



YOROZU

Medium-Term Business Plan YSP2026

—To become the “Company of preferred choice” for all stakeholders—

May 24, 2024

Agenda

1. Review of the Previous Medium-Term Business Plan
YSP2023—[Yorozu Sustainability Plan 2023](#)
2. New Medium-Term Business Plan
YSP2026—[Yorozu Sustainability Plan 2026](#)
 - 1) What We Aim to Be and Management Policy
 - 2) Performance Targets
 - 3) Basic Policy and Key Strategies



1. Review of the Previous Medium-Term Business Plan

YSP2023



Financial Summary

【Overview】

Despite our efforts on resilient management, external factors prevented us from meeting the targets for operating income ratio and return on equity (ROE).

- Sales successfully surpassed the target.
- Operating income ratio fell short due to significant increase in material, resource, and energy costs.
- Similarly, ROE was impacted by a net loss resulting from an impairment loss on fixed assets.

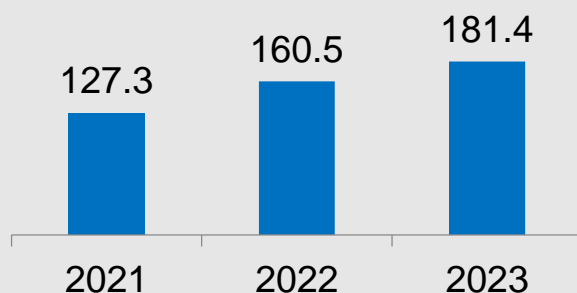
Sales

Initial target for FY2023

150 bil. yen

FY2023 actual

Revised target: 160 bil. yen **181.4 bil. yen**



Operating Income Ratio

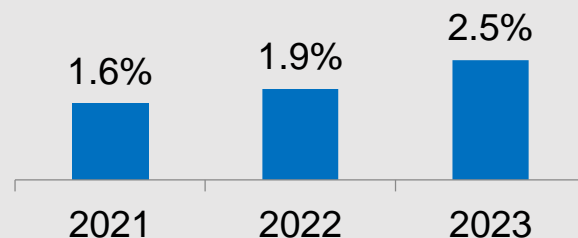
Initial target for FY2023

5.0%

FY2023 actual

Revised target: 2.0%

2.5 %



ROE

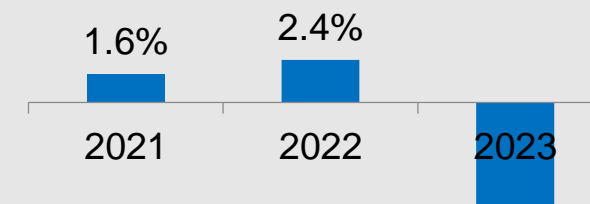
Initial target for FY2023

8.0%

FY2023 actual

Revised target: Nil

Not achieved



Summary of the Strategies (Results)

We successfully **built and paved the way for our growth strategy** by prioritizing ESG management, specifically focusing on **CN initiatives** related to climate change measures, **adopting new technologies and methods for EVs**, and **strengthening our global sales expansion**.

Basic Policy		Review and Analysis	Rating
ESG Management	E: Environmental	● Surpassed the targets outlined in 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 listing standards for TSE Prime Market	Fair
	DX promotion	● Implemented individual improvement consistently	Fair
	Stable profits	<ul style="list-style-type: none"> ● Increased investments in new model launches ● Significant divergence occurred between customers' required volume and our production capacity in the Chinese market 	Fair
	New technologies and methods	<ul style="list-style-type: none"> ● Developed innovative lightweight techs with patented products for sales growth ● Commenced "collaboration" in development 	Good
	Sales expansion	<ul style="list-style-type: none"> ● Construction completed and operation started at YSMC* ● Received orders for EV parts from a diverse range of customers 	Good

* YSMC stands for Yorozu Sustainable Manufacturing Center.

Summary of the Strategies (Issues)

Basic Policy		Rating	Issues pending from YSP2023	Category of pending actions	In relation to the New Medium-Term Plan
ESG Management	E: Environmental	Good	Fall behind the position as the frontrunner in comparison	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



2. New Medium-Term Business Plan

YSP2026—Yorozu Sustainability Plan 2026



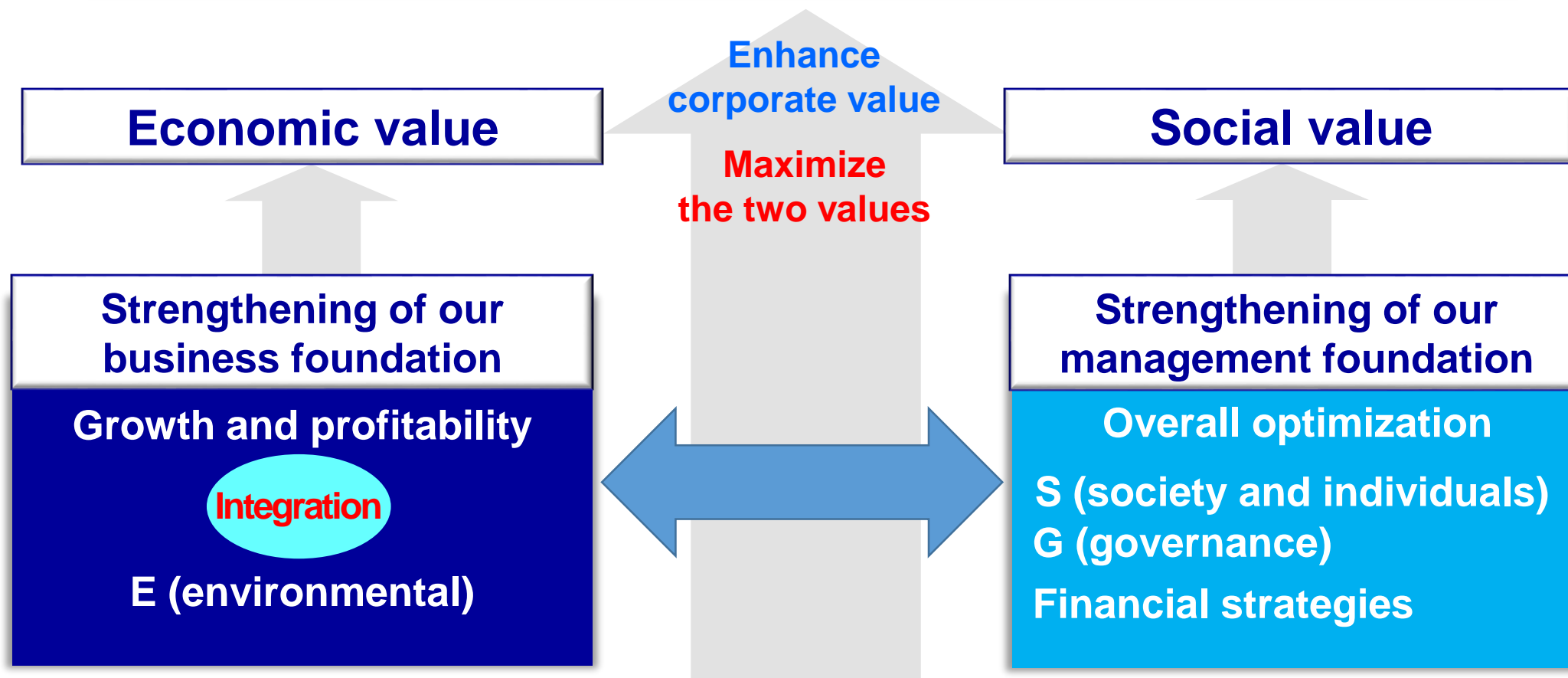
1) What We Aim to Be and Our Management Policy



What We Aim to Be



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





2) Performance Targets

Performance Targets

	Metrics	FY2023 Results	FY2026 Targets
Growth	Sales	181.4 billion yen	210.0 billion yen
Profitability	Operating income ratio	2.5%	4.5%
Efficiency	ROE	–	8.0%
Prerequisite	Exchange rate (USD/JPY)	140.66 yen	140.00 yen



3) Basic Policy and Key Strategies

—To become the “Company of preferred choice” for all stakeholders—

Economic value

Strengthening of Our Business Foundation

Integration of E (environmental) management and “growth and profitability”

- 1 Creation of new technologies and methods, and sales expansion**
 - Development of new technologies that contribute to decarbonization and creation of new values through collaboration
 - Expansion of sales to a diverse range of customers
- 2 Improvement of profit structure**
 - Maximization of profits from new model launches
 - Analysis on production site reforms based on customer production trends in each region
- 3 E: *Monozukuri* with our weapon —environmental performance**
 - Continuous efforts for decarbonization in production
 - Establishment of a smart factory

Social value

Strengthening of Our Management Foundation

Overall optimization

- 4 S: Society and individuals —improvement of engagement**
 - Promotion of health and productivity management
 - Implementation of DE&I
- 5 G: Enhancement of governance**
 - Strengthening of governance and compliance
 - Compliance with appropriate business practices
- 6 Financial strategy**
 - Shareholder return
 - Cross-shareholdings



Strengthening of Our Business Foundation (1) Creation of New Technologies and Methods, and Sales Expansion

- Development of new technologies that contribute to decarbonization and creation of new values through collaboration
- Expansion of sales to a diverse range of customers

Development of New Technologies That Contribute to Decarbonization and Creation of New Values Through Collaboration

【Strategy 1】 Undertake the challenge of refining our lightweighting technology and expanding the range of our products

The need for uncompromising **lightness and stiffness** of suspensions exists even in the era of electrification

Ultra-high tensile strength

New structure

980MPa
1180MPa

**Lighter
Higher
stiffness**

New stamping structure
Alternative materials
Stamping difficulties

Ultimate design

Optimized structure and method

Application to varied products

Materials

Resin



Interior products

Aluminum



Welding of castings and wrought materials

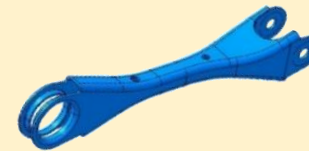
Ultra-high-tensile materials



980MPa/1180MPa
Challenge the limit of steel

Design

Arm with a new stamping structure



780MPa→980MPa

Unibody structure



Collar-less

Different-thickness structure

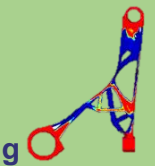


Beam

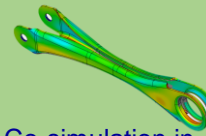
Arm

Manufacturing engineering

Performance analysis

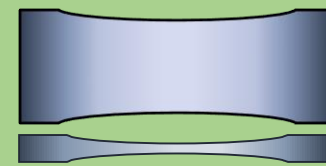


Optimize



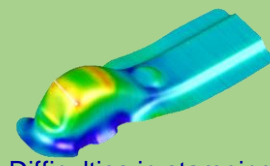
Co-simulation in manufacturing process

Different-thickness stamping



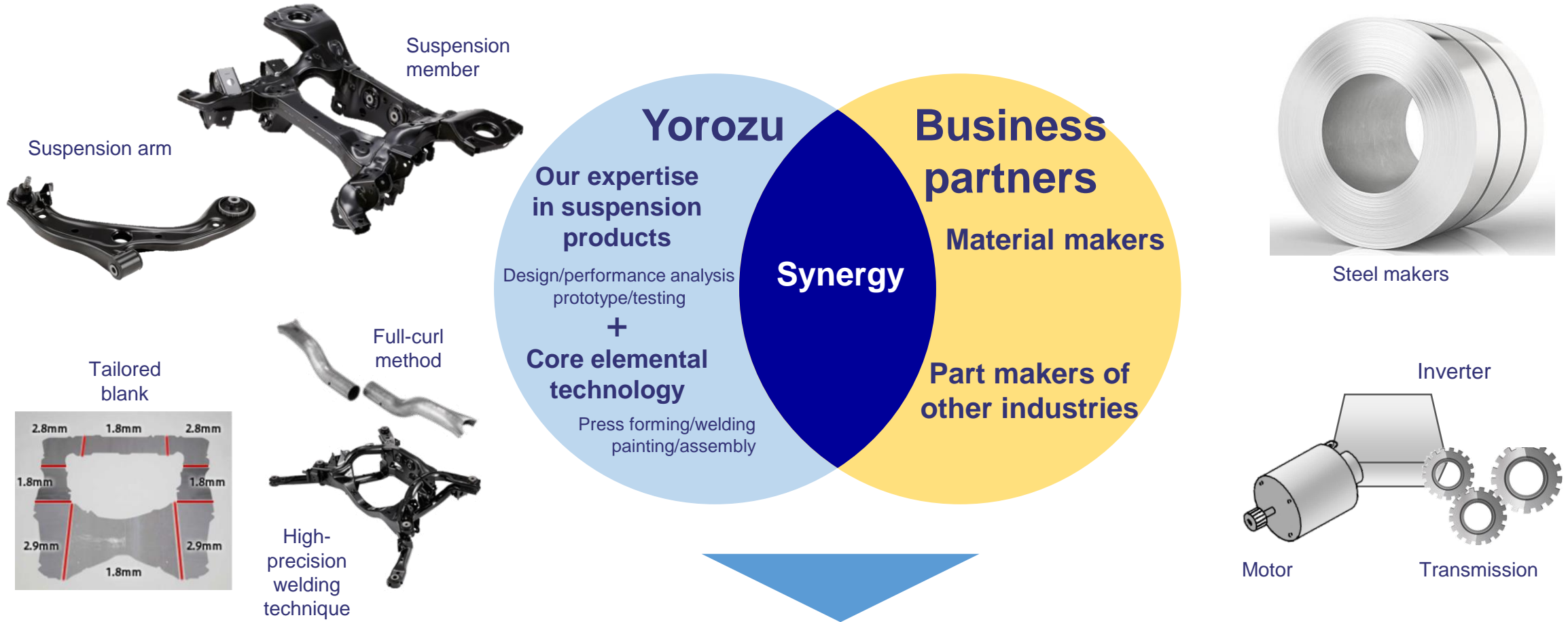
Light-weight + cost cut

Stamping analysis



Difficulties in stamping ultra-high tensile materials

【Strategy 2】 Increase a product's added value through collaboration



Products with added value for EVs

【Strategy 3】 Develop innovative products for the emerging OEMs of EVs

Actions for the continuously growing EV market



Needs of the emerging EV OEMs

**Super low cost and
super speedy development**

**Evolution of
the existing
technologies**

【Development strategy】

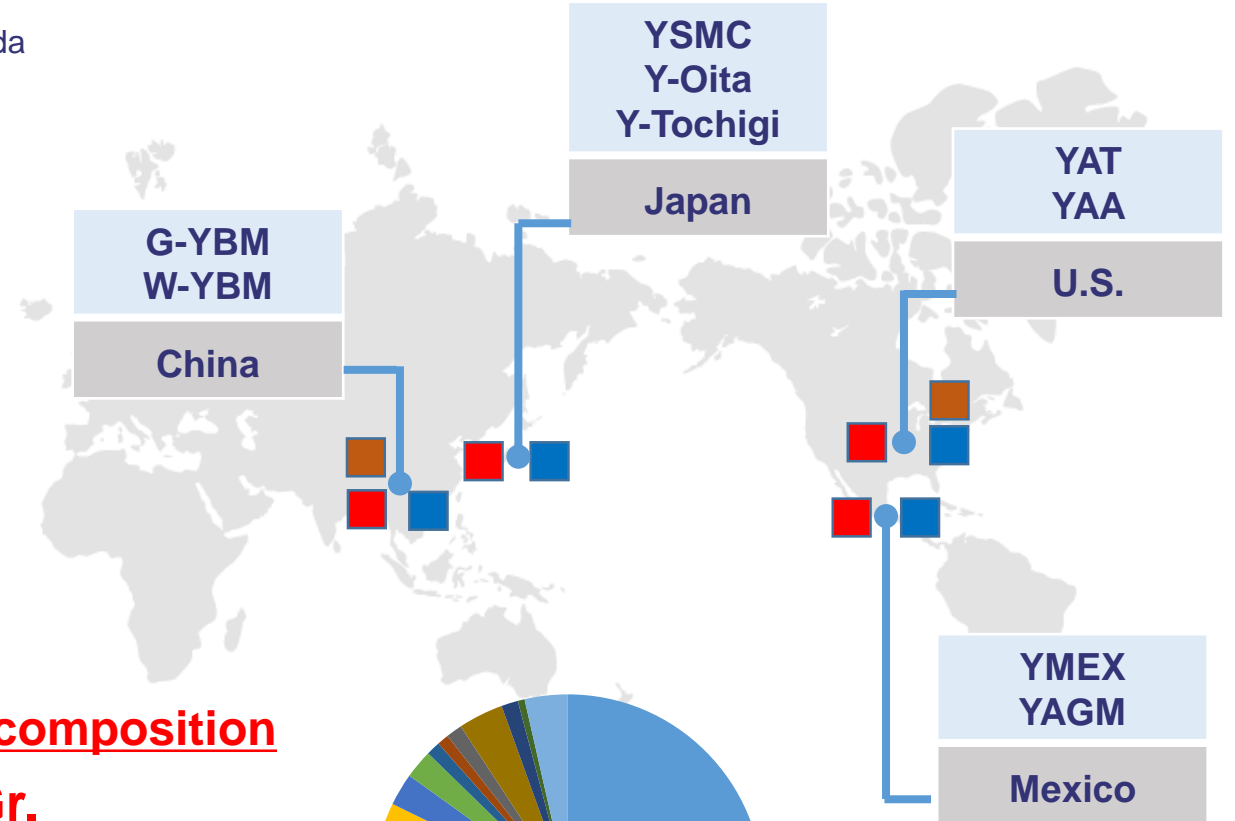
- Create a product catalog
- Improve analysis prediction accuracy
- Reduce the period for production preparation

Expansion of Sales to a Diverse Range of Customers

【Strategy 1】 Expand sales of EV products for major customers

■ Nissan, Mitsubishi, Renault (Nissan Gr.)
 ■ Toyota (Toyota Gr.)
 ■ Honda

Customer	Sales expansion policy
Nissan/Mitsubishi	Deepen partnership with customer
Toyota	Establish a solid supply system to expand sales of EV products
Honda	Participate in next generation vehicle projects with new technologies/methods
Nissan & Honda	Explore new opportunities through collaboration with customers (TBD)



Expansion of Sales to a Diverse Range of Customers

【Strategy 2】 Venture into new business areas

“Establish the foundation” for future growth
by addressing new business areas beyond the automotive sector

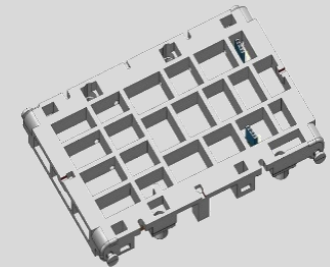
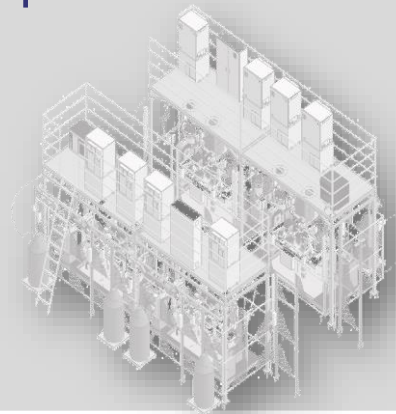
Non-automotive products

Make products for construction machinery
using over 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

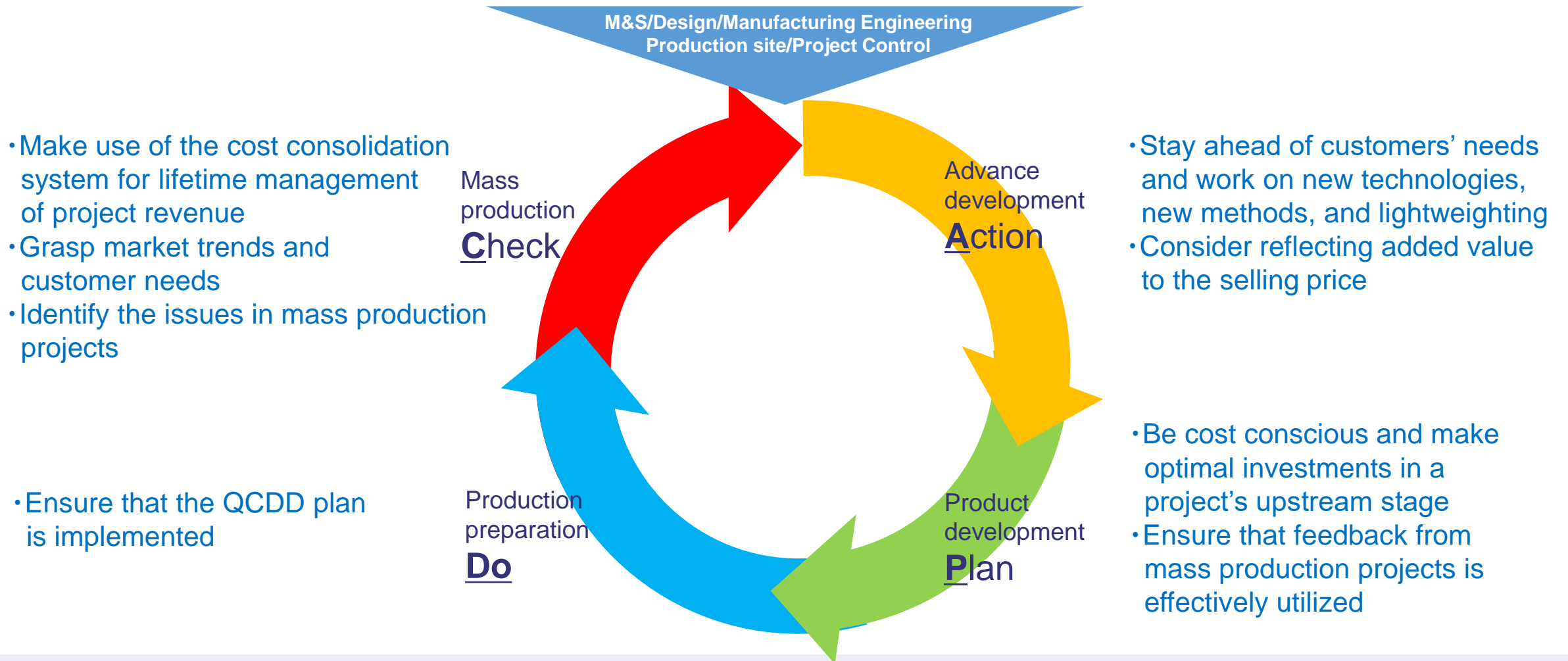
- Maximization of profits from new model launches
- Analysis on production site reforms based on customer production trends in each region



Maximization of Profits from New Model Launches

【Strategy 1】 Establish an organizational structure focused on maximizing profits

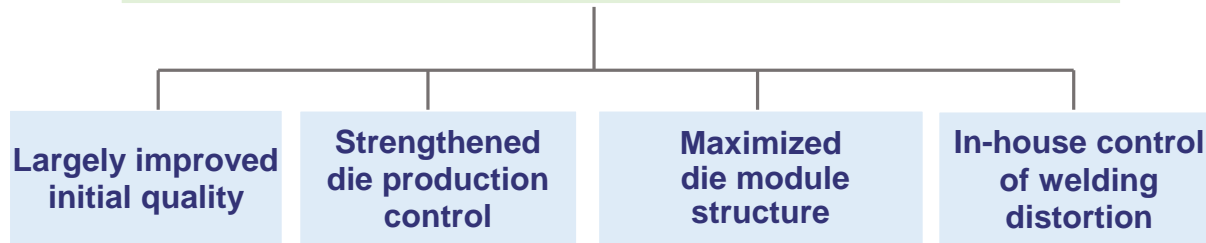
Enhance CAPDo (C→A →P→Do) cycle through the collective efforts of five departments



Maximization of Profits from New Model Launches

【Strategy 2】 Enhance the development of dies and equipment

Reduce the lead time for die preparation by 40%



Jidoka concept for next generation assembly lines

- Clarification of issues and the direction to take
- Higher versatility and reusability (for next generation models and beyond)

Lead time—from designing to shipping



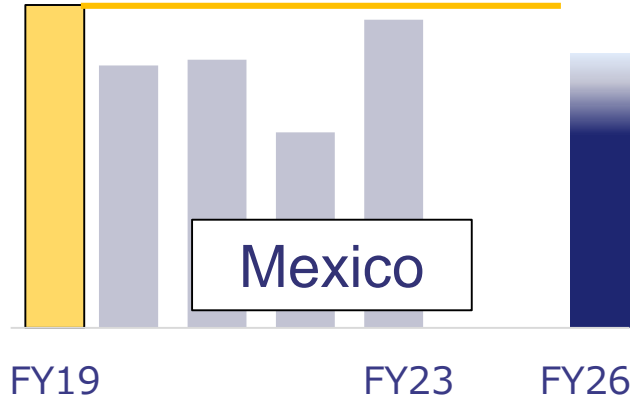
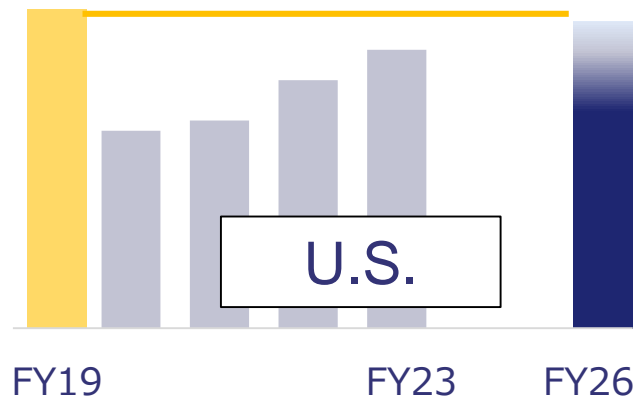
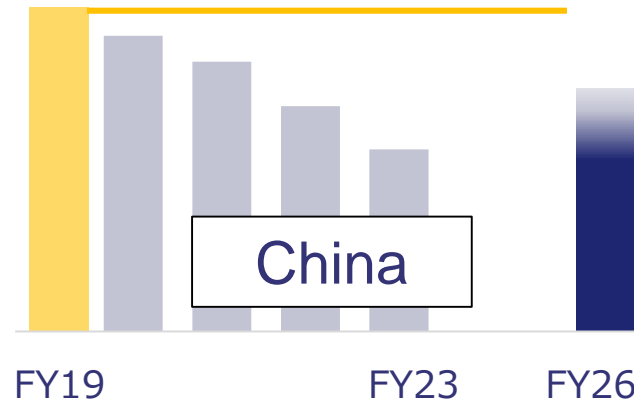
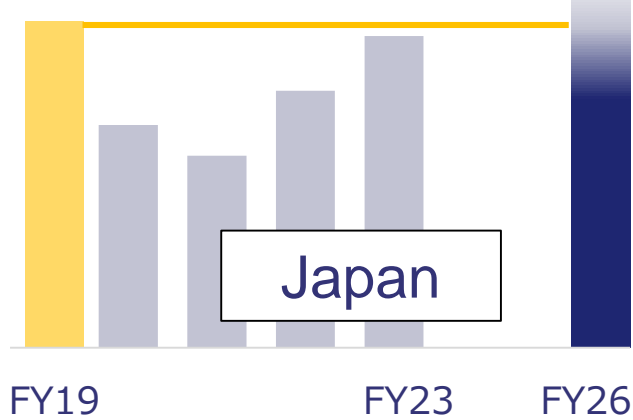
30% reduction in

**New model investment
Space required
Manufacturing costs**

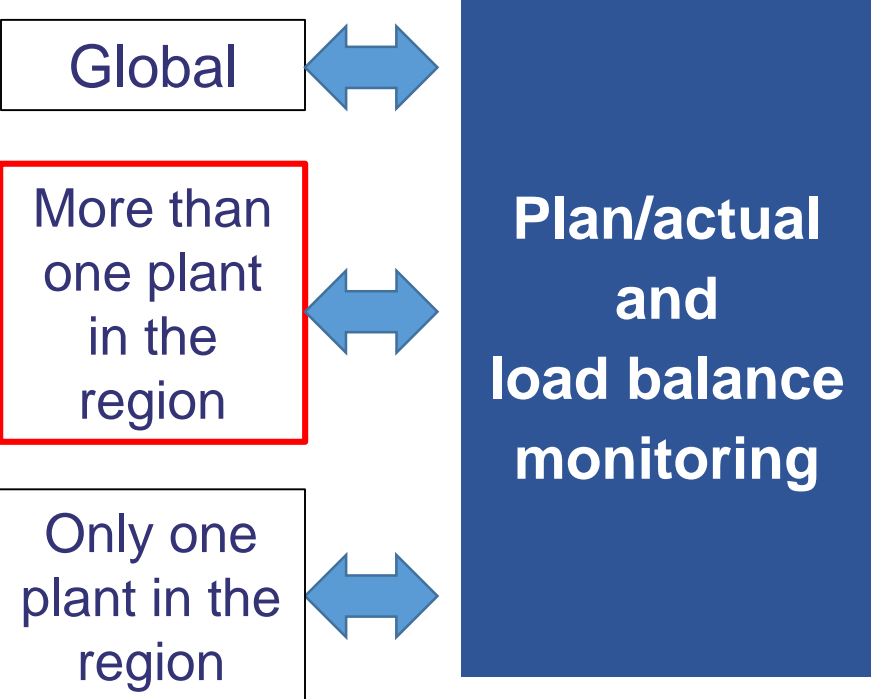
Analysis on Production Site Reforms Based on Customer Production Trends in Each Region

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

Production load in regions with multiple plants
(compared with FY2019)



Consider optimization in regions where multiple plants are located



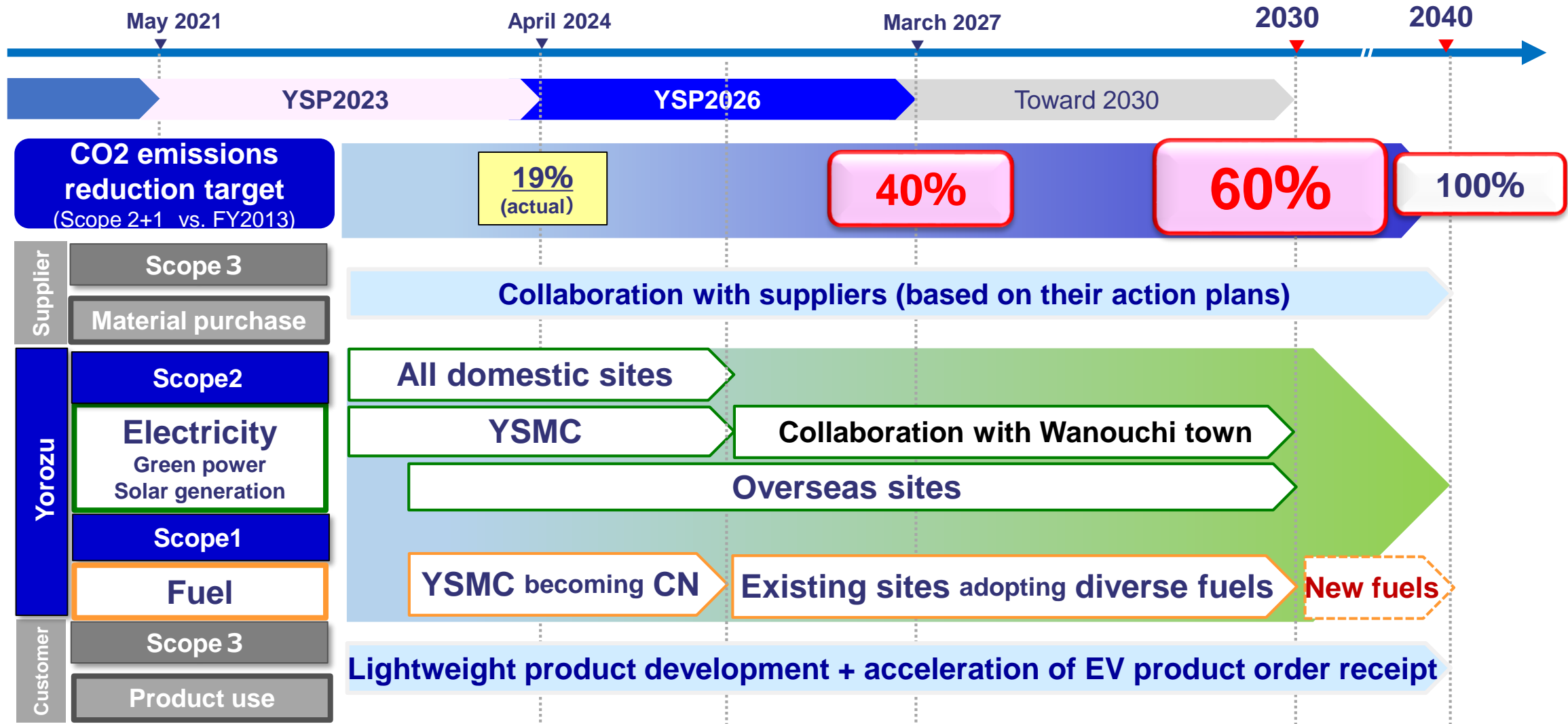


(3) E: *Monozukuri* with Our Weapon —Environmental Performance

- Continuous efforts for decarbonization in production
- Establishment of a smart factory

Continuous Efforts for Decarbonization in Production

【Strategy 1】 Accelerate CN targets to maintain our position as the frontrunner



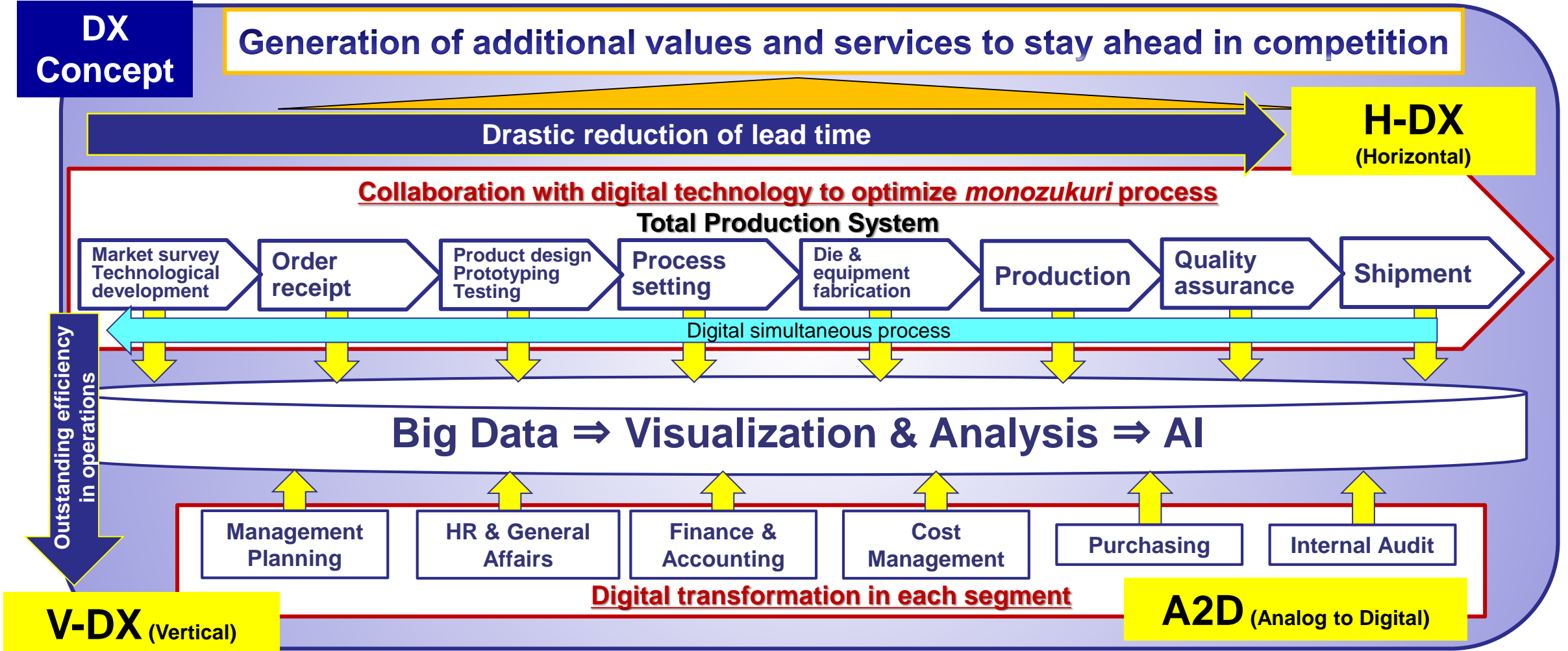
Continuous Efforts for Decarbonization in Production

【Strategy 2】 Promote decarbonization in Scope 2 (electricity) and Scope 1 (fuels)

Reduction		YSP2023 (Actual)	YSP2026 (Target)	Toward 2030 (Target)
Global	Scope 2+1	19%	40%	60%
	Scope2 (Electricity)	19%	39%	57%
	Scope1 (Fuels)	-	1%	3%
Japan	Scope2	63%	100%	←
The Americas	Scope2	21%	36%	72%
Asia	Scope2	9%	32%	46%
Policy		Promotion mainly in Japan		Shift to overseas

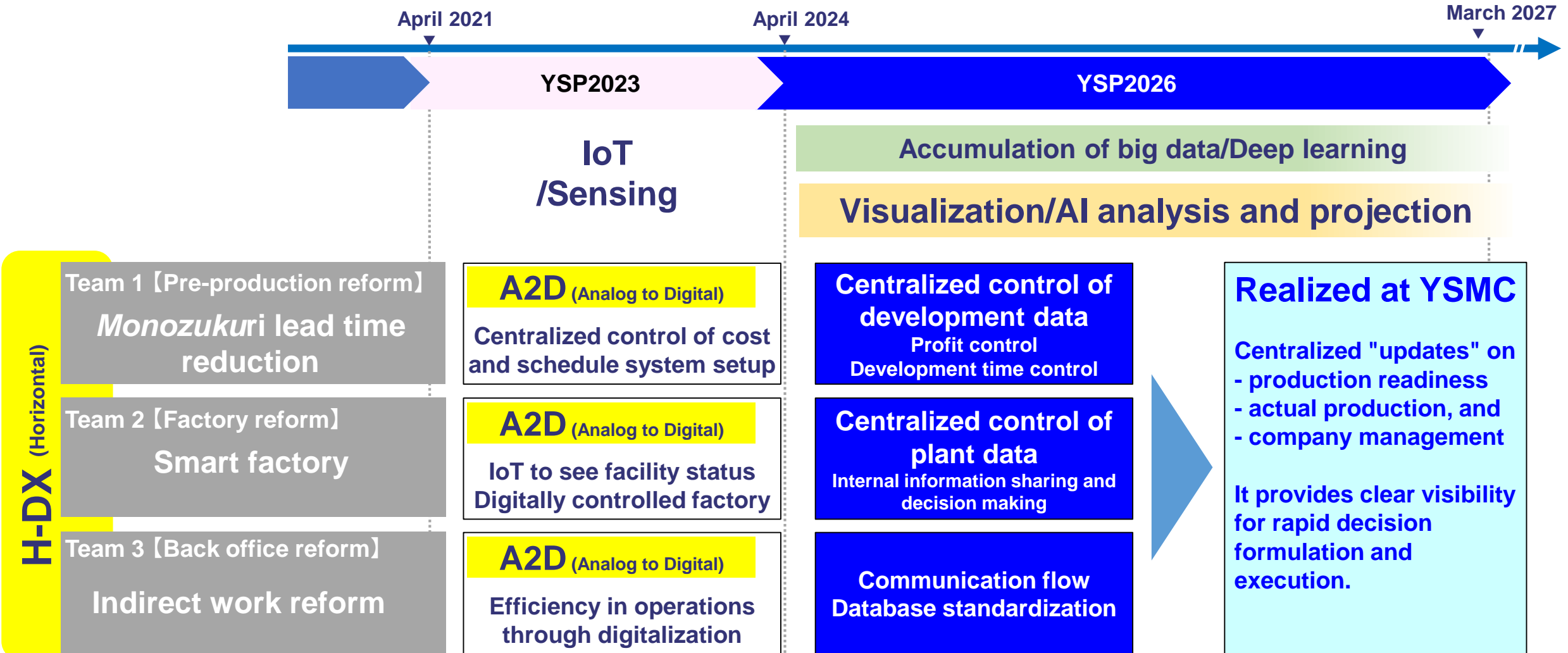
Establishment of a Smart Factory

【Strategy】 Realization of a model factory at YSMC



Establishment of a Smart Factory

【Strategy】 Realization of a model factory at YSMC





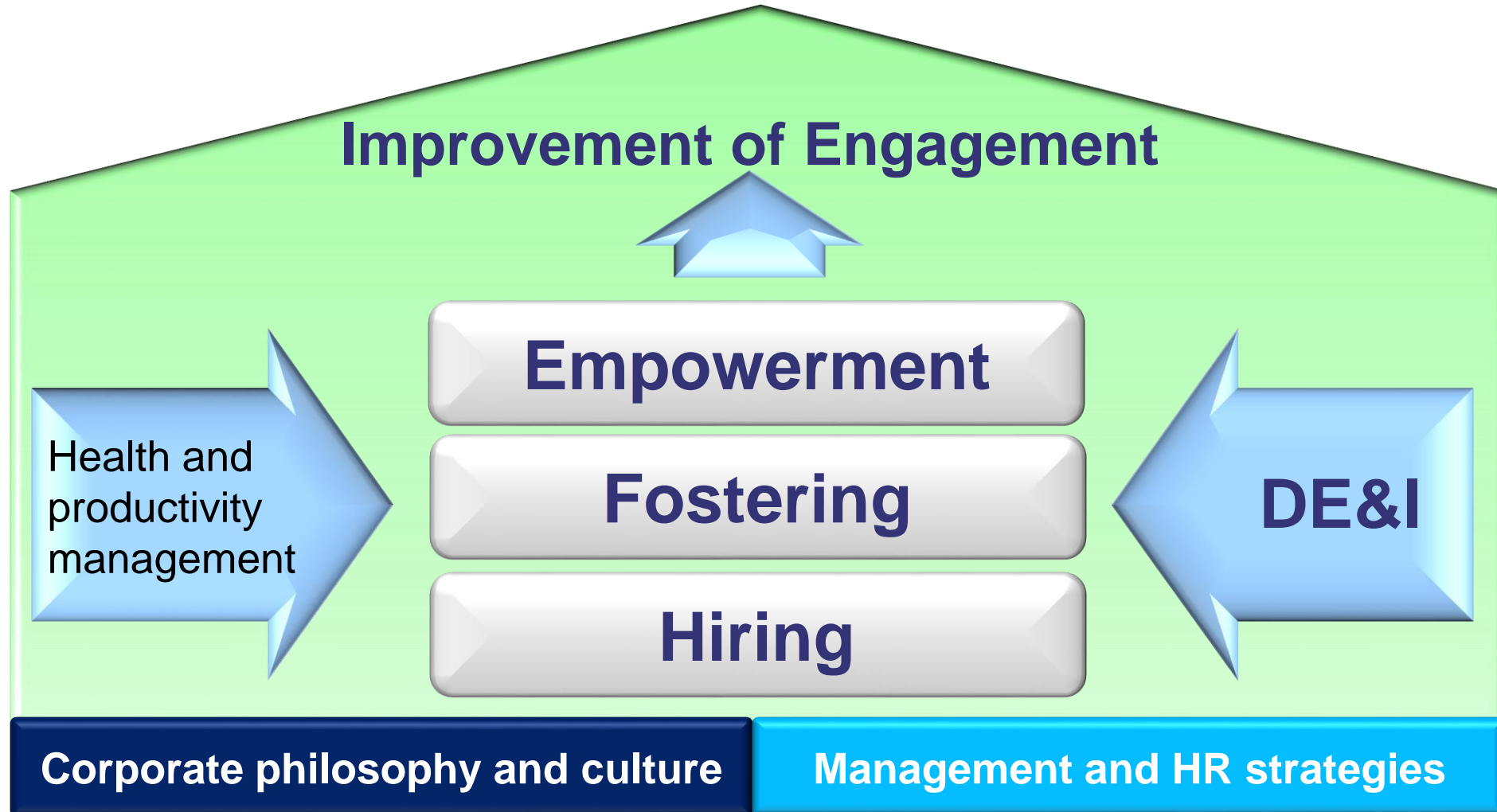
Strengthening of Our Business Foundation (4) S: Society and Individuals —Improvement of Engagement

- Promotion of health and productivity management
- Implementation of DE&I



Improvement of engagement

Company of choice, where everyone feels
“I want to continue working at this company” and “I’m happy to work here”



【Strategy】 Create a healthy and engaging workplace



Fostering a healthy and engaging workplace that empowers every member of Yorozu Group

Employee engagement reform

Work system

Sense of accomplishment

Enrichment in life

Support for health promotion

Health awareness promotion

Lifestyle disease prevention

Early detection and treatment

Vibrant workplace for all

Communication channels

Stress reduction measures

Supportive work environment

Implementation of DE&I

【Strategy】 Establish a work environment where everyone can fully demonstrate their potential

Yorozu's DE&I

STEP
1

Building a diversity strategy



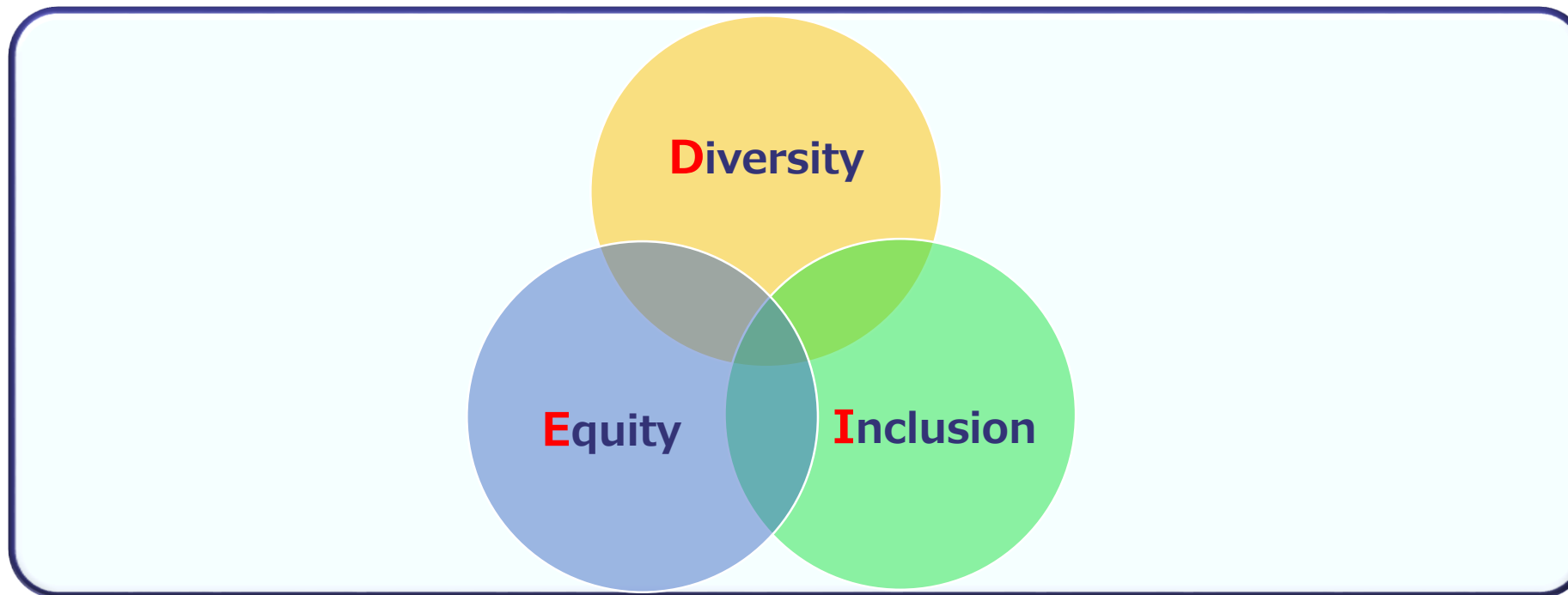
STEP
2

Advancing a diversified way of work



Improvement in the rate of male employees taking childcare leave

STEP
3





(5) G: Enhancement of Governance

- Strengthening of governance and compliance
- Compliance with appropriate business practices



CSR Activity

Board of Directors

(Outside Directors,
Nominating and Compensation Committee)

Report  Supervise 

Departments

① Governance

- Effectiveness of the BOD
- Communication with shareholders

Risk, Compliance, Human Rights DD Committee, etc.

② Compliance

- Basic Policy on Internal Control (Design and operational effectiveness of the system)
- Human rights due diligence
- Appropriate business practices

③ Risk management

- Top eight risks

Strengthening of Governance and Compliance

【Strategy】 Ensure effectiveness of the BOD and foster better communication with shareholders

Enhance effectiveness of the BOD

1

Proactive involvement of Outside Directors

2

Evaluation of the BOD from an outsider's perspective and formulation of plans aimed at enhancing effectiveness

3

Composition of the BOD based on the growth strategy

Communication with shareholders

1

Enhancement of IR and SR

2

Resuming the plant tour for shareholders

Strengthening of Governance and Compliance

【Strategy】 Promote human rights due diligence

Human rights due diligence process

*Compliant with OECD Due Diligence Guidance

① Formulation/disclosure of Human Rights Policy

② Remedy

③ Monitoring

④ Identification of potential risks

⑤ Identification and assessment of impacts

⑥ Corrective action

⑦ Prevention/mitigation

⑧ Information disclosure

To be addressed not only in our own company but also in the entire supply chain

Compliance with Appropriate Business Practices

【Strategy】 Ensure fair pricing practices

Maintain competitiveness and ensure sustainable growth of the entire supply chain through fair pricing

Customer

- **Review prices for appropriate selling price**
Swiftly pass on the costs reflecting the market conditions and labor/social costs to the price

YOROZU

- **Review prices for appropriate purchasing**
 - Comply with laws and regulations
 - Discuss with suppliers on a regular basis

Supplier

- **Invest in securing talent and the measures for *shojinka* (manpower saving), DX, and carbon neutrality**
- **Propose and supply competitive products**



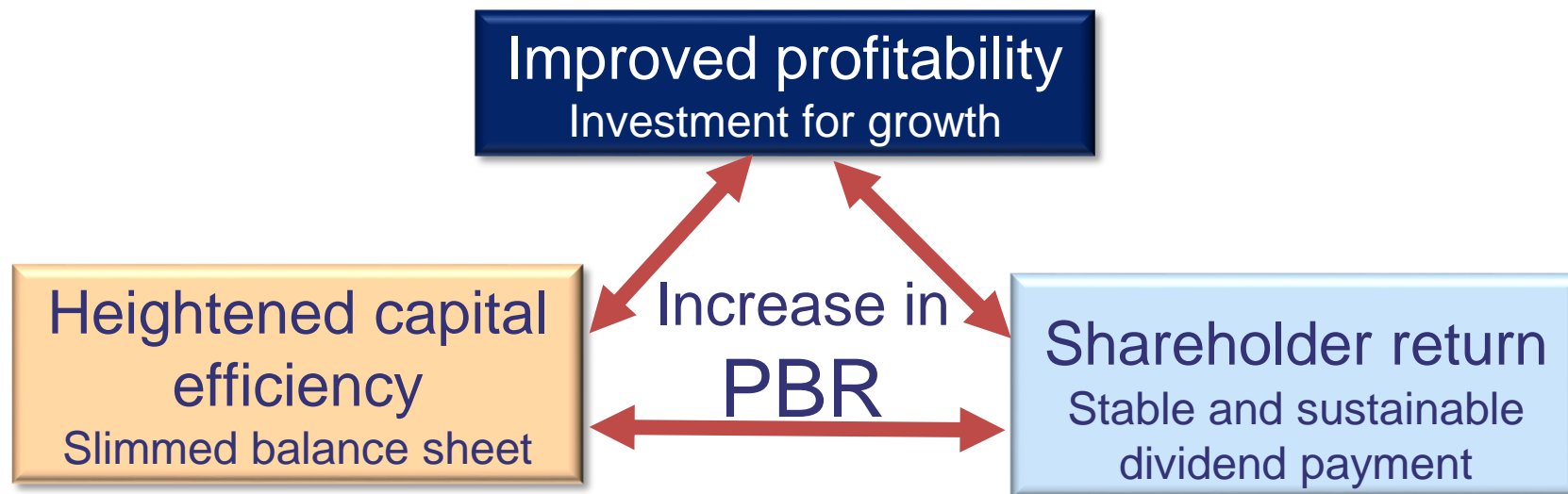
(6) Financial Strategy

- Shareholder return
- Cross-shareholdings



Basic Idea and Key Strategies

We strive to drive sustainable growth and enhance our corporate value through effective allocation of our management resources by improving our ability to generate cash flow and heightening capital efficiency.



YSP2026 Targets		
Higher profitability	Operating income ratio	4.5%
Higher capital efficiency	ROE	8.0%
Shareholder return	Dividend payout ratio	35% or above

Shareholder Return

【Strategy】 Return policy in appreciation of shareholders' support

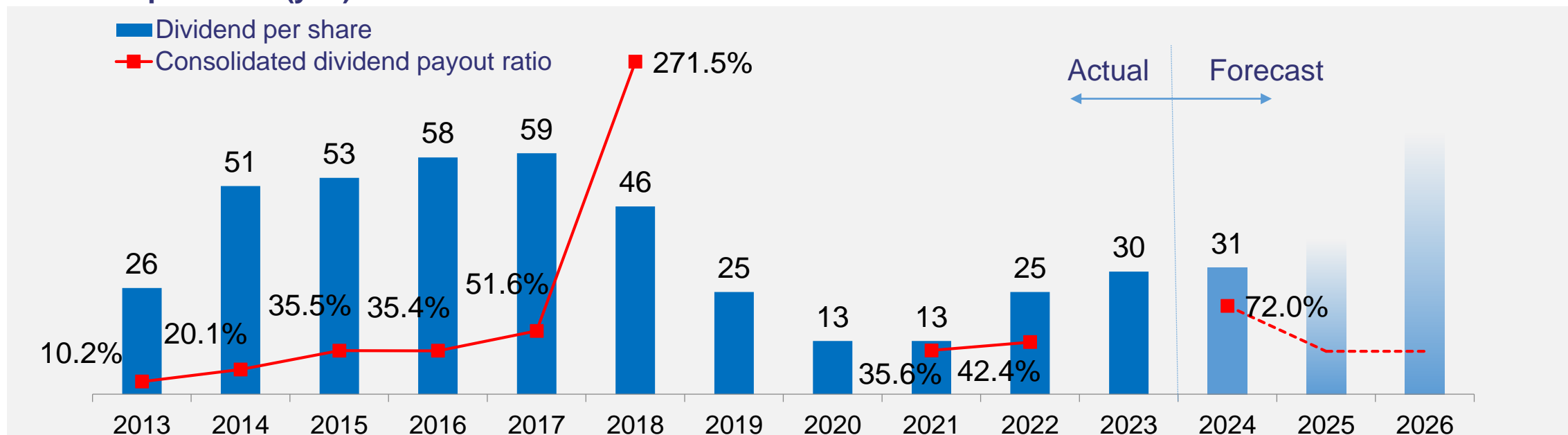
- **Dividend policy**

To maintain a dividend per share of at least 31 yen, aiming for a dividend payout ratio of 35% or higher

- **Share repurchases**

To buy back our own shares agilely and appropriately, considering other investment targets, the level of cash on hand and bank deposit, business performance, etc.

Dividend per share (yen)



【Strategy】 Set a reduction target for cross-held shares

● Cross-shareholding policy

- We will hold the shares only for the purpose of strengthening the ties with our suppliers and only if it is considered necessary for the operation of our business and is expected to contribute to enhancing our corporate value.
- The significance of cross-shareholding will be comprehensively assessed from the perspectives of feasibility, profitability, and holding risks. Should any of such shares lose its significance as cross-held shares, we will consider disposing of such shares.

● Reduction target

Quantitative value

Reduce by 10% within the current medium-term plan

(based on market value as of the end of March 2024)

Funds acquired through selling of the cross-held shares will be appropriated to buy back our own shares.

—To become the “Company of preferred choice” for all stakeholders—

YOROZU