

New Mid-Term Business Plan Toward Long-Term Vision

FY2015-2017

Yorozu Spiral-up Plan 2017



March 9, 2015

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Introduction

Long-Term Vision

- Our Future Shape After 10 Years

New Mid-Term Business Plan

- Yorozu Spiral-up Plan 2017

Introduction: Corporate Philosophy and Corporate Vision

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

Corporate Vision

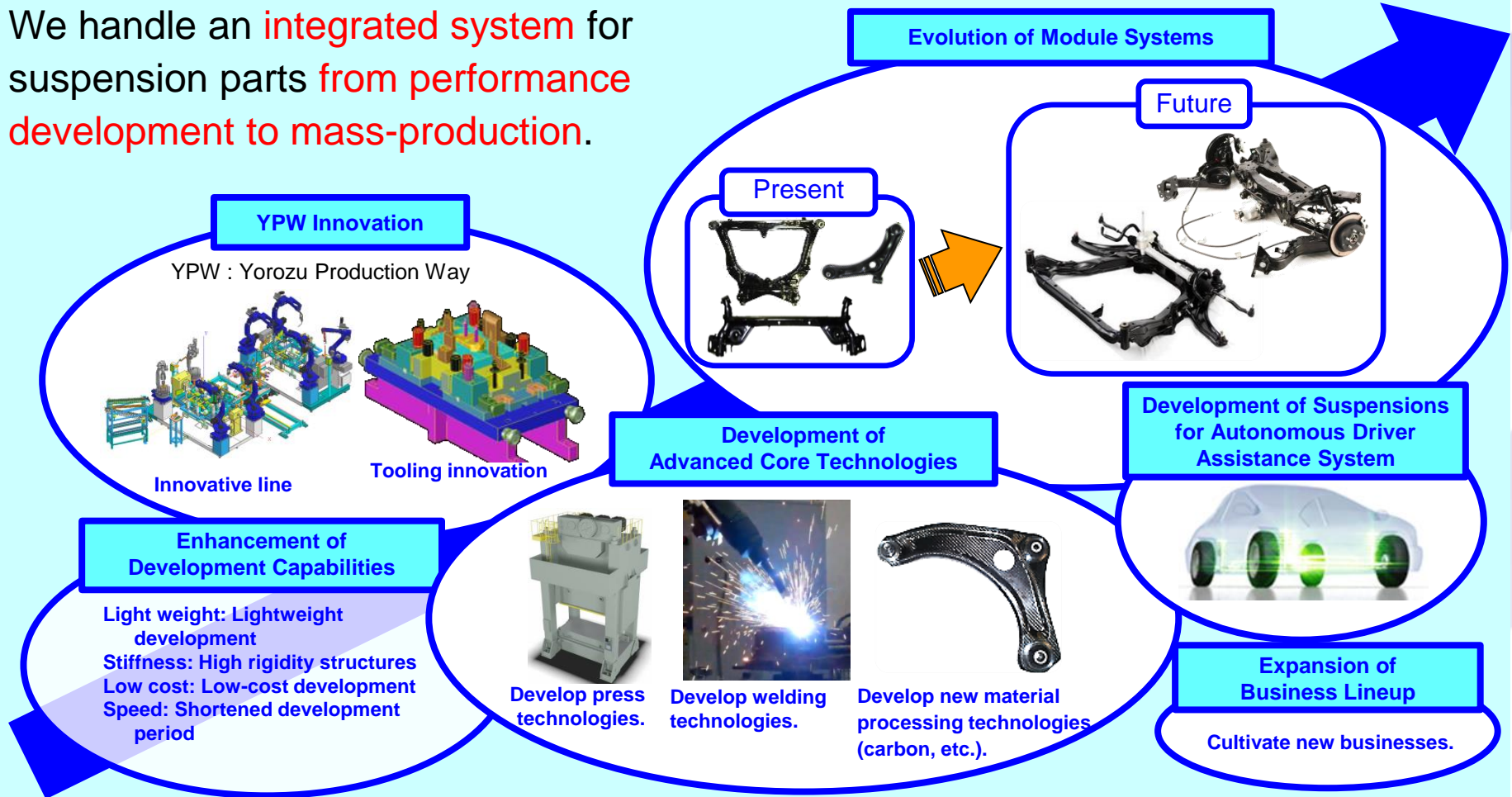
Create new value through suspension systems,
and build the presence of the “Yorozu Brand” throughout the world.

1. Long-Term Vision: Roadmap Toward Sustainable Growth

Long-Term vision after 10 years (2015 → 2024)

Be a leading manufacturer of suspension systems.

We handle an **integrated system** for suspension parts **from performance development to mass-production.**



1. Long-Term Vision: Our Future Shape After 10 Years

Performance goals

Consolidated revenue of
300 billion JPY

Consolidated operating income ratio of
7% or more

Qualitative goals

**Products and
services**

We have created an integrated system from performance development to mass-production that includes peripheral parts in addition to suspension members and links.

**Quality,
production,
development and
technology**

We have strengthened our quality, productivity and technological development capabilities in an innovative manner to achieve competitive production based on the keywords “light, strong, cheap and fast.”

**Sales and
marketing**

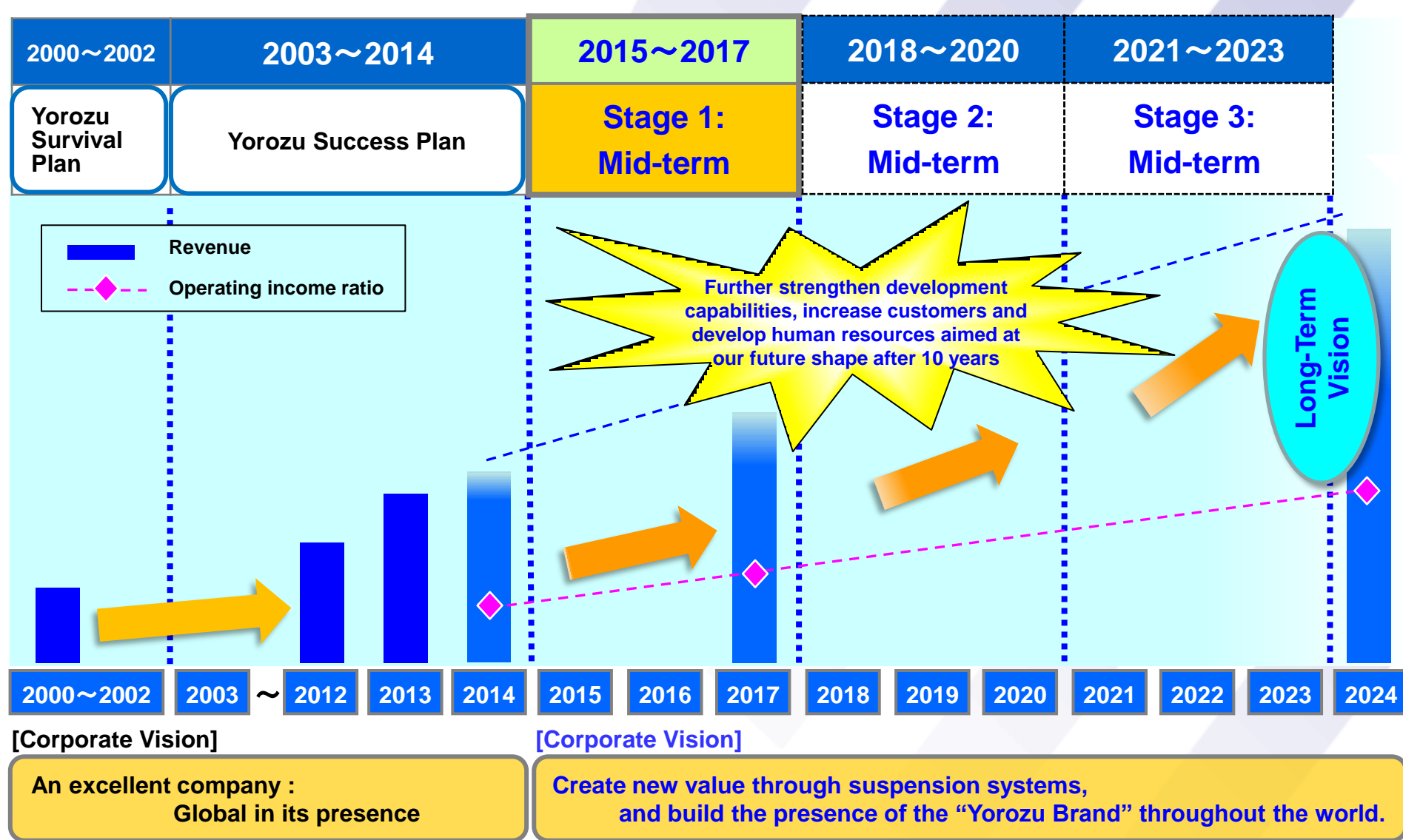
We have established footholds for new businesses as well as expanding our sales channels to major global automakers.

**Human resources,
organization and
management**

We have created motivational environments at sites around the world for willing and talented individuals.

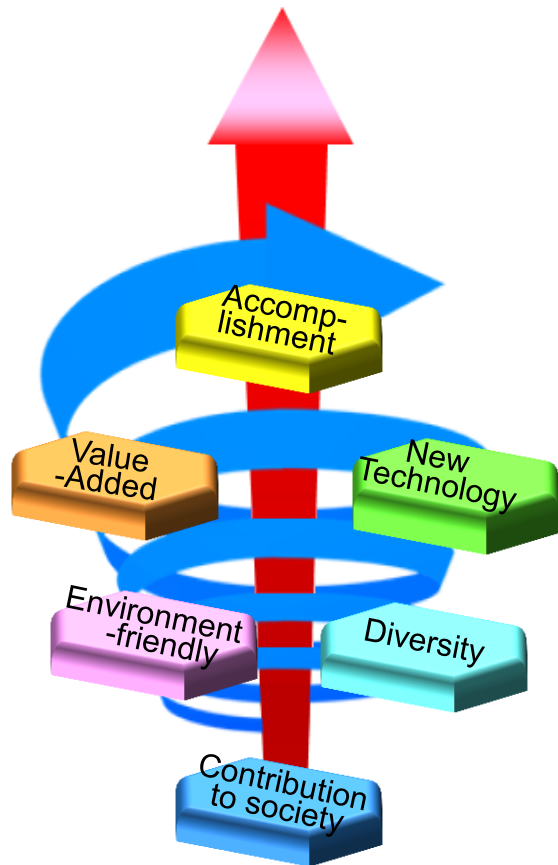
Positioning of Long-Term Vision and New Mid-Term Business Plan

FY 2015~2017 three-year plan: Yorozu Spiral-up Plan 2017



2. New Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

Yorozu Spiral-up Plan 2017



Thanks to its **Yorozu Survival Plan**, Yorozu managed to survive amid significant changes in the business environment since fiscal 2000 caused by the Nissan Revival Plan. Thereafter, we implemented the **Yorozu Success Plan** company-wide and have now developed and grown into a global company.

Considering the history of the two previous **YSPs**, we incorporated the idea of **boosting Yorozu's brand value** in the global market **going forward ("spiral-up")**.

2. New Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

Robust corporate structure to outstrip the competition

FY 2017 goals as midway indicators toward achievement of the Long-Term vision

Consolidated revenue of
180 billion JPY

(FY 2014 forecast: 150 billion JPY)

Consolidated operating
income ratio: 6%

(FY 2014 forecast: 5%)

Key initiatives focused on enhancing corporate value

(1) Business domains

Implement three pillars for achievement of sustainable growth.

(2) Financial strategy

Capital plan that considers a balance between realizing mid-to long-term growth and capital efficiency

(3) Corporate Governance

Establish internal systems that contribute to enhanced profit for stakeholders.

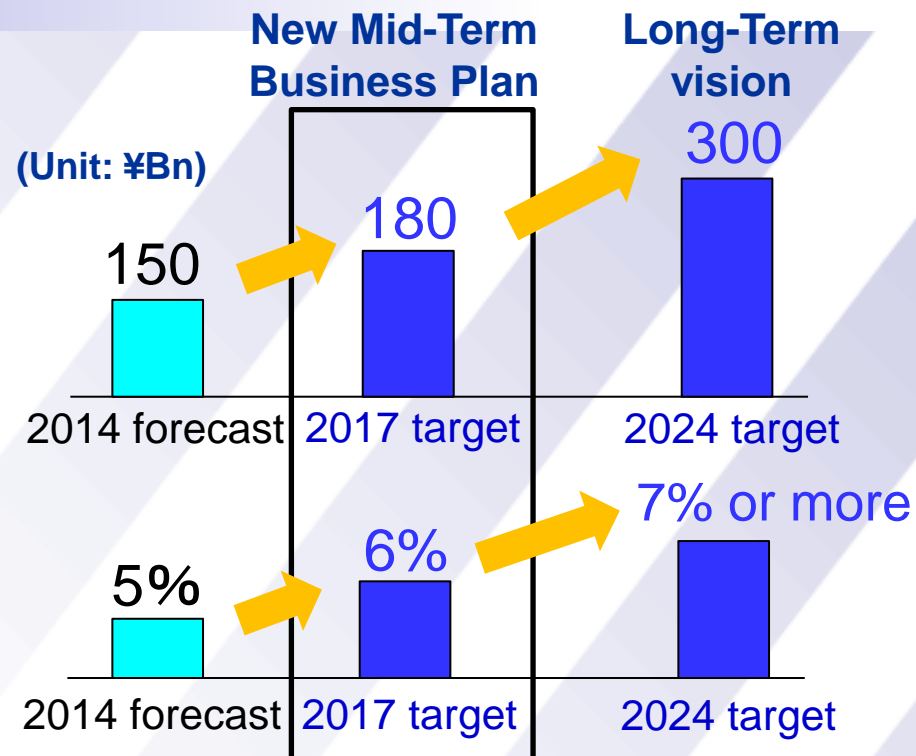
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Performance Goals

FY 2017 targets

Consolidated revenue:
180 billion JPY

Consolidated operating income
ratio: 6%

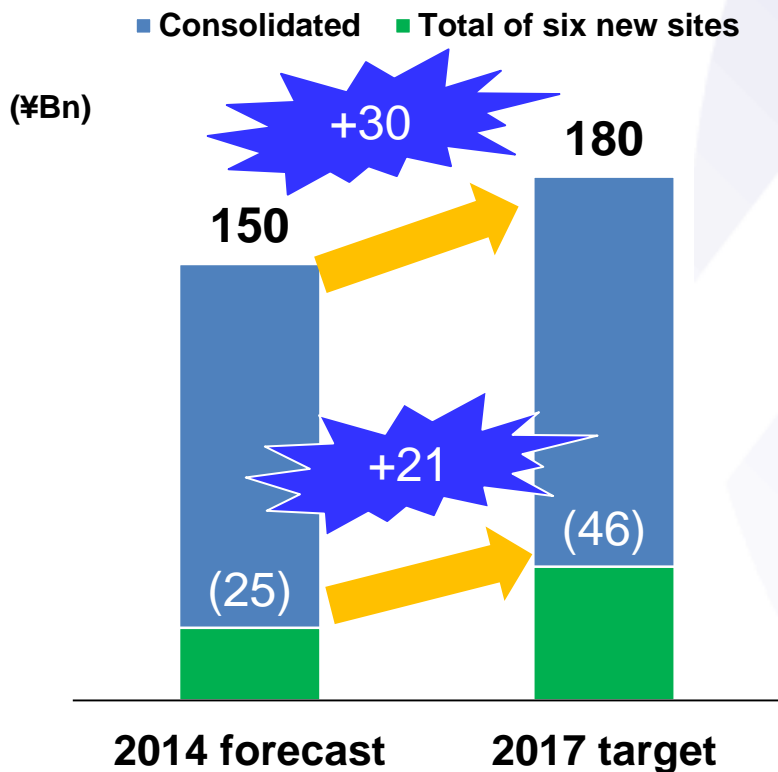


Six newly established sites in emerging countries that started operations in 2011 are gradually shifting to mass-production and will contribute to both revenue and profit during the current Mid-Term business plan.

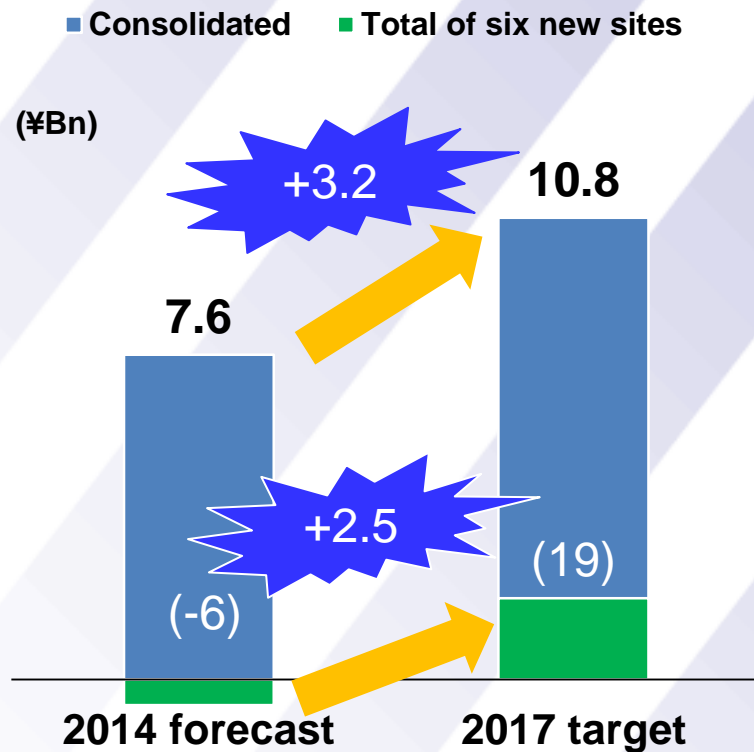
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Performance Goals

Consolidated revenue



Consolidated operating income



* The six new sites are the sites listed below. The graphs above present simple sums of figures for these six companies.

Wuhan Yorozu Bao Mit Automotive Co., Ltd. (W-YBM)
 Yorozu JBM Automotive Tamil Nadu Private Limited (YJAT)
 PT. Yorozu Automotive Indonesia (YAI)
 Y-Ogura Automotive Thailand Co., Ltd. (Y-OAT)

Yorozu Automotive Guanajuato de Mexico S.A. de C.V. (YAGM)
 Yorozu Automotiva Do Brasil Ltda. (YAB)

2. New Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

(1) Three Pillars of Our Business Domains

1) Further strengthen product competitiveness and development capabilities.

2) Expand sales channels to major automakers worldwide.

3) Strengthen global management with respect for diversity.

2. New Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

(1) -1) Further strengthen product competitiveness and development capabilities.

① Create suspension system development technologies.

② Respond to demand for ultra-light weight, high stiffness and low cost.

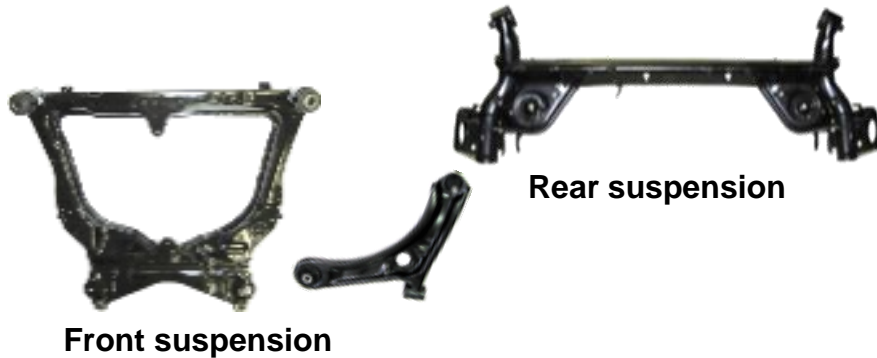
③ Enhance development simulation technologies.

④ YPW (Yorozu Production Way) Innovation

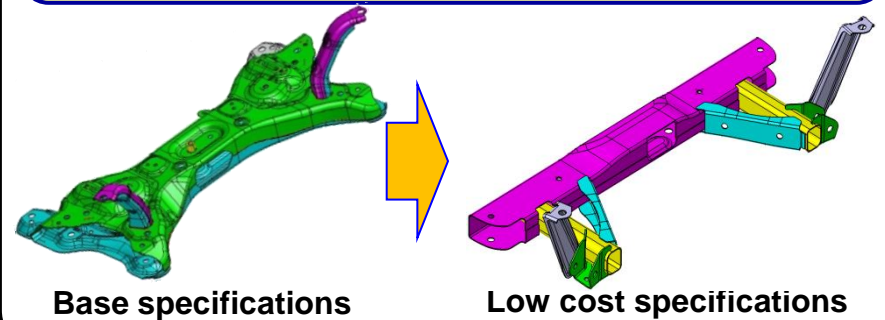
2. New Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

(1) -1) Further strengthen product competitiveness and development capabilities.

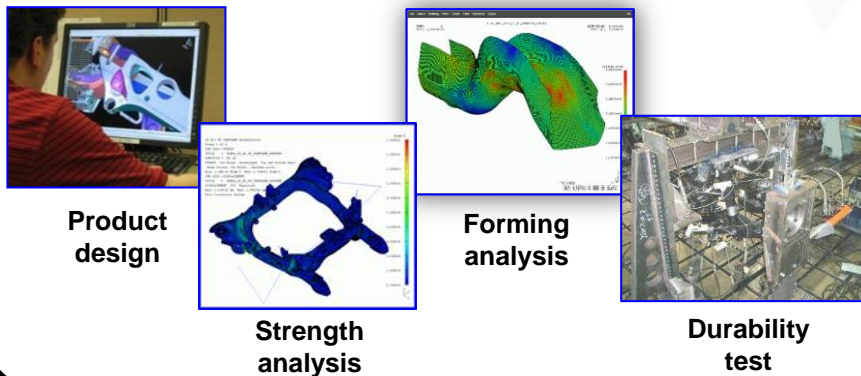
① Create suspension system development technologies:
Enhance module development capabilities.



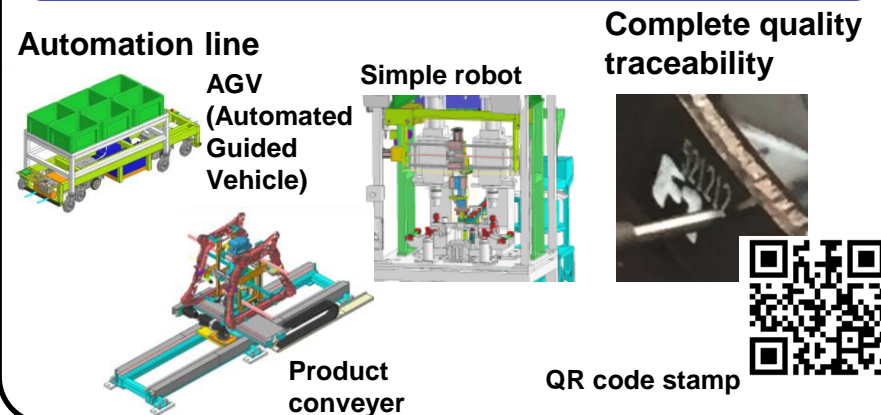
② Respond to demand for ultra-light weight, high stiffness and low cost:
Develop new materials, new structures, and new production methods.



③ Enhance development simulation technologies:
Promote virtual development.



④ YPW (Yorozu Production Way) Innovation :
Ensure outstanding quality and innovatively reduce costs.



2. New Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

(1) -2) Expand sales channels to major automakers worldwide.

① Further increase orders from Japanese OEMs.

② Expand sales channels to European and American OEMs and approach local manufacturers in emerging countries

- Establish offices in Europe.

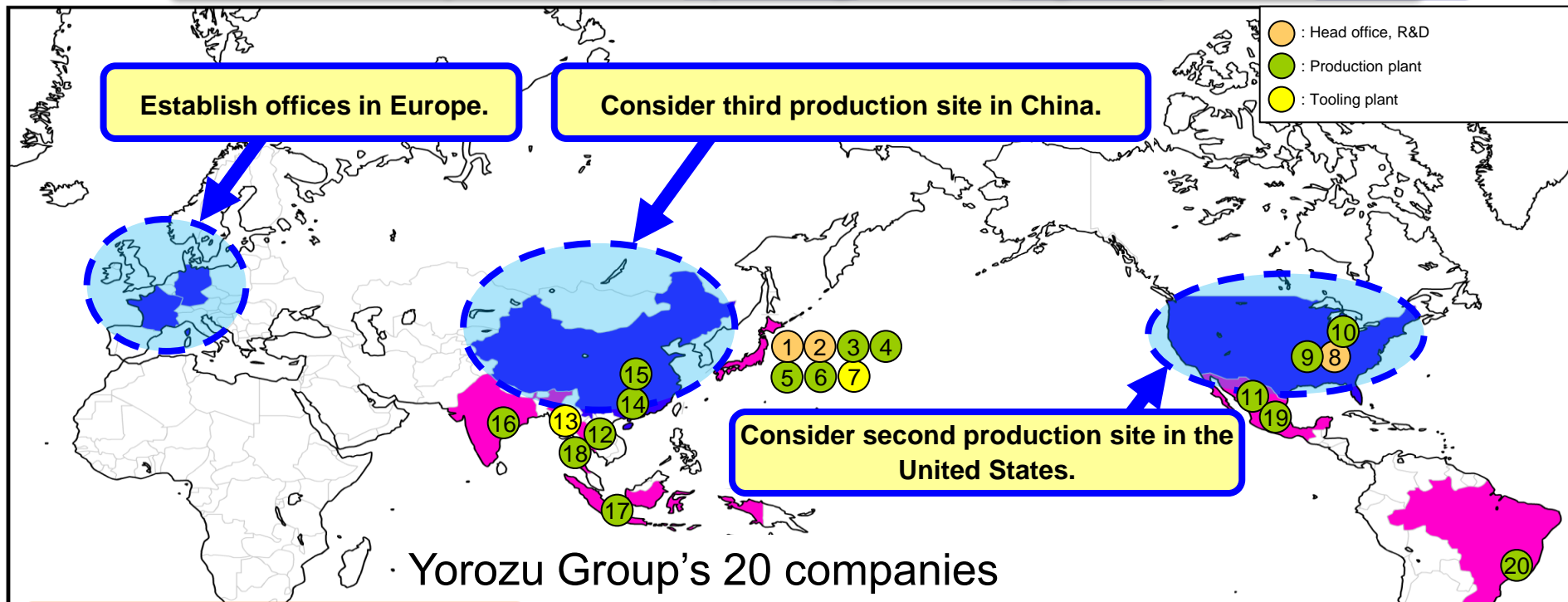
③ Further strengthen global supply system.

- Examine supply sites, including alliances.
- Consider third production site in China.
- Consider second production site in the United States.

2. New Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

(1) -2) Expand sales channels to major automakers worldwide.

Possibility of further expanding Yorozu's global network



<Asia>

- 12 Yorozu Thailand Co.,Ltd. (YTC)
- 13 Yorozu Engineering Systems Thailand Co.,Ltd. (YEST)
- 14 Yorozu Bao Mit Automotive Co., Ltd. (G-YBM)
- 15 Wuhan Yorozu Bao Mit Automotive Co., Ltd. (W-YBM)
- 16 Yorozu JBM Automotive Tamil Nadu Pvt. Ltd. (YJAT)
- 17 PT. Yorozu Automotive Indonesia (YAI)
- 18 Y-Ogura Automotive Thailand Co., Ltd. (Y-OAT)

<Japan>

- 1 Yorozu Corporation (YC) / Yorozu Service Corporation (YS)
- 2 Yorozu Global Technical Center (YGTC)
- 3 Yorozu Tochigi Corporation
- 4 Yorozu Oita Corporation
- 5 Shonai Yorozu Corporation
- 6 Yorozu Aichi Corporation
- 7 Yorozu Engineering Corporation

<The Americas>

- 8 Yorozu America Corporation (YA)
- 9 Yorozu Automotive Tennessee, Inc. (YAT)
- 10 Yorozu Automotive North America, Inc. (YANA)
- 11 Yorozu Mexicana S.A. de C.V. (YMEX)
- 19 Yorozu Automotive Guanajuato de Mexico, S.A. de C.V. (YAGM)
- 20 Yorozu Automotiva do Brasil Ltda. (YAB)

2. New Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

(1) -3) Strengthen global management with respect for diversity.

- ① Conduct recruitment and employment with respect for diversity.
 - Secure and employ human resources anticipating future business content.



- ② People-to-people exchange and HR development on a global scale
 - Extensive educational program based on career planning



- ③ Further strengthen functional matrix organization.
 - Reinforce global communication via 3D matrix organization.

2. New Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

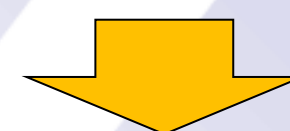
(1) -3) Strengthen global management with respect for diversity.

③ Further strengthen functional matrix organization.

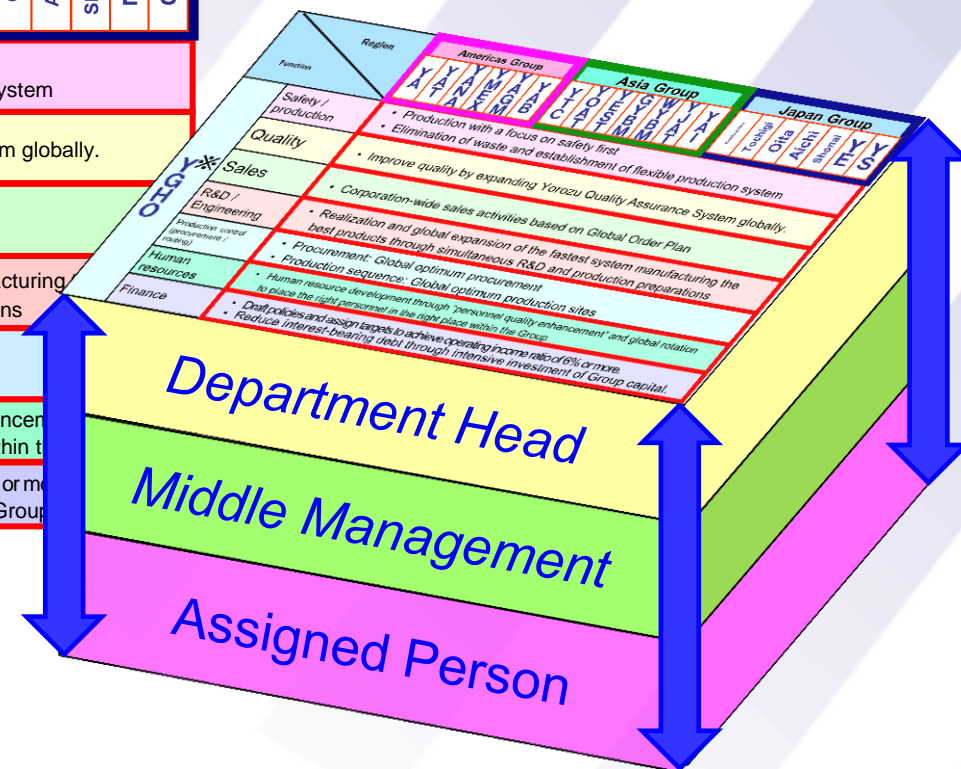
Operations based on 3D functional matrix organization expanded for each position

[Functional matrix organization] (current)

Region / Function		Americas Group						Asia Group						Japan Group						
		YA	YA	YA	YA	YA	YA	YT	YO	YE	GY	WY	YJ	YA	Headquarters	Tochigi	Oita	Aichi	Shonan	YE
* YGHO	Safety / production	<ul style="list-style-type: none"> Production with a focus on safety first Elimination of waste and establishment of flexible production system 																		
	Quality	<ul style="list-style-type: none"> Improve quality by expanding Yorozu Quality Assurance System globally. 																		
	Sales	<ul style="list-style-type: none"> Corporation-wide sales activities based on Global Order Plan 																		
	R&D / Engineering	<ul style="list-style-type: none"> Realization and global expansion of the fastest system manufacturing products through simultaneous R&D and production preparations 																		
	Production control (procurement / routing)	<ul style="list-style-type: none"> Procurement: Global optimum procurement Production sequence: Global optimum production sites 																		
	Human resources	<ul style="list-style-type: none"> Human resource development through "personnel quality enhancement" and global rotation to place the right personnel in the right place within the Group 																		
	Finance	<ul style="list-style-type: none"> Draft policies and assign targets to achieve operating income ratio of 6% or more Reduce interest-bearing debt through intensive investment of Group capital 																		



[3D functional matrix organization]



* YGHO = Yorozu Global Headquarters Organization

2. New Mid-Term Business Plan: Yorozu Spiral-up Plan 2017

(2) Financial strategy: Basic policy

Past financial strategy

Keep stable financial strategy to enhance flexibilities in environmental changes
(Repay interest-bearing debt and keep liquidity on-hand)

New financial strategy



In addition to financial stability, balance Capex and shareholder return through appropriate cash flow allocation

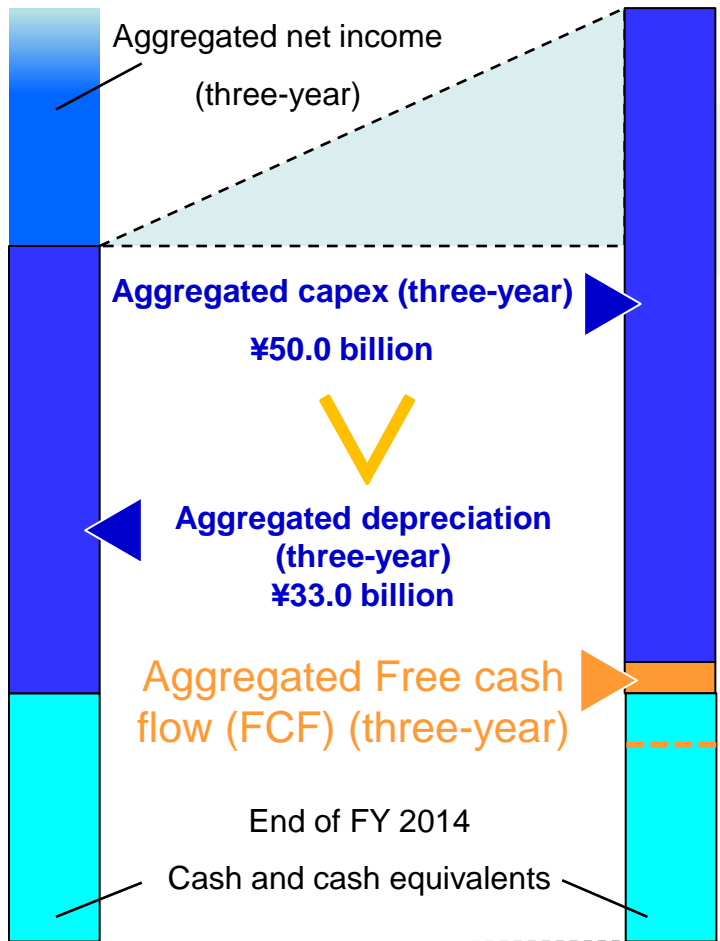
Balanced cash flow allocation

- Maintain Capex, a source of sustainable growth
- Increase dividend to net income ratio
- Repay interest-bearing debt to maintain financial stability, etc.

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(2) Financial strategy: Capex and shareholder return

Outlook for FY 2015-2017



*Certain amounts are estimates.

Initiatives to enhance enterprise value

Capex

Capex is planned to exceed depreciation over the next three-year period.

- Vehicle model changes
- Increase in production capacity
- R&D, equipment upgrades, etc.

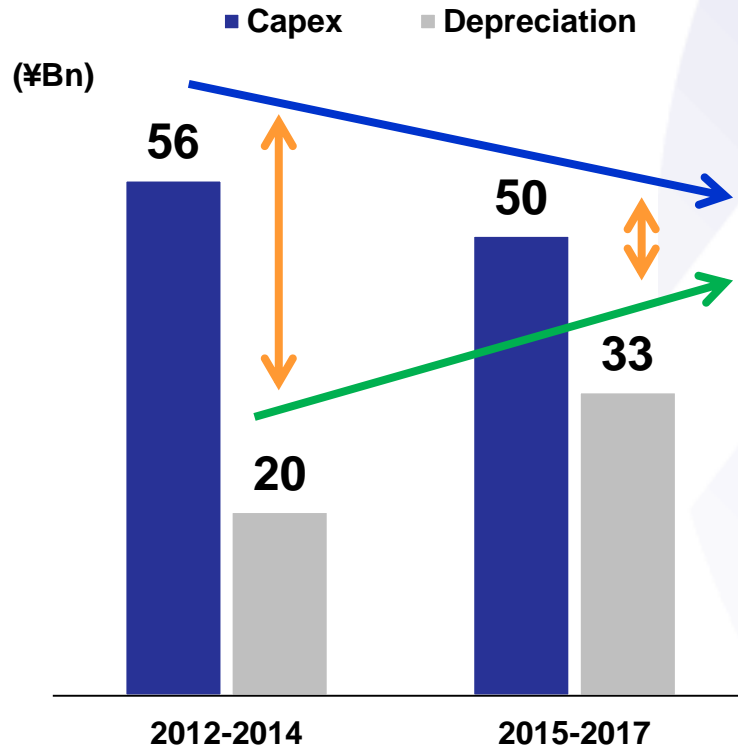
Shareholder return

Dividends are forecasted to exceed FCF over the next three years to increase shareholder return because of continued improvement in FCF.

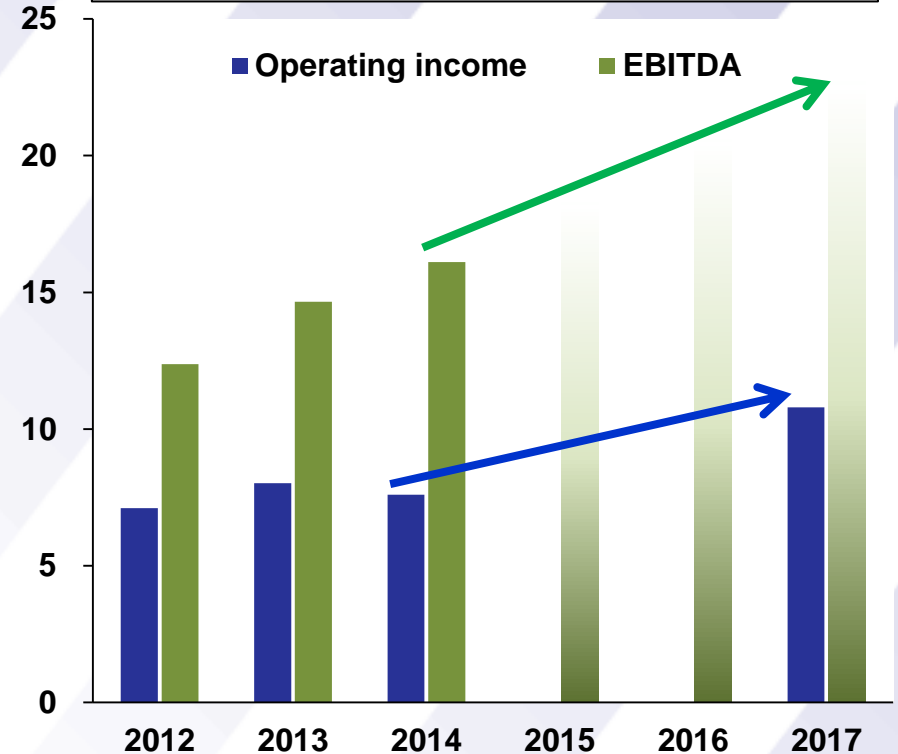
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(2) Financial strategy: Outlook for improved cash flow

Outlook for Capex and depreciation



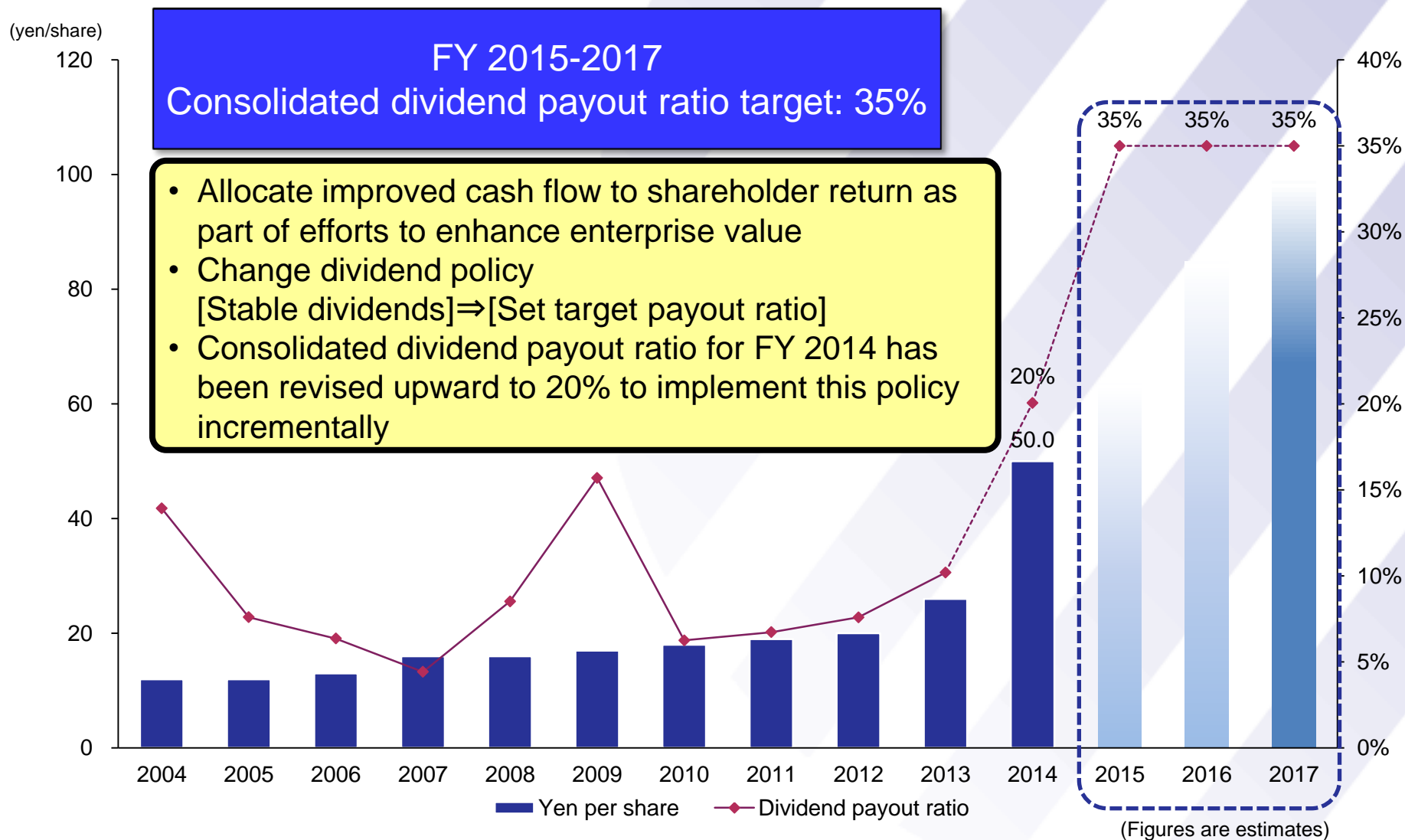
Outlook for operating income and EBITDA



FCF will increase because of a decrease in the gap between Capex and depreciation. EBITDA will increase steadily and cash flow will improve despite a temporary lull in operating income for the fiscal year due to an increase in depreciation.

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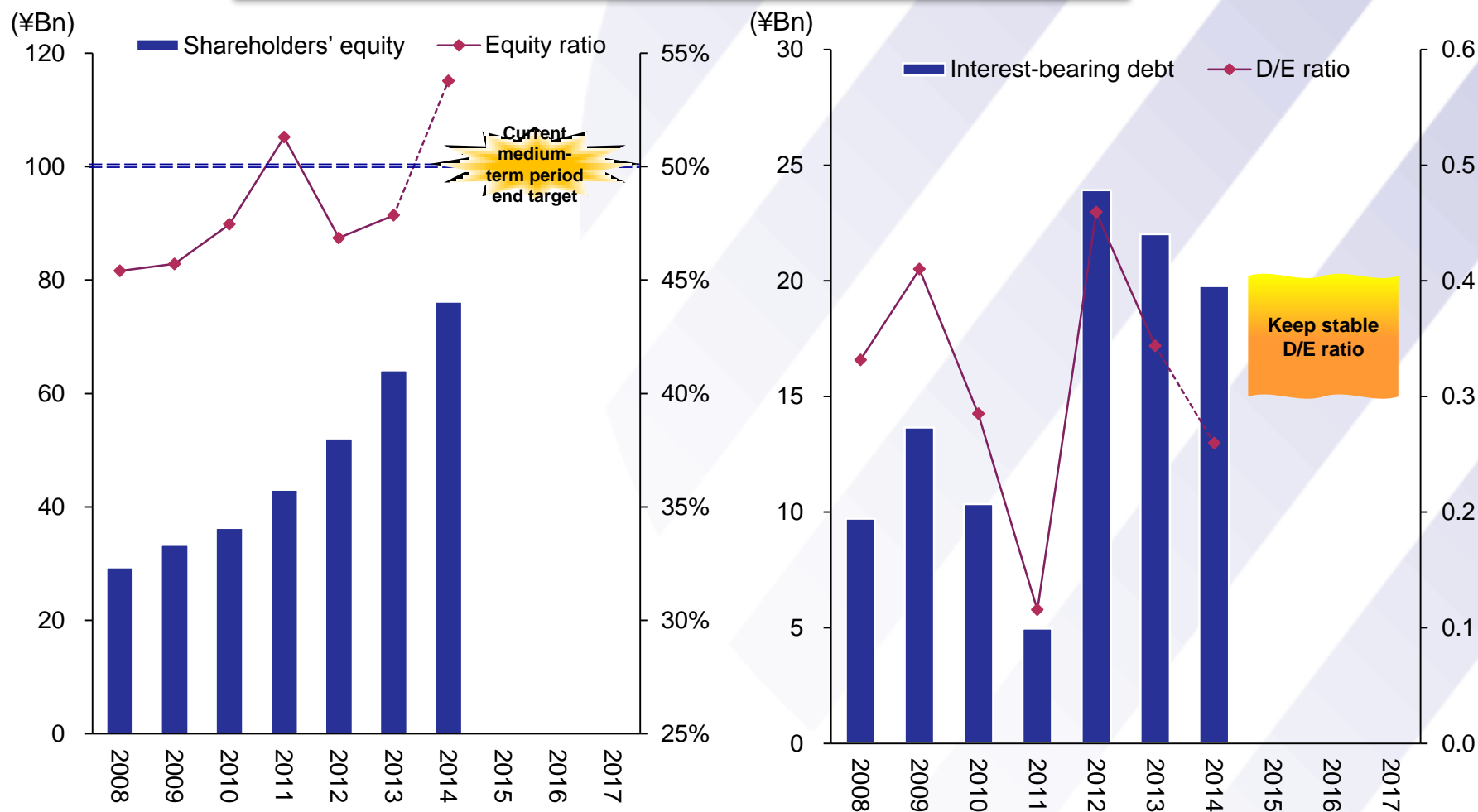
(2) Financial strategy: Increase measures toward shareholder return



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(2) Financial strategy: Credit rating target

Improve credit rating to A from BBB+



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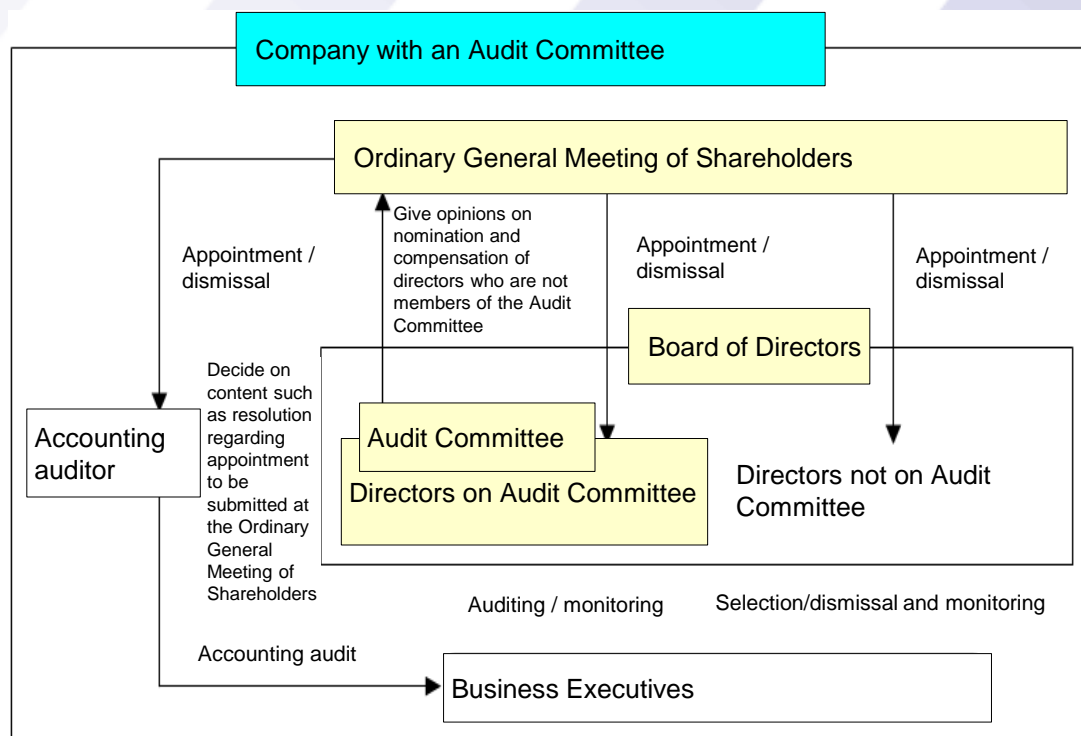
(3) Corporate governance: Shift to company with audit committee

Objective

Yorozu will shift to become a company with an audit committee, the majority of which will be comprised of external directors, as a means to bolster auditing and supervisory functions from the perspective of strengthening corporate governance.

Timing of shift

The company plans to shift to a company with an audit committee following approval from shareholders regarding necessary changes to the Articles of Incorporation at the Ordinary General Meeting of Shareholders scheduled for June 2015.



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(3) Corporate governance: Appointment of multiple external directors

Objective

The company will appoint two independent external directors to contribute to the sustainable growth of the company and boost corporate value over the medium and long term based on the tenets of the corporate governance code.

Candidates for external directors

- **Misuzu Mizuno**
Former prosecutor at Supreme Public Prosecutor's Office

Candidates for external directors

- **Keiko Yoshida**
Representative at Shiba Kaikei Jimusho

Timing of appointment

The candidates shall be appointed upon approval by shareholders at the Ordinary General Meeting of Shareholders scheduled for June 2015.

- End -