

New Mid-Term Business Plan FY2021-2023

Yorozu Sustainability Plan 2023

This is an internal English translation of the YOROZU FY2020 Financial Report issued in the Japanese language and is provided solely for the convenience of English speaking readers. In case of discrepancy the Japanese version prevails.

May 31, 2021

YOROZU

New Mid-Term Business Plan (YSP2023)

- **Corporate Philosophy and Vision**
- **Mid-Term Business Plan (YSP2020) – review**
Yorozu Spiral-up Plan 2020
- **New Mid-Term Business Plan (YSP2023)**
Yorozu Sustainability Plan 2023

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.

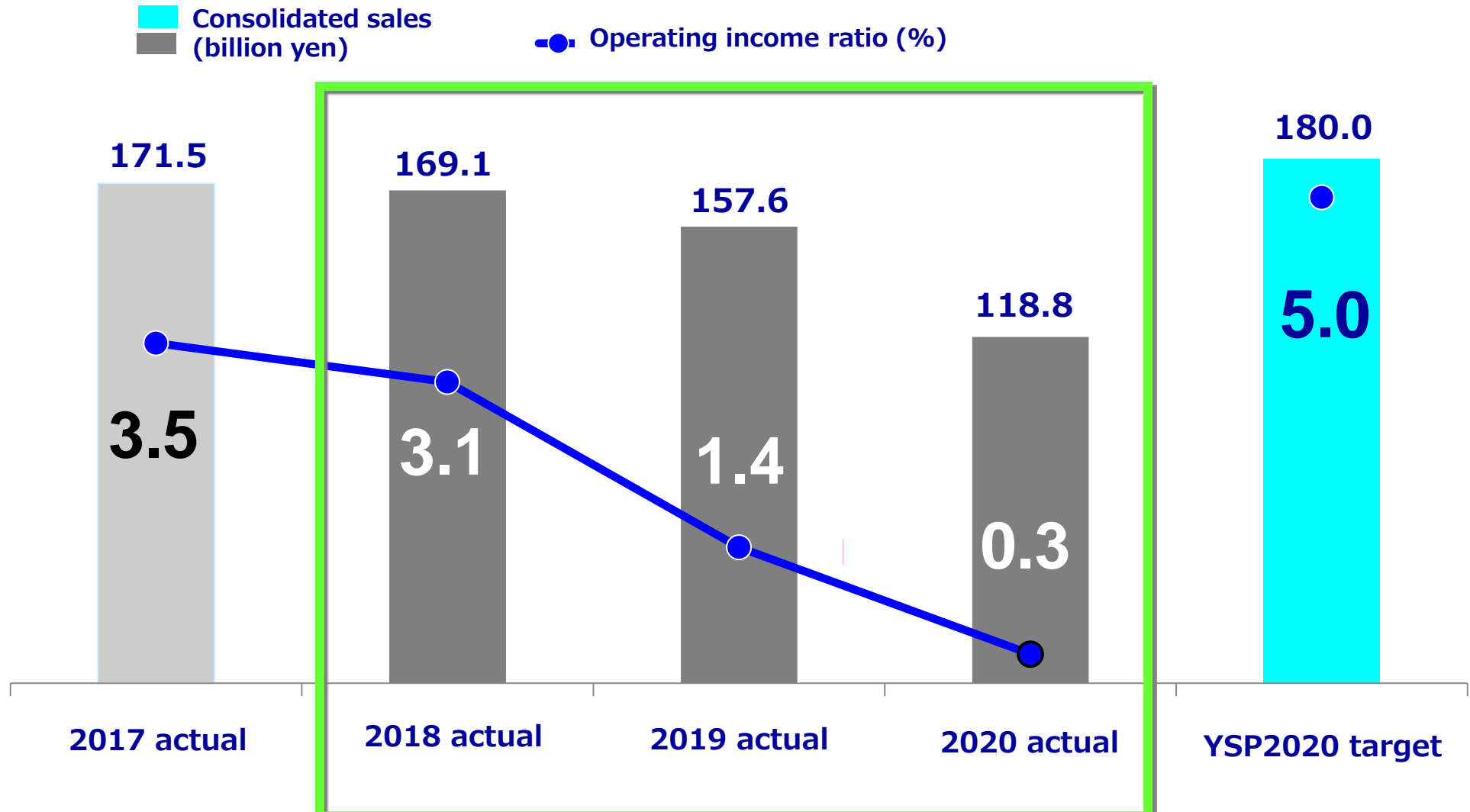
Corporate Vision

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.

New Mid-Term Business Plan (YSP2023)

- Corporate Philosophy and Vision
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Yorozu Sustainability Plan 2023

Consolidated Sales/Operating Income Ratio



Mid-Term Business Plan (YSP2020) – Key Initiatives

Key initiatives to strengthen profitability and lead to future growth

(1) Enhance profitability	(2) Improve product competitiveness and development capabilities	(3) Enhance corporate capabilities
<ul style="list-style-type: none"> • Strengthen free cash flow management • Strengthen project revenue management • Innovate <i>monozukuri</i> operation 	<ul style="list-style-type: none"> • Improve competitiveness of suspension parts • Approach new products utilizing our unique technologies • Engage in proactive sales expansion in 3 axes (customers, products, regions) 	<ul style="list-style-type: none"> • Human resources development • Organization review • ESG management

<ul style="list-style-type: none"> ◆ Strengthen project-wise profit and cost management ◆ Reduce capital investment Tack welding and complete final welding method 	<ul style="list-style-type: none"> ◆ Use high tensile strength materials in mass production to reduce weight ◆ Strengthen sales channels to Toyota and Mitsubishi 	<ul style="list-style-type: none"> ◆ <i>Eruboshi</i> certification ◆ 2021 Certified Health & Productivity Management Outstanding Organization ◆ Project Control Dept., Research & Development Dept., Production Equipment Sales Dept. (new departments) ◆ Addition of outside directors ◆ Release of Integrated Report
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New Mid-Term Business Plan Yorozu Sustainability Plan 2023

Consolidated Performance Goals (FY2023)

Sales
150.0 billion yen
 (FY2020 actual 118.8 B yen)

Operating Income
Ratio 5.0%
 (FY2020 actual 0.3%)

ROE 8.0%
 (FY2020 actual -11.0%)

Management Policy

Engage in sound management that is resilient to changes

(1) ESG Management

- Medium- to long-term sustainable growth
 Promotion of DX (digital transformation) aimed at changing the corporate culture
- E: Engage in earth-friendly *monozukuri*
 - S: Create a healthy and engaging workplace
 - G: Realize highly transparent governance

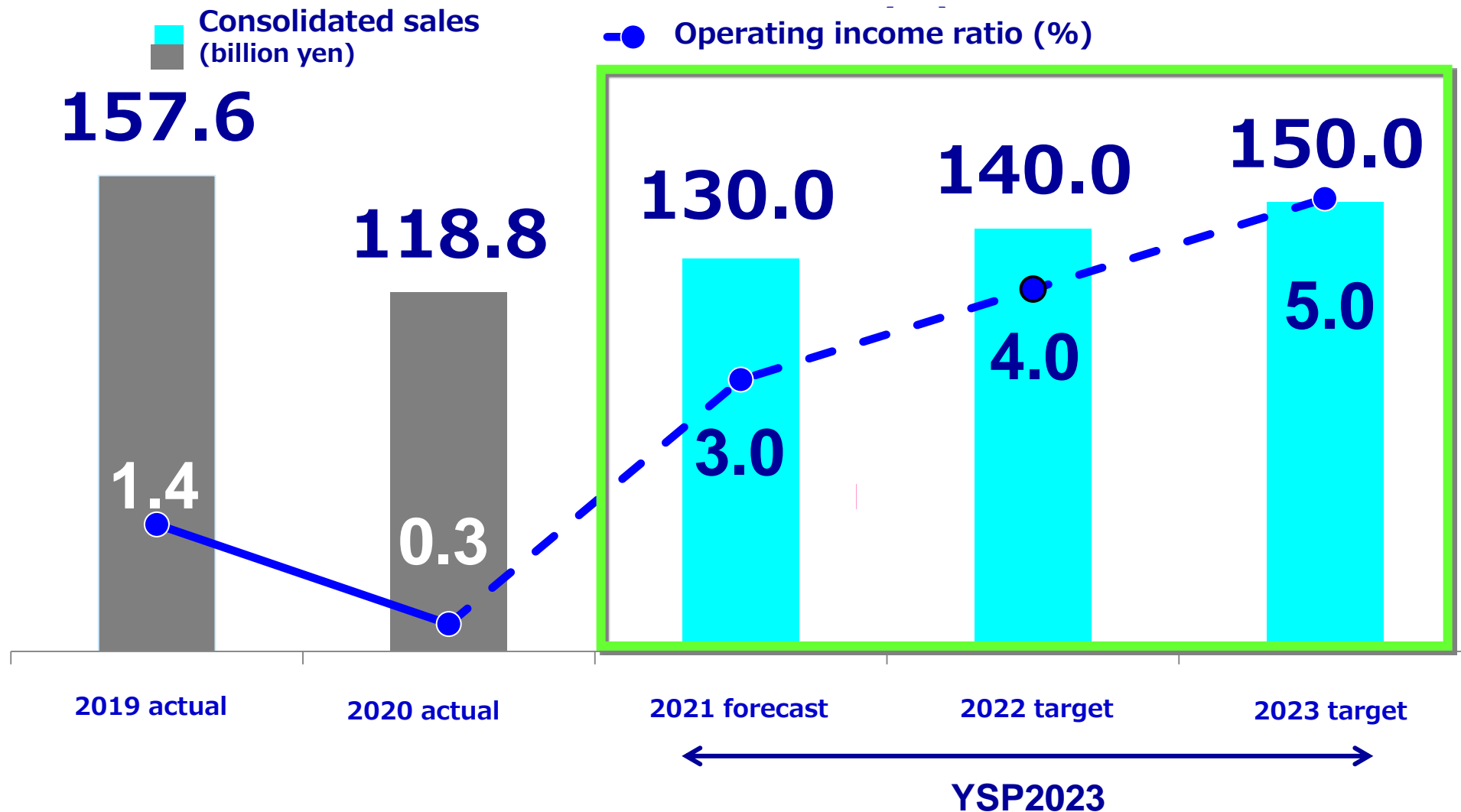
(2) Stable Profit

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

(3) New Technologies/Methods

- Develop products with high added value through weight reduction
- Propose products for EVs
- Engage in proactive sales expansion in 3 axes (customers, products, regions)
- Expand external sales of production equipment such as dies and tooling

Consolidated Sales/Operating Income Ratio



Management Policy

The three pillars for realization of sound management that is resilient to changes

(1) ESG Management

(2) Stable Profit

(3) New Technologies / Methods

Management Policy

The three pillars for realization of sound management that is resilient to changes

(1) ESG Management

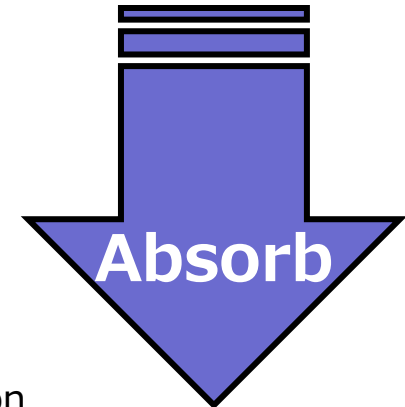
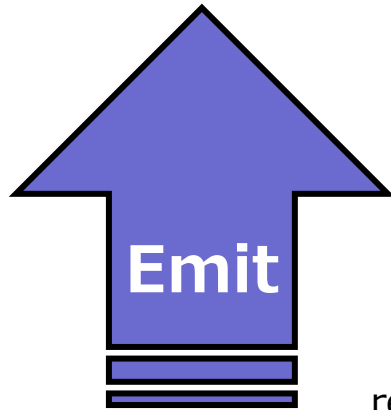
(2) Stable Profit

(3) New Technologies / Methods

What is carbon neutrality?

Greenhouse gases CO₂, methane, Freon, etc.

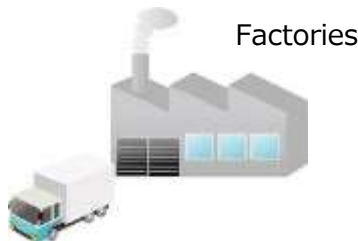
Carbon neutrality is when there is a balance between emission and absorption of CO₂



Reduce greenhouse gas emissions through use of renewables such as solar and wind power generation



Thermal power stations

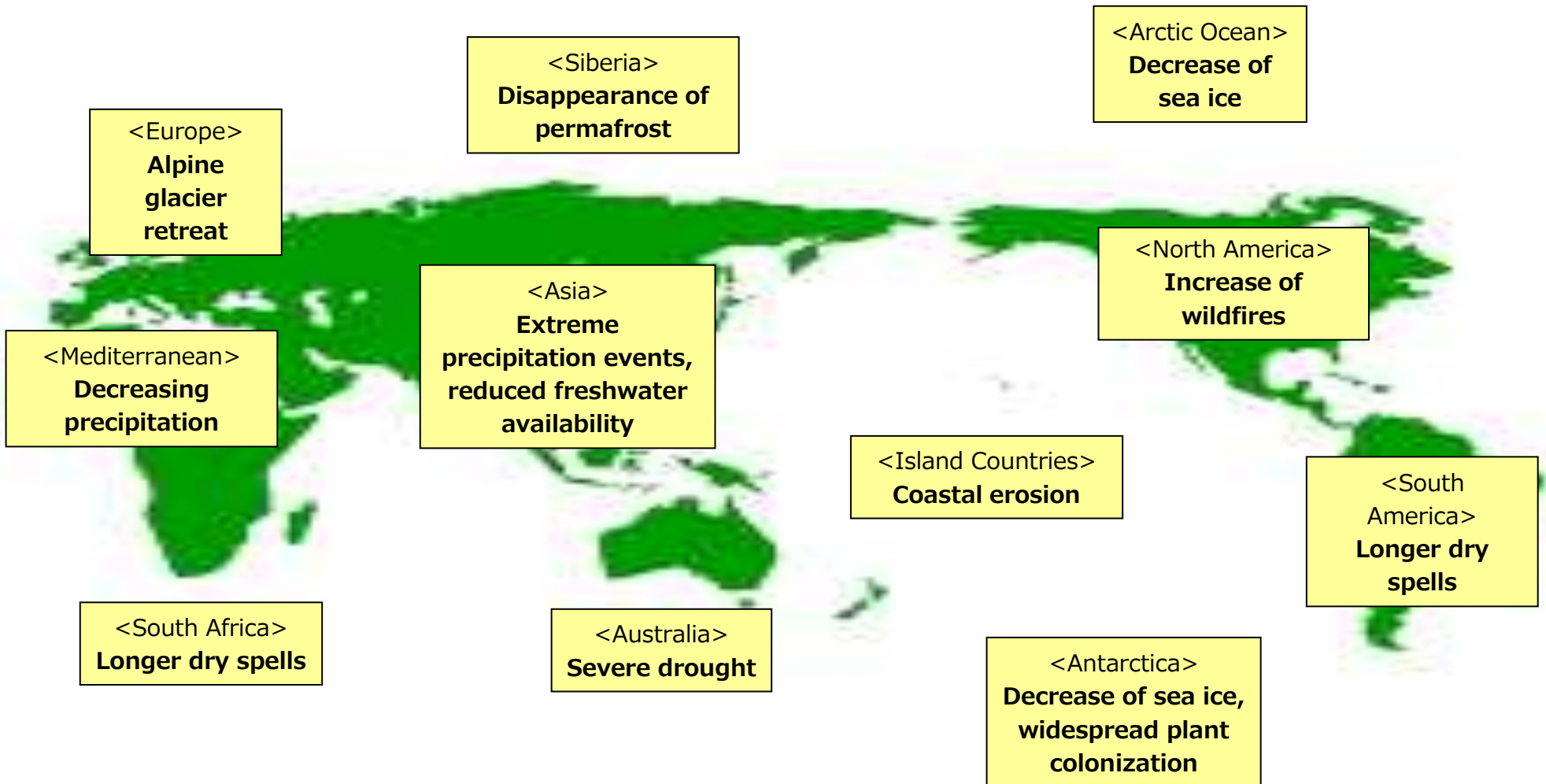


Factories



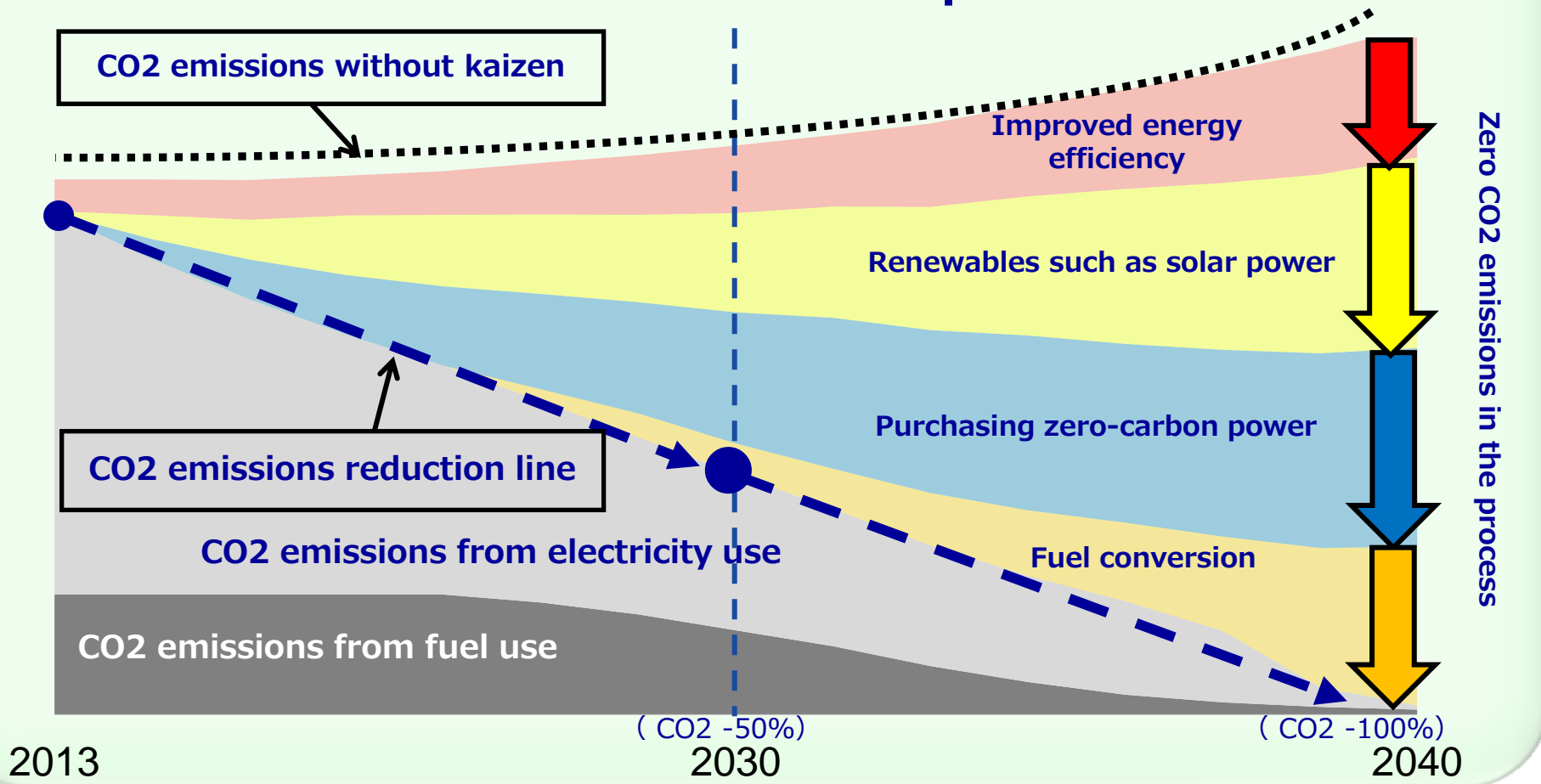
Woods

Impact of Global Warming



(1) ESG Management E: Environment

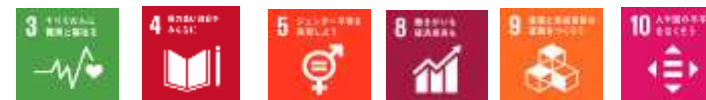
Reduction of CO2 emissions in the process



- **Carbon Neutral Challenge 2040**
- **Milestone: Reduce 50% CO2 emissions (from the 2013 level) by 2030**

(1) ESG Management S: Social

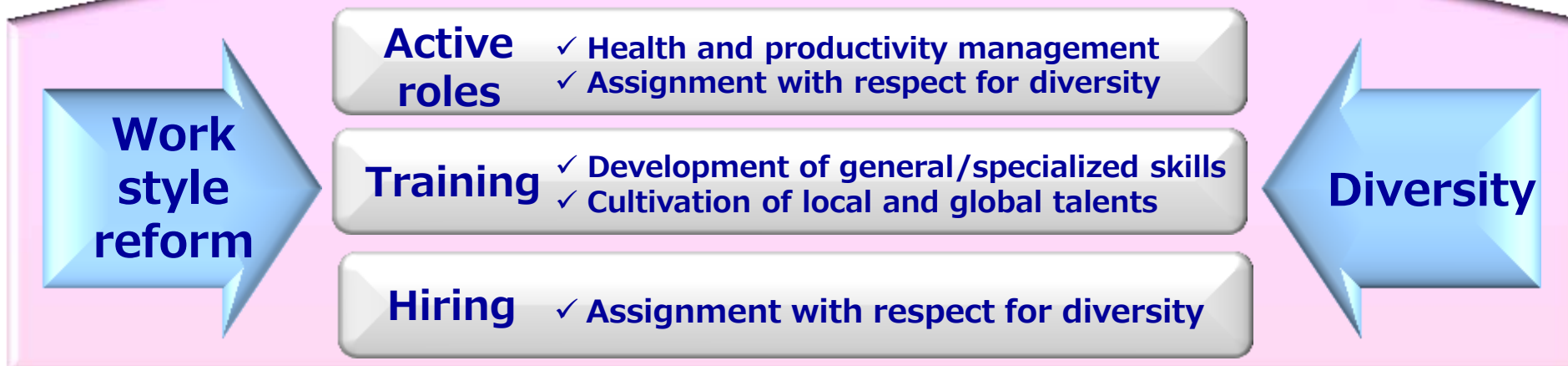
- Secure human resources
- Promote work style reform and diversity
- Build a culture that respects diversity



For a healthy and engaging workplace



Increased motivation




Corporate Philosophy

Corporate Culture

(1) ESG Management S: Social

Promotion of diversity

Timing	Accomplishments
2013 - 2015	Internal women's conference (once/month)
September 2014	Received Kanagawa Labor Bureau Chief award for excellence in promotion of equality
May 2018	Established HR Diversity Promotion Group
December 2018	Received <i>Eruboshi</i> certification
FY2020	Women account for 22.2% of directors. 10.9% of managerial positions are held by women. (10% target achieved)  No. 1 in the automotive industry
	Recognized as 2021 Excellent Enterprise of Health & Productivity Management



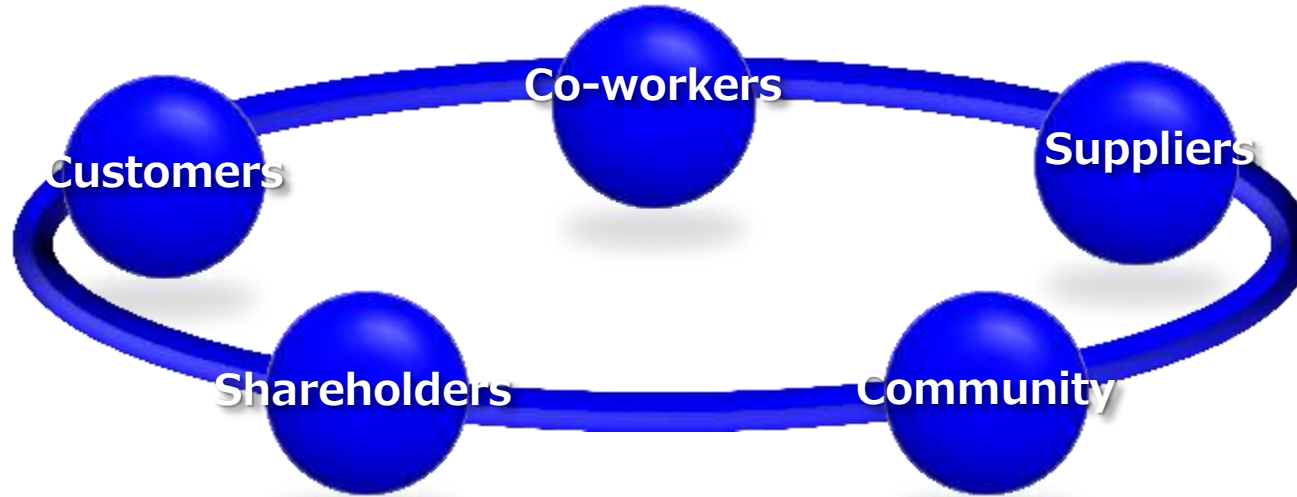
Future commitment to diversity

- Qualify for *Kurumin* certification
- Install a barrier-free WC (accessible restroom)
- Become a White 500 company under the Certified Health & Productivity Management Outstanding Organizations Certification Program



(1) ESG Management G: Governance

Highly transparent governance



Maintain the trust of all stakeholders

**Strengthen
supervisory
functions**

**Promote higher
compliance**

**Encourage
shareholder
communication**

(1) ESG Management

Contribute to achieving SDGs through ESG activities



Engage in earth-friendly *monozukuri*

- Reduce CO2 in the production process
⇒ carbon neutral
- Prevent global warming with lightweight products



Create a healthy and engaging workplace

- Secure human resources
- Promote work style reform and diversity
- Foster a culture that respects diversity



Realize a highly transparent governance structure

- Strengthen supervisory functions
- Promote higher compliance
- Encourage shareholder communication



Groundwork to achieve the goals

Promotion of DX (digital transformation)

Transformation of the corporate culture to stay ahead of the competition
(Review our ways of working and the processes)

Management Policy

The three pillars for realization of sound management that is resilient to changes

(1) ESG Management

(2) Stable Profit

(3) New Technologies / Methods

(2) Stable Profit

Shift to optimum production capacity

External environment

- Worldwide car sales: Recovery to the 2019 level* remains uncertain
 - Unforeseeable challenges – the coronavirus pandemic impact and semiconductor shortage, etc. *92.18M units before the new-coronavirus outbreak
- Major customer's plan
 - Reduction of global production capacity from 7.2M to 5.4M units
(NISSAN NEXT, FY20-23 Transformation Plan)

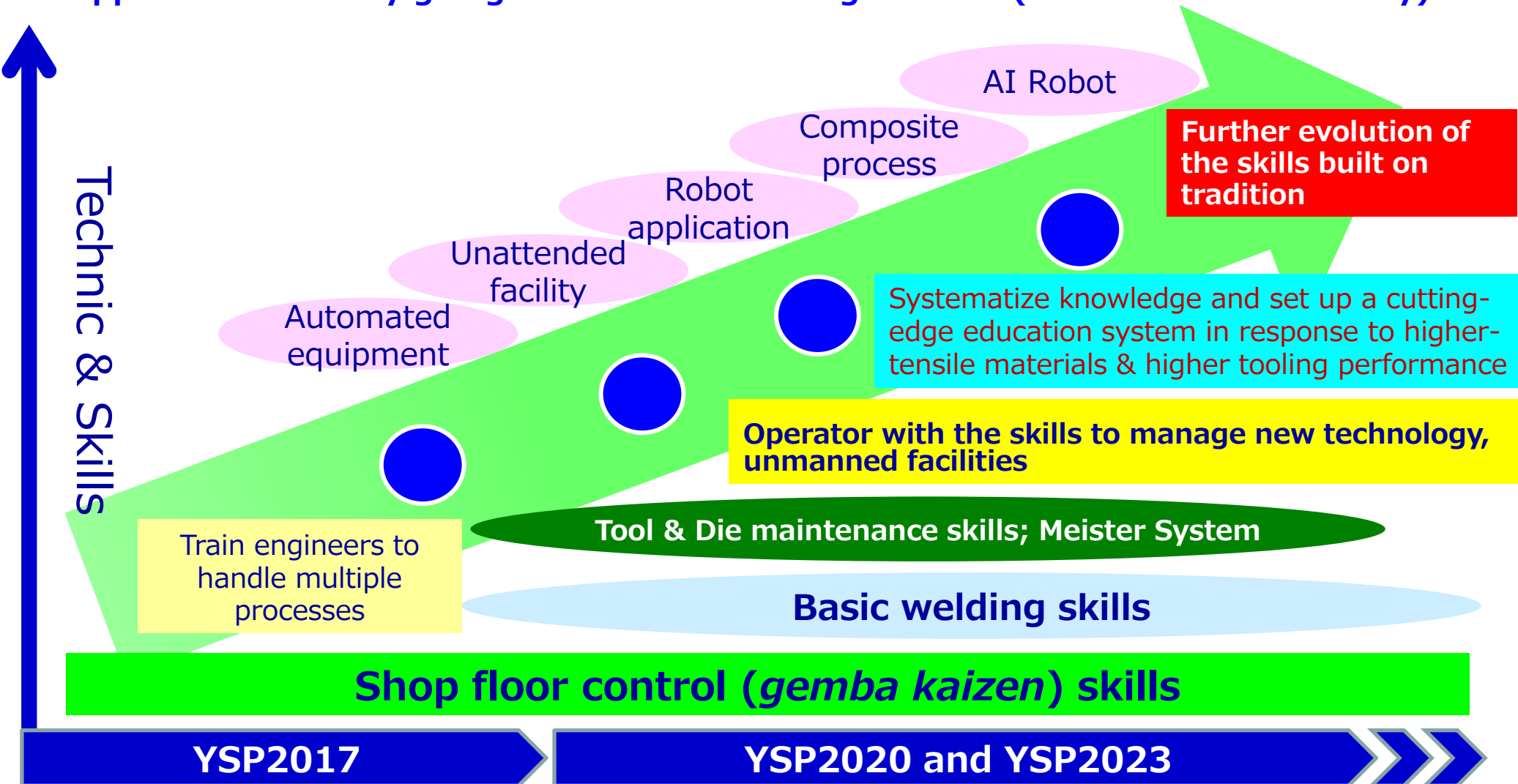
Optimization of production capacity

- Optimize production capacity on a global basis
 - Reexamination of the production capacity from three perspectives, "Customer, Product, and Site," and rebuilding of the production system

(2) Stable Profit

Recreate a strong *gemba* (shop floor)

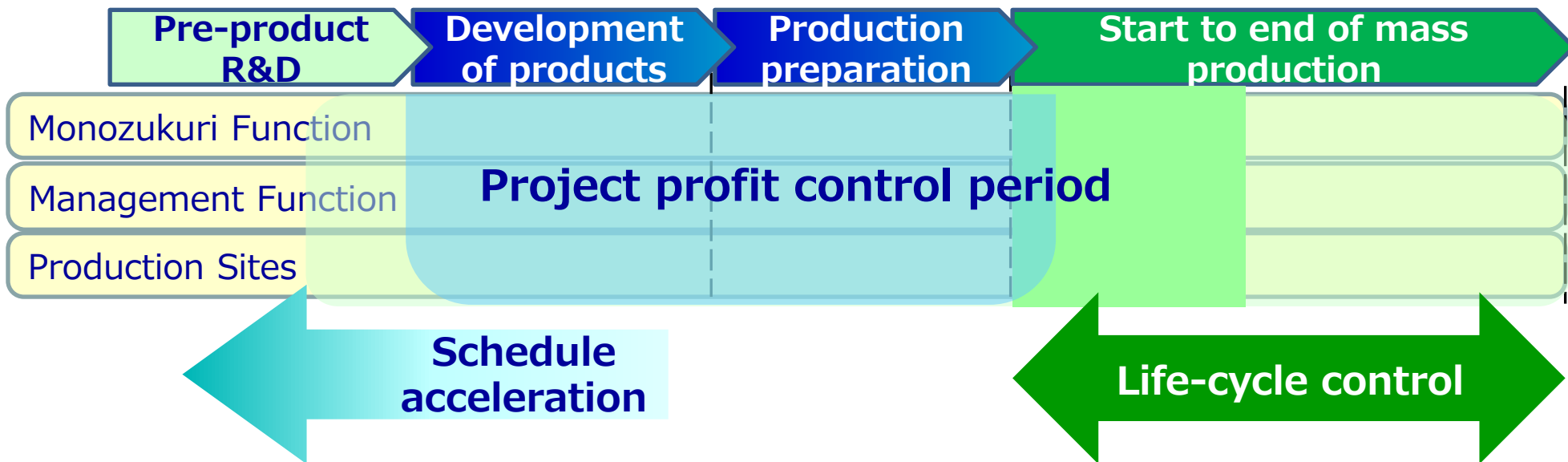
Boost the collaboration strength between “Manufacturing *Gemba*” and “*Monozukuri* Support Function” by going back where it all began: YPW (YoroZu Production Way)



(2) Stable Profit

Strengthen cash flow management

Life-cycle profit management of each project



<Planning and development phase>

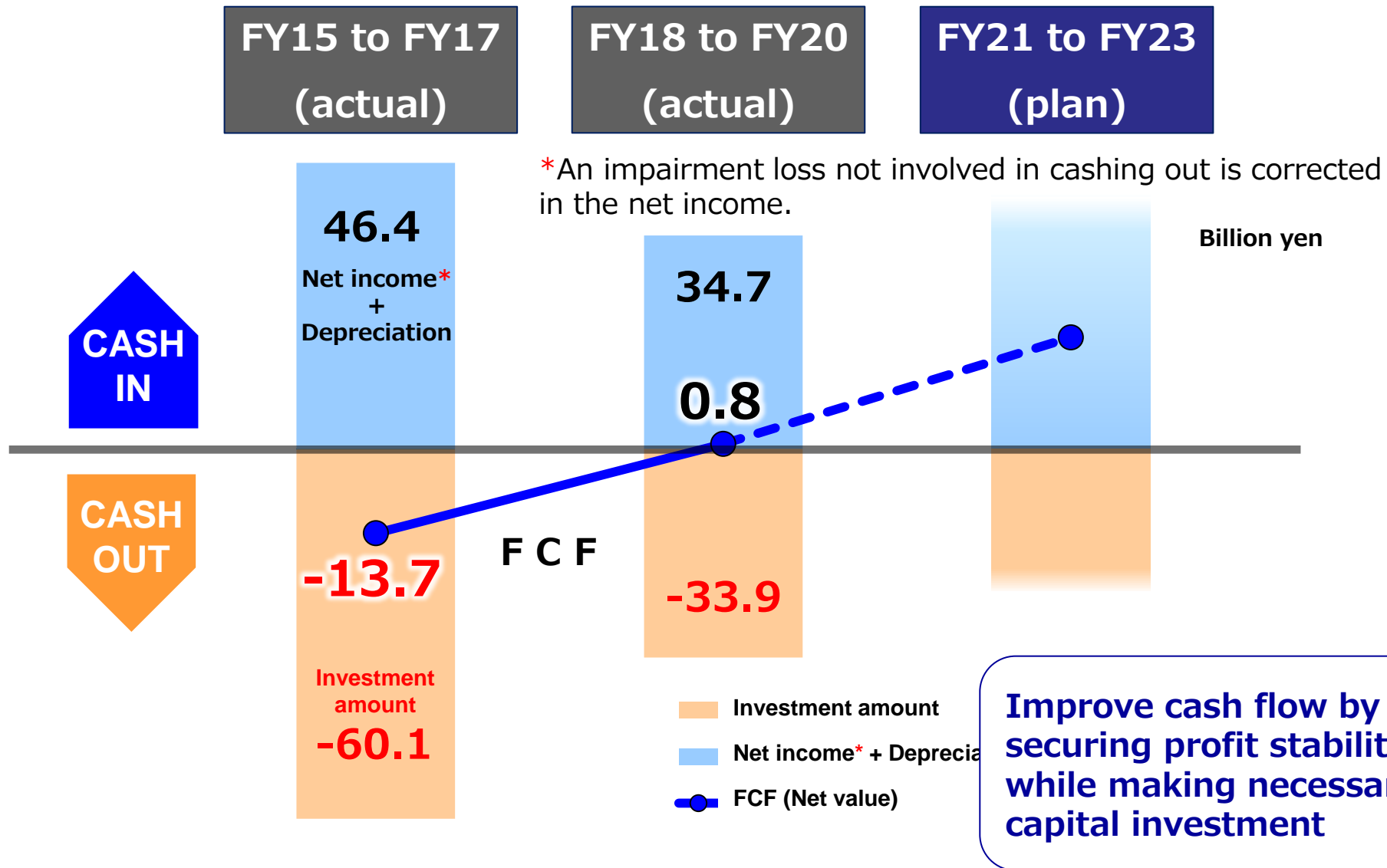
<Transition to mass production phase>

- ◆ **Advance feasibility study to further upstream process**
 - Secure profits at the start of mass production by investment planning in the upstream process and target costing

- ◆ **Life-cycle control until end of production**
 - Life-cycle management of project profits by utilizing cost consolidation system
 - Continue cost *kaizen* activity

(2) Stable Profit

Strengthen cash flow management



Billion yen

CASH IN

CASH OUT

FY15 to FY17
(actual)

FY18 to FY20
(actual)

FY21 to FY23
(plan)

46.4
Net income*
+
Depreciation

-13.7
Investment
amount
-60.1

34.7
0.8

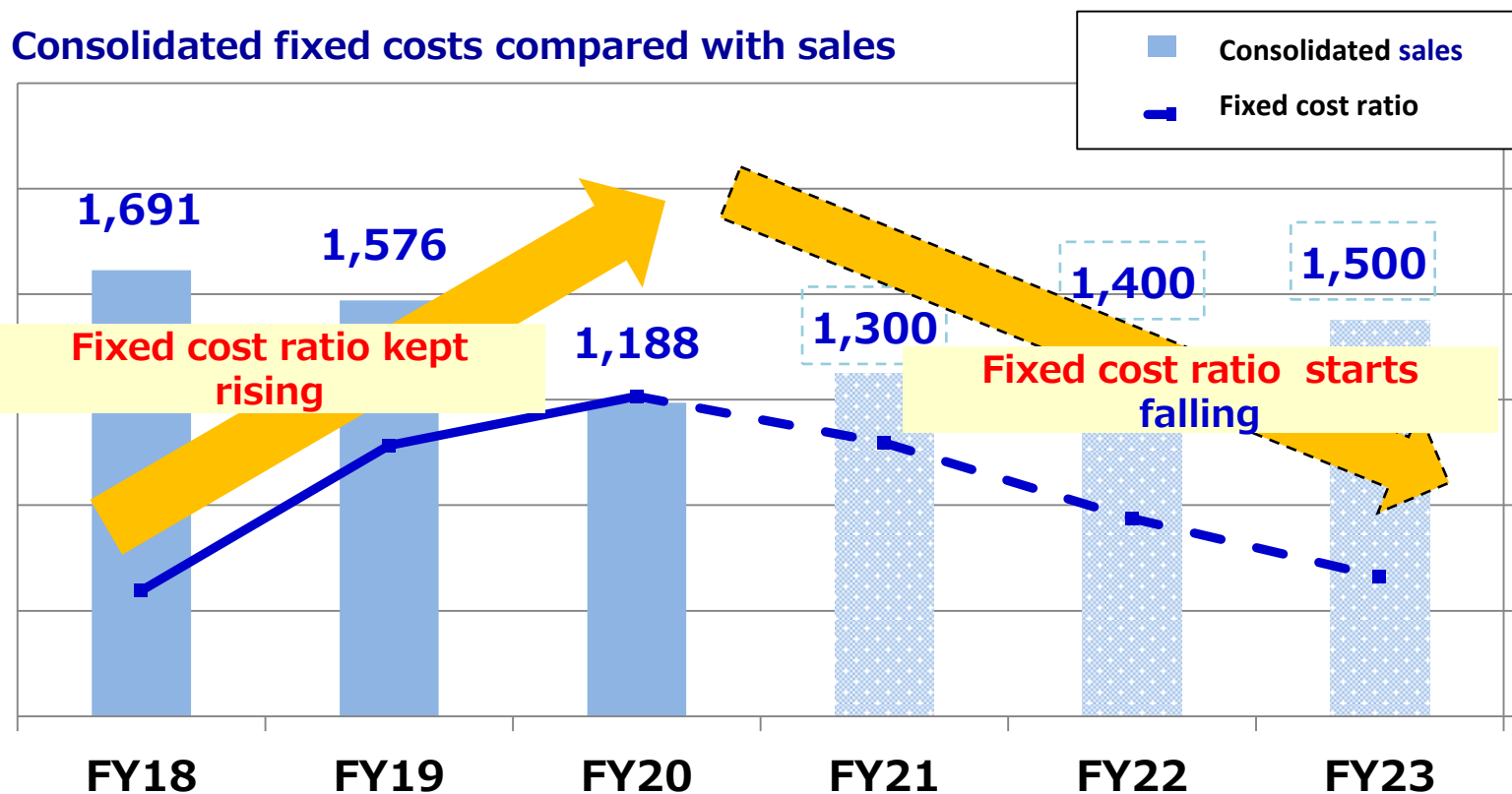
-33.9

- Investment amount
- Net income* + Depreciation
- FCF (Net value)

Improve cash flow by securing profit stability while making necessary capital investment

(2) Stable Profit

Robust corporate structure not affected by sales units



- ◆ Slim down fixed costs by rationalization
- ◆ Thoroughly conduct analysis and monitoring of investment payoff
- ◆ Reduce additional capital investment by taking advantage of new technologies and methods

Management Policy

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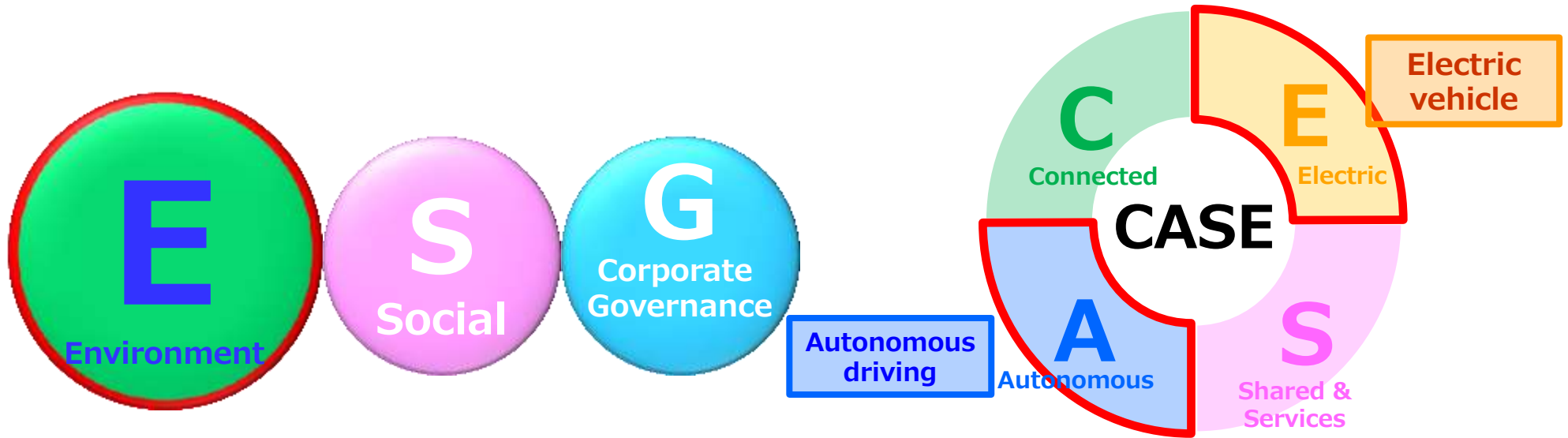
(1) ESG Management

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(3) New Technologies/Methods

(3) New Technologies/Methods

Business environment and development issues



Environment (E):
 Achievement of net-zero CO2 emissions
 <Kaizen of vehicle energy consumption is required>

Autonomous car (A) & Electric vehicle (E):
 Absorption of the increase in vehicle weight by lightweight suspension parts
 <Batteries and motors make vehicles heavier>



Develop lightweight products and bring to the market with utmost urgency

(3) New Technologies/Methods

Develop products with high added value through weight reduction

Lightweighting target for suspension parts

<2018~2020>

<2021~2023>

YSP2020

YSP2023

Design of lightweight and high-tensile suspension structure
Steel sheet with a tensile of 780MPa grade

Design of ultra-light and ultrahigh-tensile suspension structure

- ① Steel sheet with a tensile of **980MPa grade**
- ② **All aluminum** stamping & welding structure
- ③ New multi materials & hybrid structure (steel sheet + aluminum/steel sheet + plastic)

Reduction of 15% achieved

Reduction of 15% or above

YSP2020 →

YSP2023 →

2018

2019

2020

2021

2022

2023

Reduce weight by 30%

(3) New Technologies/Methods

Boost stamping innovation

Shift towards autonomous/electric vehicles

Growing demand for lightweight suspension parts

Wider adoption of ultrahigh-tensile materials (780MPa, 980MPa)

**Advancement of our exceptional stamping technology
by upgrading underlying technologies**

Stamping
technology for
ultrahigh-tensile
materials

Underlying development

Forming analysis

Die structure

Die material

Die surface
treatment



(3) New Technologies/Methods Proactively expand sales on the 3 axes

Enormous change in the automotive industry

**Even faster adoption of self-driving and EVs ⇒ Large-scale investment
Automakers rush to form strategic alliance to survive**

Further big change in the supply chain

Auto part suppliers also rush to form strategic alliance to survive

Customer Axis

- Renault, Nissan, Mitsubishi
- Toyota, Honda
- Daimler, VW, etc.

Product Axis

- Focus on suspension parts
- Launch new lightweight EV products to expand the sales
- Expand the sales of production equipment

Region Axis

- Focus on key markets – Japan, US and China

Keep the existing commercial rights secured and aggressively expand award winning activities

(3) New Technologies/Methods

Sales of production equipment

Background

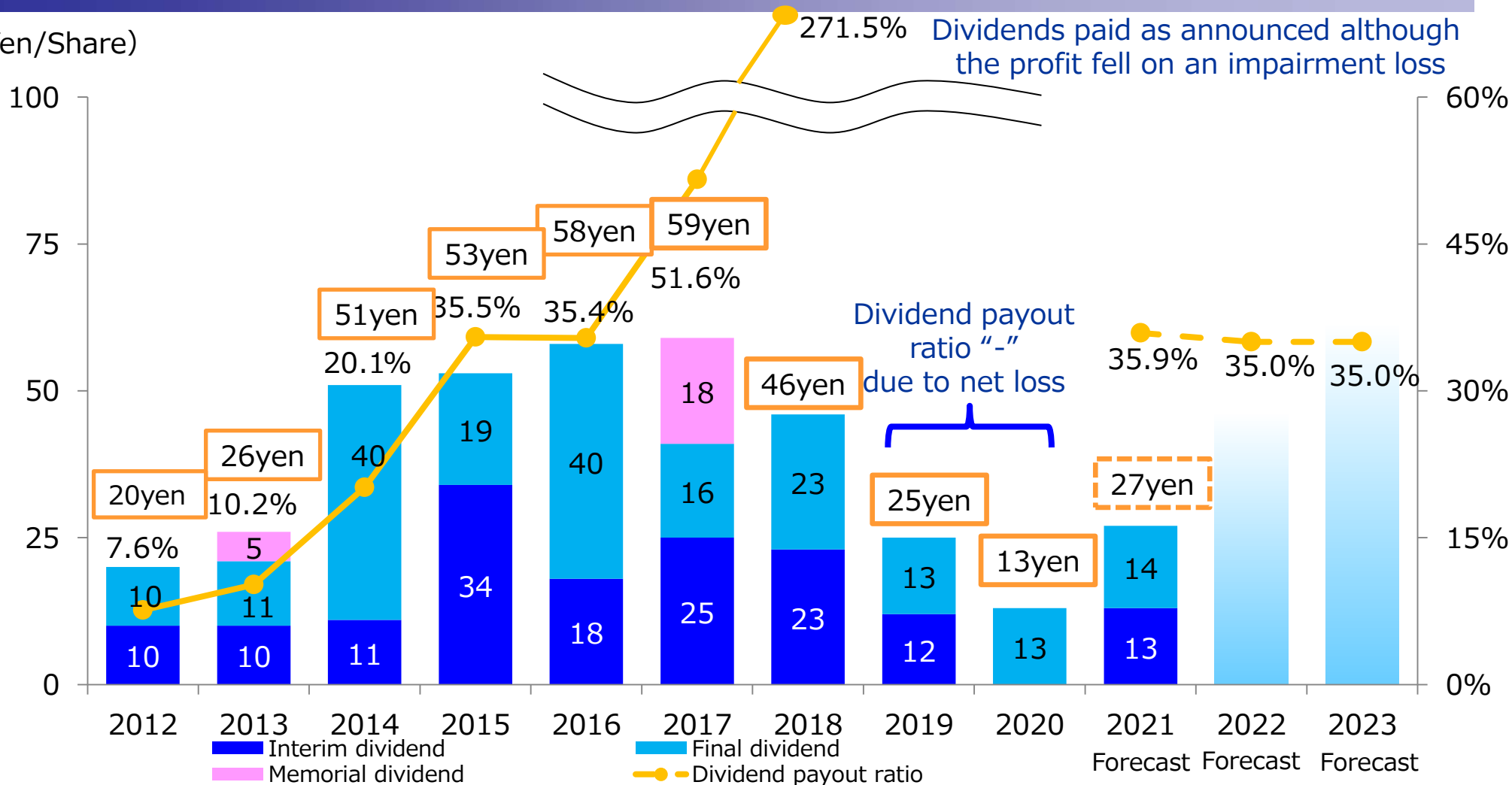
- ✓ **Fostering innovation in tooling and equipment directly leads to a competitive advantage in the part business**
- ✓ **We are uncertain about the external environment as we have focused on internal-use tooling and equipment**
- ✓ **Fading demand in the domestic car market increases the risk that tooling and equipment output would fall**

Objectives of new external sales

- **Improve competitiveness and technology of production equipment**
 - **Learning from the outside and strengthening our in-house total production system**
- **Grow production equipment business**
 - **New business that supports the part business**
- **Maintain employment and pass down skills in terms of HR**
 - **Avoidance of skill fade in tooling**

Shareholder Return

(Yen/Share)



Our basic policy is the shareholder return that is based on dividends. The target is the sustainable dividend payment with the dividend payout ratio of 35% or above.

End

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