which was identified as an issue last year, and implemented measures such as business reports by successor candidates. As a result, we were able to confirm improvements. Further improvements will be made through various measures.

● Challenges for fiscal 2024

In fiscal 2024, we will enhance discussions on training for executives and general managers and appropriate risk-taking in consideration of capital costs. 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.

Director compensation system

The Company's basic policy on the directors' compensation is to adopt a compensation system that is linked to the interests of shareholders so that it functions adequately as an incentive for the sustainable improvement of corporate value. When determining the compensation of individual directors, the Company's policy is to set an appropriate level in consideration of each director's duties. In addition, the Compensation Committee evaluates and discusses compensation within the total amount of directors' compensation approved at the General Meeting of Shareholders. After that, the Board of Directors decides the content of compensation for each individual director by respecting the report of the Compensation Committee to the fullest extent.

(i) Fixed compensation

Fixed compensation for directors consists of basic compensation, bonuses as a short-term incentive, and stock compensation as a medium- to long-term incentive. Fixed compensation is evaluated by comprehensively taking into account the degree of achievement of the assigned business plan (KPI). Outside directors and directors who are members of the Audit and Supervisory Committee are paid only basic compensation in consideration of their duties.

(ii) Performance-linked compensation

Performance-linked compensation for directors consists of a performance-linked bonus that reflects business performance for the fiscal year, which is monetary compensation, and a non-monetary compensation that reflects performance under the medium-term business plan, which is stock-based compensation.

(iii) Stock compensation

Stock compensation consists of (1) the non-performance-linked portion based on basic compensation and (2) the performance-linked portion based on the degree of achievement of targets such as the consolidated operating income ratio in the medium-term business plan.

(iv) Compensation ratio by type

With regard to the composition of directors' compensation by type, the higher the rank is, the higher the weight of performance-linked compensation becomes, based on the compensation levels of companies with business scales similar to those of the Company and companies belonging to related industries and business categories as benchmarks.

For more information on the director compensation system (restricted stock compensation system), please refer to page 54 of our convocation notice below (in Japanese).
<https://www.yorozu-corp.co.jp/share/uploads/2024/05/soukai20241.pdf>

Director category	Total amount of compensation (¥ million)	Total amount 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)	280 (14)	131 (14)	92 (-)	36 (-)	20 (-)	- (-)	6 (2)
Directors who are Audit & Supervisory Committee members (Outside directors)	34 (13)	34 (13)	- (-)	- (-)	- (-)	- (-)	3 (2)
Total	315 (28)	166 (28)	92 (-)	36 (-)	20 (-)	- (-)	9 (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 amount of directors' compensation does not include the employee salary of directors who concurrently serve as employees.

Internal Control System

Based on the Corporate Philosophy, the Board of Directors has adopted a resolution on the Basic Policy on the Development of Internal Control Systems to ensure the appropriateness of business operations and improve corporate value, and the Company annually reports to the Board of Directors the status of the development and implementation of the matters specified in the Basic Policy so that the Basic Policy functions effectively.

In addition, the Company has positioned the Yorozu Group Charter of Corporate Behavior and the Yorozu Code of Conduct as a common code of conduct that must be observed to ensure that the execution of duties by directors, executive officers, and employees of the

Company and its subsidiaries complies with laws and the Articles of Incorporation, and that business is conducted appropriately, thereby maintaining and improving internal control systems.

<Major systems specified in the policy>	
<ul style="list-style-type: none"> Management control system Information management system (Fraud) risk management system Efficient business execution system based on the executive officer system System to ensure the reliability of reporting Group company management system Internal audit system Audit system of the Audit and Supervisory Committee Internal reporting system Audit support system of the Audit and Supervisory Committee System for dealing with antisocial forces 	<ul style="list-style-type: none"> Compliance promotion system Crisis management system

Initiatives for promoting compliance

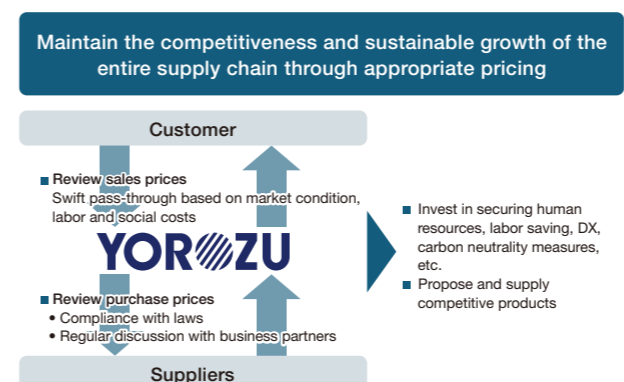
The Group is dedicated to promoting compliance through regular training sessions. We also provide an opportunity to learn about compliance during new employee training to foster a deeper understanding. In fiscal 2023, the participation rate for ethics and compliance training reached 65.5%.

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 2023, 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 83.8%. We will continue to develop training programs that align with our practical needs while considering the external environment.

In addition to the Yorozu Procurement Policy and the Five Principles of Procurement, in 2021 we registered with the Declaration of Partnership Building. Based on these, we have been working to establish fair and equitable transactions and relationships of trust with our business partners. At the same time, with the aim of

coexistence and co-prosperity as a good business partner, we have been quick to eliminate promissory note transactions, improve payment conditions (switched to cash), and negotiate prices and take measures to correct material and energy prices. In fiscal 2024, we will continue to engage in these activities. We will also hold regular consultations with our business partners to achieve appropriate purchase prices in order to actively improve payment conditions for transactions that are not subject to the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. We also encourage our customers to promptly reflect market conditions, labor costs, social costs, and other factors in their prices so that the prices are appropriately revised. Based on the belief that it is essential to "improve competitiveness throughout the entire supply chain and achieve sustainable growth" to survive global competition, we will work together with our business partners to achieve appropriate prices. This will lead to investments in securing human resources, labor saving, DX, and carbon neutrality, which are issues for the entire industry. In turn, it will enable us to propose and supply competitive products to customers.

In addition, the Group has established the Human Rights Due Diligence Committee for activities to protect the human rights of stakeholders. (See page 58.)



Declaration on Partnership Building

Avoidance of conflict minerals

The Group considers the impact of its procurement activities on local communities. We work closely with suppliers to avoid raw materials that might 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.

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 prevents any contact with such forces

by gathering information and issuing warnings. A system is in place so that the General Affairs Department immediately receives reports if any connection with antisocial forces is suspected, such as an unreasonable demand to a director or an employee. The department cooperates with the police and other law enforcement agencies to swiftly shut off any connection with antisocial forces.

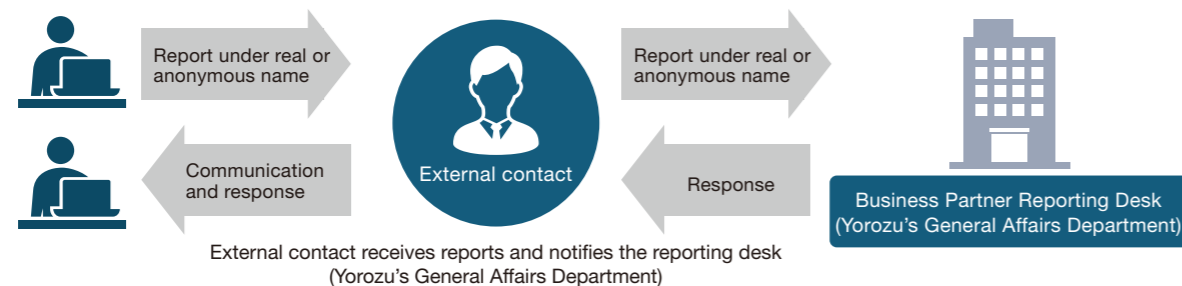
Internal reporting system

The Group has established the “Come Forward for Help Line” and the “Business Partner Reporting Desk” as internal reporting systems to ensure that important compliance-related information is promptly and accurately communicated from the actual scene to top management.

The Come Forward for Help Line was originally intended for employees of Group companies in Japan and overseas to allow employees to report and consult directly with outside directors. In April 2022, an external consultation desk was established in three languages to further ensure the anonymity of whistleblowers and increase the possibility of obtaining information on management risks. We have also established regulations and rules for the protection of whistleblowers and inquirers and are actively encouraging the provision of information. The details of reports and consultations received at external contact points are shared with outside directors, and the details and responses are reported to the Board of Directors and the Management Meeting.

In fiscal 2023, the Come Forward for Help Line received 17 inquiries, all of which were opinions, consultations, and improvement proposals. None of the inquiries involved violations of laws or regulations. Depending on the nature of the inquiry, the Company investigates and confirms the facts before responding and improving the work environment.

In addition, to respond to voices not only from employees but also external voices such as from business partners and supply chain workers, we have established a Business Partner Reporting Desk. Similar to the Come Forward for Help Line, we have established and implemented regulations and rules to ensure the anonymity of whistleblowers, share the details of the report with outside directors through the external reporting desk, and report to the Board of Directors and the Management Meeting. In fiscal 2023, no reports were made to the Business Partner Reporting Desk.



Information security

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 trainings. We protect our customers and suppliers as well as internal data from such threats as errors, accidents, damage from disasters,

and criminal acts by specifying the method to handle information based on risks and the level of importance.

We also update our Privacy Policy and related in-house regulations as necessary to comply with laws and regulations concerning the protection of personal information.

The Group complies with relevant laws and regulations and other standards, and strives to continuously improve and upgrade its management system in response to changes in the 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 of products and services to customers, we not only designated our headquarters as a control tower and have measures in place to prevent fires and accidents at plants that provide production equipment essential to product delivery but also formulated a Business Continuity Plan (BCP) for these locations.

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 dies and tooling 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 installed at each plant that are required for alternative production to ensure a stable supply of stamping products.

In addition, the Company has set up an emergency communication means, 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 prevention drill held at the Yokohama Head Office (YC)

Dialogue with shareholders

The Company strives to achieve sustainable growth and increase the corporate value of the Group by actively providing opportunities for information disclosure such as financial results presentations, IR seminars, and factory tours, as well as opportunities for dialogue between the Company's senior management and shareholders, absorbing and reflecting the opinions of shareholders, and understanding the composition of shareholders.

As for dialogues with shareholders in general, we strive to hold a constructive dialogue by having our financial officer oversee all dialogues with shareholders. If a shareholder requests to have a face-to-face meeting, the Company's Executive Officers, Directors including Outside Directors, or the heads of related departments attend the meeting to the extent that it does not hinder operations, based on their matters of interest, the number of shares held, and other considerations. In addition, to achieve the purpose of the meeting, the Company will fully cooperate as a whole and respond to the requested meeting in good faith to the maximum extent possible within the scope of not harming the common interests of the shareholders and not violating laws and regulations.

Furthermore, based on the recognition that it is one of the important responsibilities of a company to reflect the opinions of its shareholders in its management, the Company reports the valuable opinions and proposals

received from shareholders to the Board of Directors and other bodies, and responds as necessary after thorough consideration.

In fiscal 2023, we held dialogues with analysts and fund managers at financial results briefings and other events, as well as with a total of 13 companies, including investors in Japan and overseas, analysts, and shareholders. Based on investor attributes and the content of the dialogue, the Company selected a person to respond to each case, and representative directors, the CFO, and executive officers participated in the dialogues. The main themes of the dialogues were the latest business results, the direction of the next medium-term business plan, thoughts on the share price, initiatives for sustainability, and information disclosure in the integrated report. In addition to opinions on these topics, the participants gained an understanding of the Company's policies. The opinions received from shareholders were shared and discussed within the Company through feedback such as reports to the Management Meeting and the Board of Directors and were utilized in the review of management strategies and the formulation of business plans. After considering requests for information disclosure such as the long-term outlook and human capital, we published the results in our new medium-term business plan (YSP2026) and integrated report.

Human rights initiatives

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 at the Management Meeting held in June 2023.

Yorozu Group Human Rights Policy

In addressing the issue of human rights, we support the UN Guiding Principles on Business and Human Rights and advance our activities in line with the OECD Due Diligence Guidance for Responsible Business Conduct and the full guide to Measures Currently Required for

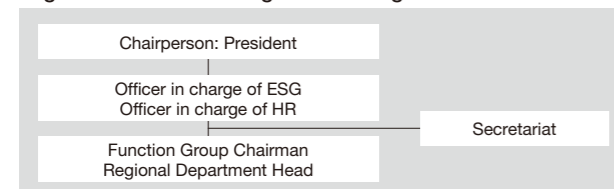
Companies Regarding Business and Human Rights issued by the Ministry of Justice. This is a policy that binds each and every person working in the Group and is positioned as the highest level policy with regard to human rights in the Group's corporate activities.

<p>1. Scope of Application This policy applies to all Yorozu Group officers and employees. In addition, we ask that all business partners, including customers and suppliers, understand and support this policy.</p> <p>2. Human Rights Due Diligence To fulfill the responsibility of respecting human rights, we have established a system to undertake ongoing human rights due diligence.* (*The process carried out to identify, prevent, and mitigate adverse impacts on human rights.)</p> <p>3. Correction and Remedy If we become aware that we have caused or contributed to an adverse impact on human rights, we will work to remediate the adverse impact through appropriate means and make use of consultation desks and other effective mechanisms to ensure access to remedies.</p>	<p>4. Awareness Training To ensure that both internal and external parties are familiarized with this policy, we provide all Yorozu Group officers and employees with appropriate training and will make further efforts to enhance our business partners' understanding.</p> <p>5. Progress Tracking and Information Disclosure We will continuously monitor the state of compliance with the human rights policy and make improvements as necessary. Information on our human rights initiatives based on the policy and the progress will be disclosed on our official website in an appropriate matter.</p> <p>6. Dialogue and Discussion with Stakeholders We will consult with human rights experts regarding any adverse impacts on human rights and at the same time engage in constant dialogue and discussions with internal and external stakeholders.</p>
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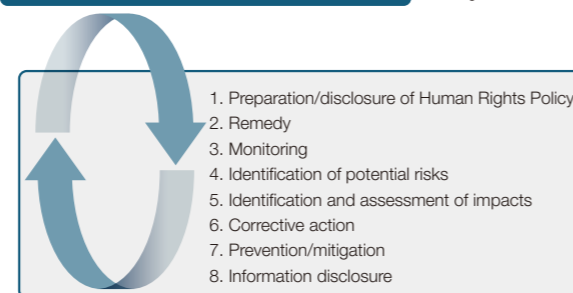
Human Rights Due Diligence Committee

The Group has established the Human Rights Due Diligence Committee to build a human rights due diligence framework based on the Human Rights Policy and to promote its initiatives in a planned and reliable manner. The President serves as the Chairman of the Committee. The Committee is made up of officers who serve as Function Group Chairman or Regional Department Head, and promotes activities at all Group companies in Japan and overseas. The Committee's activities are regularly reported to the Board of Directors to further advance responsible corporate behavior.

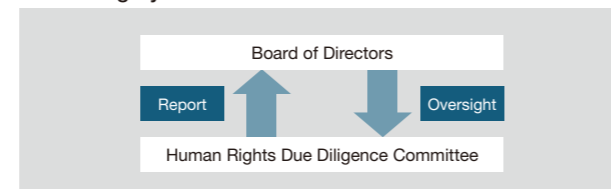
Organization: Human Rights Due Diligence Committee



Human rights due diligence process In accordance with OECD Due Diligence Guidance



Monitoring System



Major initiatives in fiscal 2023

(1) Discussions at the Human Rights Due Diligence Committee

In fiscal 2023, the Human Rights Due Diligence Committee met twice to reconfirm the action policy of the Committee and the direction of future activities, review the monitoring details currently conducted for suppliers, and discuss the response to risks in the Group and suppliers and future initiatives.

(2) Pledge on the elimination of forced labor and child labor

Among the risks related to human rights that we must respect as an enterprise, the Group attaches particular significance to "forced labor" and "child labor," which are feared to have an especially serious impact. Every year, the presidents of all sites are required to submit a pledge on the elimination of forced labor and child labor, and the status of measures taken to reduce the risk of forced labor and child labor is confirmed.

(3) Training for employees in charge of the Harassment Consultation Desk at domestic sites

As part of the efforts to fulfill its corporate responsibility to respect human rights, the Group has established

Harassment Consultation Desks at all domestic sites, in addition to the internal reporting desk, in an effort to detect and resolve discrimination and harassment issues at an early stage. In fiscal 2023, all staff in charge of the Harassment Consultation Desk received training aimed at improving their understanding of human rights and raising the level of compliance.

(4) Training sessions for executives and managers

The Group conducts annual training sessions for executives and managers to prevent harassment in general. We also strive to prevent harassment by displaying posters at all domestic Group sites. In fiscal 2023, all applicable employees received training on the theme of "Business and Human Rights." We will continue our efforts to help employees understand the need to respect human rights in business.



Learning about "Business and Human Rights" at an executive training

"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, an organization, or an individual.



Promoting compliance 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 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 the changes to the planet and in society, and emphasizing the importance of sustainability and

social trust. Based on these guidelines, we request the cooperation of all business partners.

We will also undertake human rights due diligence based on the Human Rights Policy formulated in June 2023. Under YSP2026, in accordance with the human rights due diligence process (see flow diagram on page 58), we will go through the process from (3) monitoring to (8) information disclosure as an initiative for the entire supply chain. 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.

Five-Year Summary of Financial and Non-Financial Data

Yorozu Corporation and Consolidated Subsidiaries

	FY2019	FY2020	FY2021	FY2022	FY2023	
Financial Data (¥ million)						
Profit/Loss statements (fiscal years)						
Sales	157,680	118,863	127,316	160,560	181,468	
Cost of sales	141,331	106,626	113,015	143,384	162,429	
Gross margin	16,349	12,237	14,301	17,175	19,038	
SG&A expenses	14,142	11,859	12,204	14,087	14,579	
Operating income	2,206	377	2,096	3,088	4,459	
Non-operating income	594	1,715	991	687	1,263	
Non-operating expenses	2,030	643	802	782	1,205	
Ordinary income	770	1,449	2,284	2,992	4,517	
Extraordinary gains	73	279	194	78	59	
Extraordinary losses	11,760	6,011	98	183	11,921	
Net income (loss) attributable to owners of parent	(12,933)	(6,195)	876	1,422	(3,926)	
Cash flows (fiscal years)						
Cash flows from operating activities	10,824	13,218	14,914	2,924	12,531	
Cash flows from investing activities	(9,584)	(7,048)	(4,536)	(5,164)	(11,851)	
Cash flows from financing activities	(7,718)	3,775	(13,816)	(4,819)	(1,741)	
Financial condition (fiscal year-ends)						
Cash and cash equivalents, end of period	19,019	29,259	27,146	22,287	22,287	
Net assets	74,550	65,738	70,378	77,439	75,493	
Total assets	139,700	134,723	133,992	141,511	142,257	
Per-share information						
Net income (loss) per share (¥)	(544.05)	(259.07)	36.55	59.00	(162.07)	
Net assets per share (¥)	2,507.05	2,229.87	2,374.88	2,635.58	2,723.52	
Other Financial Data						
Operating income ratio	1.4%	0.3%	1.6%	1.9%	2.5%	
Return on equity (ROE)	(19.1%)	(11.0%)	1.6%	2.4%	(6.1%)	
Return on assets (ROA)	0.5%	1.1%	1.7%	2.2%	3.2%	
Equity ratio	42.7%	39.6%	42.6%	45.0%	46.4%	
Dividend payout ratio	—	—	35.6%	42.4%	—	
Capital investments	11,216	7,219	3,367	6,997	12,931	
Depreciation	12,522	10,246	8,903	9,880	9,814	
R&D expenditures	7,391	5,149	5,335	7,201	7,136	
R&D expenditures to sales ratio	4.7%	4.3%	4.2%	4.5%	3.9%	
Non-Financial Data						
CO2 emissions (t-CO2)	Scope 1	26,509	19,712	18,333	19,865	19,581
	Scope 2	107,708	77,431	71,469	70,195	67,544
Waste emissions (tons)	3,200	3,326	3,150	3,653	3,816	
Water use (1,000 m³)	1,309	1,086	1,057	1,157	1,102	
Number of employees (consolidated)	6,475	6,162	5,666	5,726	5,700	
Ratio of non-Japanese employees	6.57%	6.25%	5.70%	5.49%	12.3%	
Ratio of women in management positions	8.05%	10.90%	12.35%	12.35%	13.0%	
Ratio of paid vacation taken	84.2%	50.8%	66.70%	72.50%	78.7%	
Number of accidents that led to lost working days	0	0	0	0	0	

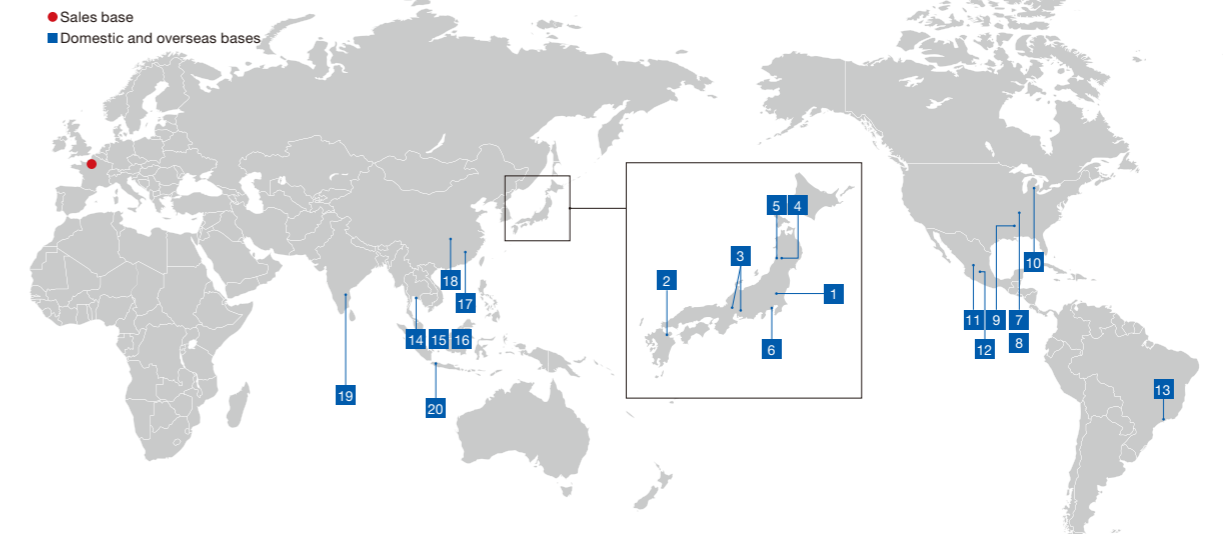
Corporate Information (As of March 31, 2024)

Company Overview

Company name: Yorozu Corporation
 Address: 3-7-60 Tarumachi, Kohoku-ku, Yokohama, Kanagawa, Japan
 Foundation: April 1, 1948
 Capital: ¥6,200 million

Business activities: Development, design, production, and sale of auto parts, agricultural machinery parts, and manufacturing equipment
 Employees (consolidated): 5,700

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 Sustainable Manufacturing Center, Inc.	Gifu Factory Wanouchi, Anpachi, Gifu Prefecture	100 million Japanese yen	
		Aichi Factory Nagoya, Aichi Prefecture		
4	Shonai Yorozu Corporation	Tsuruoka, Yamagata Prefecture	100 million Japanese yen	Manufacture and sale of dies and equipment
5	Yorozu Engineering Corporation	Mikawa, Higashi-Tagawa, Yamagata Prefecture	100 million Japanese yen	
6	Yorozu Service Corporation	Yokohama, Kanagawa Prefecture	10 million Japanese yen	Insurance services, 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	Leasing of plant buildings
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	Manufacture and sale of dies and equipment
16	Yorozu Engineering Systems (Thailand) Co., Ltd.	Rayong, Thailand	65 million Thai baht	
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

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