

# Who We Are

## Constantly Evolving Suspension Parts Maker

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 development 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.

### The Origin of Our Name

In 1948, the Company was founded as Yorozu Automobile Works. In Japanese, “yorozu (萬)” is an auspicious Chinese character meaning good fortune, plentitude, perfection, and eternity.

With the passage of time, however, the true meaning of our name became obscure due to incorrect reading and misuse of the Chinese character in media reports.

To remedy this situation and coin a name befitting a new era, in June 1990, we substituted the character “yorozu” with Japanese syllabic writing, thereby making our name more readable and approachable.

**YOROZU** 株式会社ヨロズ

The upwardly sloping diagonal lines of the second “O” in our logo symbolize our constant progress and development.

## Introduction

# 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.

# Corporate Vision

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

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### Editorial Policy

Following the precedent set last year, we have issued a second integrated report. We see this 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.

We will endeavor to provide the stakeholders with much more productive reports to deepen their understanding of the Group. Please visit our official website for the most recent information.

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

### Disclaimer Regarding Forward-Looking Statements

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

### Period of Reporting

This report covers the period from April 1, 2019 to March 31, 2020, which coincides with the fiscal year ended March 31, 2020 (fiscal 2019).

### Scope of Reporting

This report covers YOROZU CORPORATION and its Group companies.



# History of Yorozu

Since its founding as Yorozu Automobile Works on April 1, 1948, Yorozu’s creed has been to contribute to society through the production of suspension parts, a vital component of cars.

Over the years, Yorozu has gone through several transformations such as its establishment of a total production system, a core strength; its evolution into an independent auto parts manufacturer; and its aggressive advancement into overseas markets. Today, the Group conducts business as a global enterprise with a total of 21 companies—seven in Japan and 14 overseas. The Group has become synonymous with suspensions and supplies the Big Three automakers of the U.S., Renault of France, Volkswagen and Daimler of Germany, and Japanese automakers, underscoring the high level of trust placed in the Group’s technologies.

Yorozu aims to contribute to creating an affluent society while enhancing its corporate value, based on its management stance, “Our basic business creed is to conduct reliable management,” and primary mission of contributing to society.

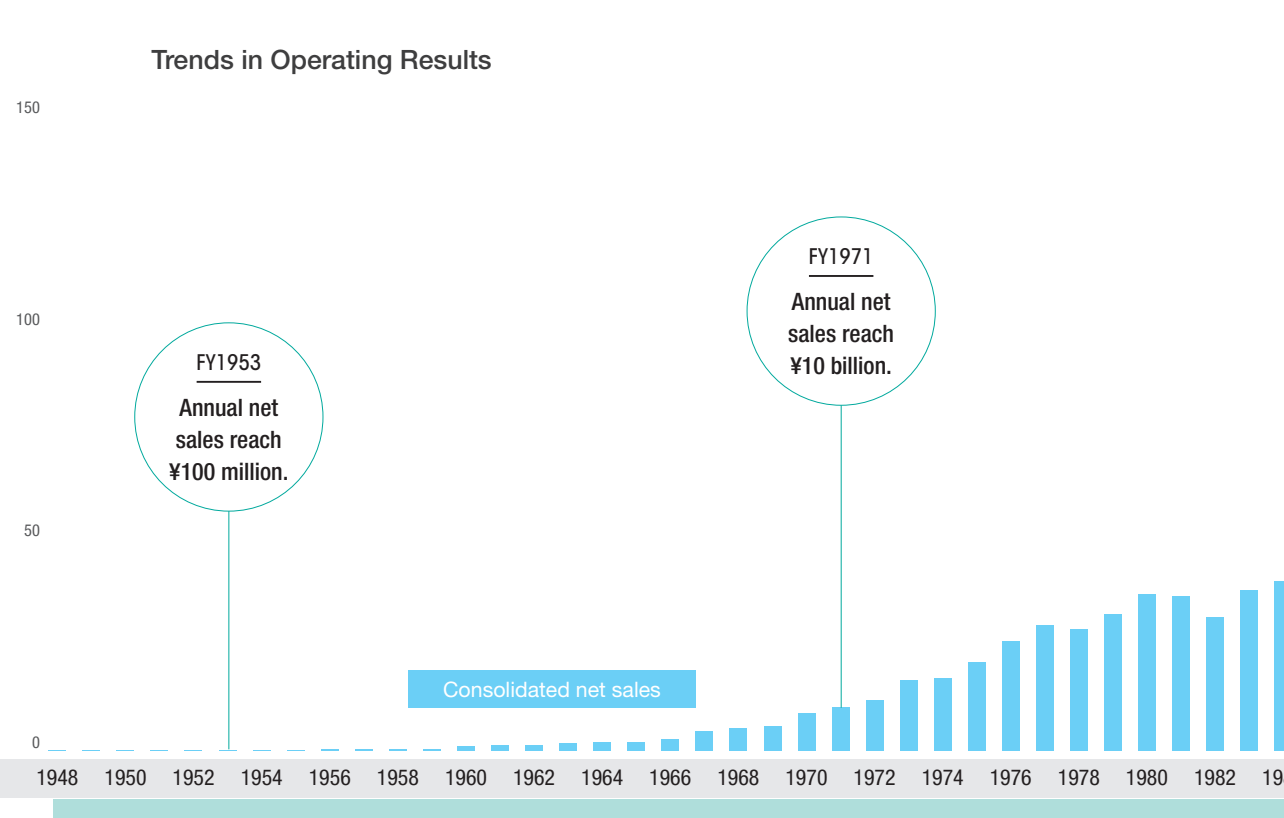
## Nissan Motor Affiliate

Since our earliest days, we have supplied parts to Nissan Motor Co., Ltd. We then expanded business with other automakers until our name became a byword for suspensions. In 1969, we formed a capital alliance with Nissan Motor. As an affiliate of Nissan we went global by establishing bases in the U.S., Mexico, Thailand, and China.

1948	Yorozu is founded.
1950	The Company starts supplying Nissan Motor.
1960	Head office moves to Kohoku-ku, Yokohama.
1986	Yorozu Automotive Tennessee, Inc. is established in the U.S. (first move overseas).

1990	Company name is changed to Yorozu Corporation.
1994	The Company is listed on Second Section of Tokyo Stock Exchange.
1995	Listing is moved to First Section of Tokyo Stock Exchange.

(Billions of yen)  
200



## Foreign Affiliate

In response to the Nissan Revival Plan by Nissan Motor in 1999, we undertook management reform built on two pillars—production innovation and management revolution. Also, we entered into a comprehensive tie-up with Tower Automotive and grew as a foreign affiliate.

2000	The Company enters comprehensive tie-up with Tower Automotive, Inc.
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## Independent

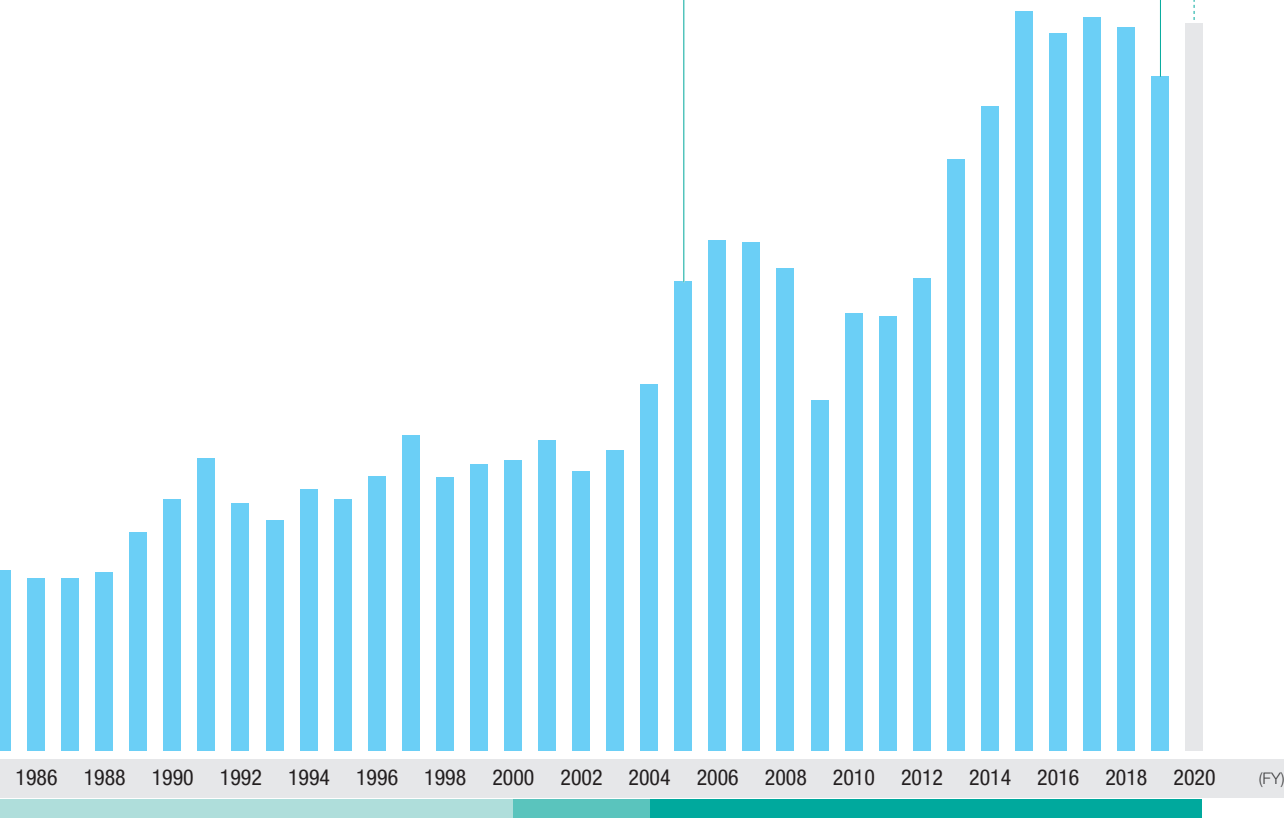
In 2004, we reclaimed all our shares held by Tower Automotive and made a new start as an independent auto parts manufacturer. Subsequently, we survived the global recession triggered by the collapse of Lehman Brothers through emergency profit *kaizen* activities (not the current activities of the same name) under the slogan “maximum efficiency with minimum cost.” Since then, we have continued moving forward and prospered as a global enterprise through active overseas expansion.

2004	The Company ends tie-up with Tower Automotive, Inc.
2010–2012	Bases are established in China, India, Thailand, Indonesia, Mexico, and Brazil.
2014	Capital is increased to ¥6.2 billion.
2015	Medium-term business plan YSP2017 is unveiled.

As of end-FY2020 (targets)	
Consolidated net sales	¥180 billion
Operating income ratio	5%

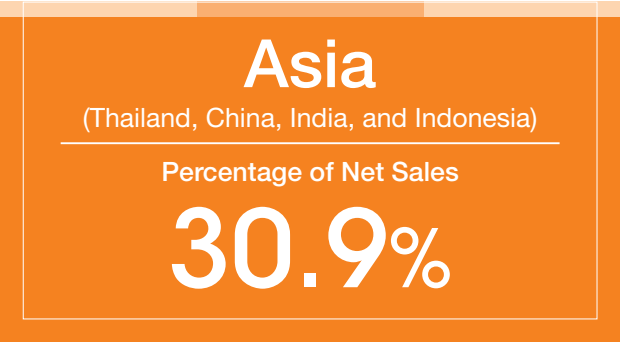
FY2005  
Consolidated net sales reach ¥100 billion.

As of end-FY2019 (results)	
Consolidated net sales	¥157,680 million
Net loss attributable to owners of parent	¥12,933 million



# Yorozu at a Glance

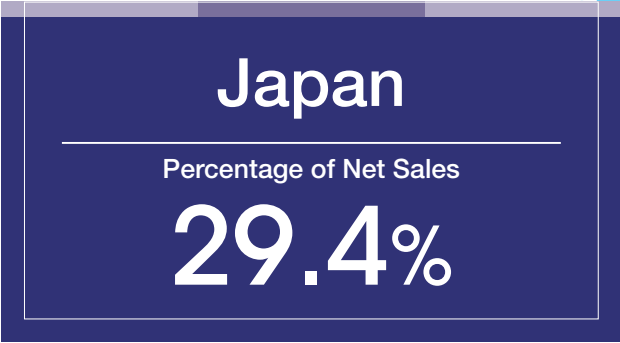
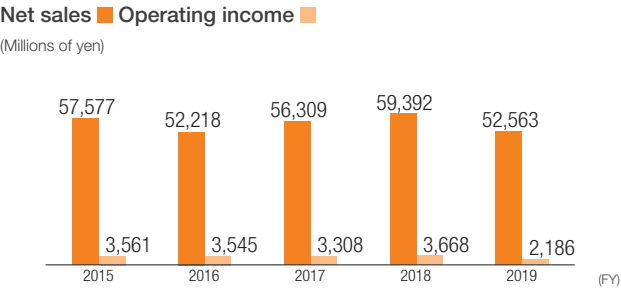
The Yorozu Group produces suspension parts, a key chassis component for automobiles, in Japan, the Americas (the United States, Mexico, and Brazil), and Asia (Thailand, China, India, and Indonesia). Yorozu has built a global network for supplying vital parts to automakers around the world.



FY2019 Results

**Net sales** ¥52,563 million (YoY -11.5%)

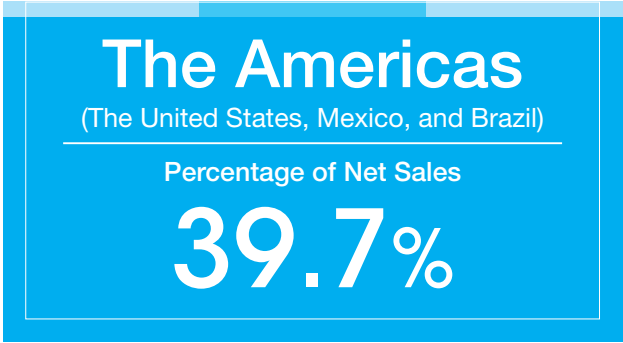
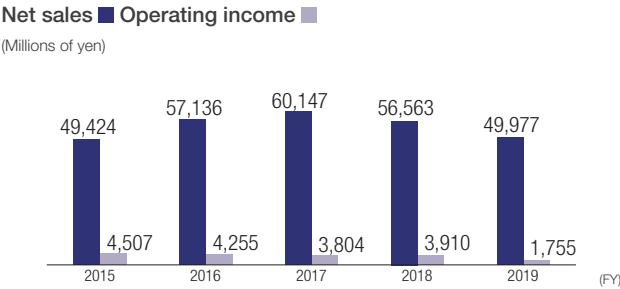
**Operating income** ¥2,186 million (YoY -40.4%)



FY2019 Results

**Net sales** ¥49,977 million (YoY -11.6%)

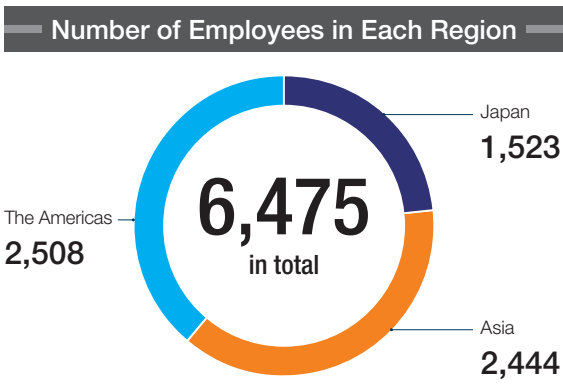
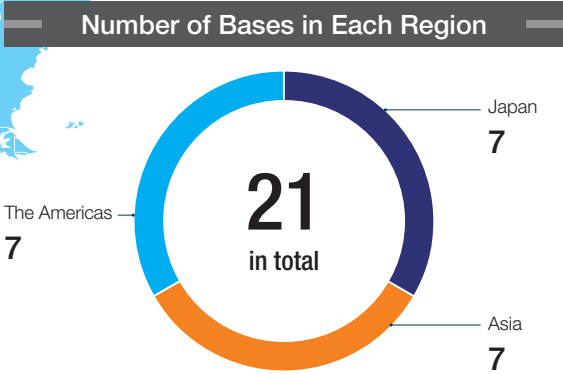
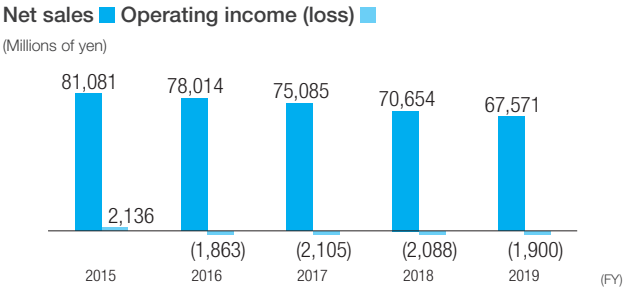
**Operating income** ¥1,755 million (YoY -55.1%)



FY2019 Results

**Net sales** ¥67,571 million (YoY -4.4%)

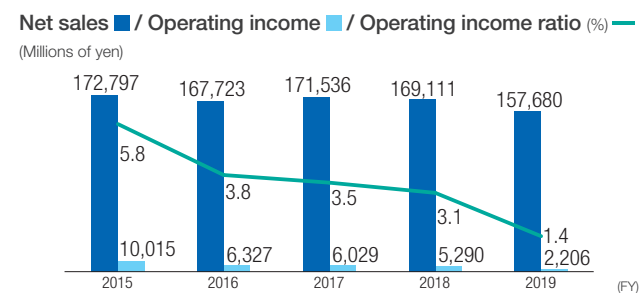
**Operating loss** ¥1,900 million (YoY +9.0%)



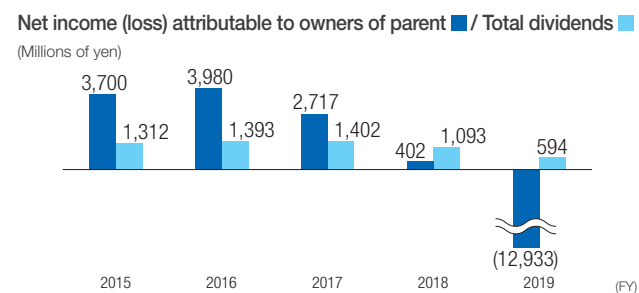
# Financial and Non-Financial Highlights

## Financial Highlights (Consolidated)

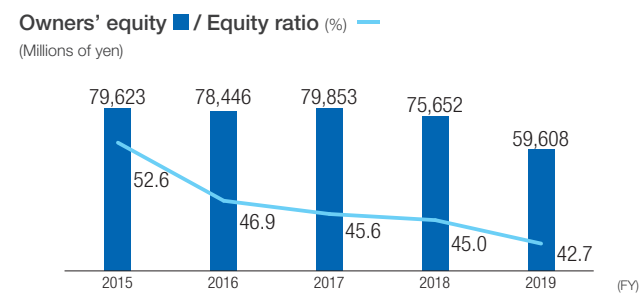
Net sales **¥157,680 million**



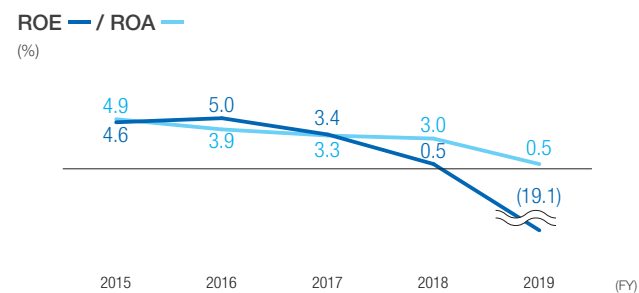
Net loss attributable to owners of parent **¥12,933 million**



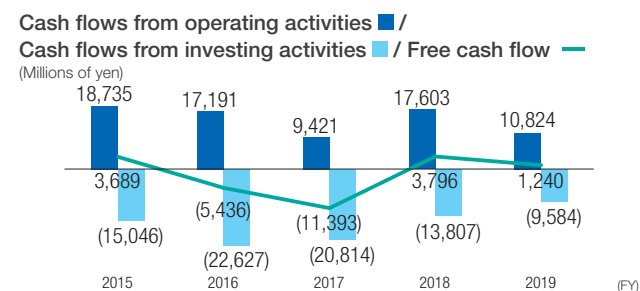
Equity ratio **42.7 %**



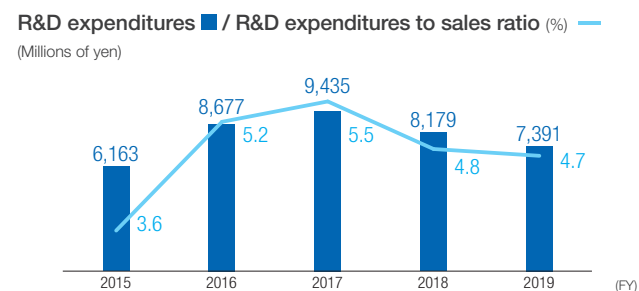
ROE **-19.1 %** ROA **0.5 %**



Free cash flow **1,240 million**

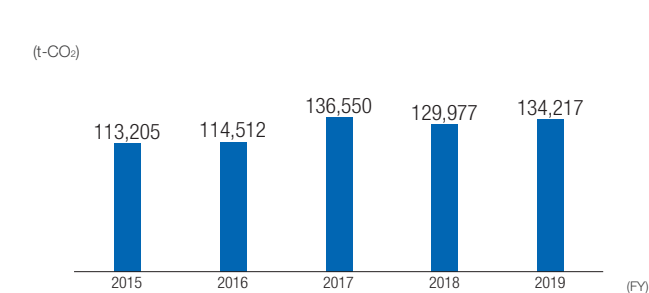


R&D expenditures to sales ratio **4.7 %**

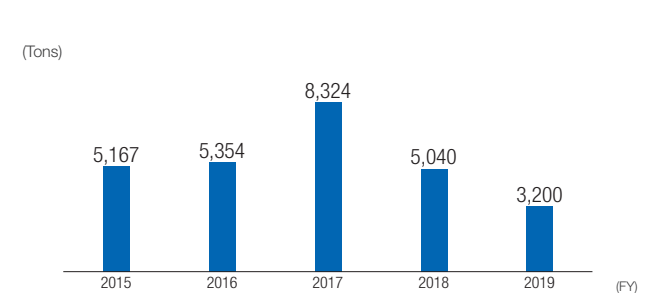


## Non-Financial Highlights

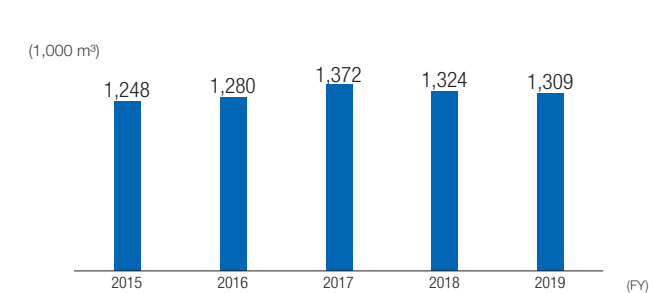
CO<sub>2</sub> emissions **134,217 t-CO<sub>2</sub>**



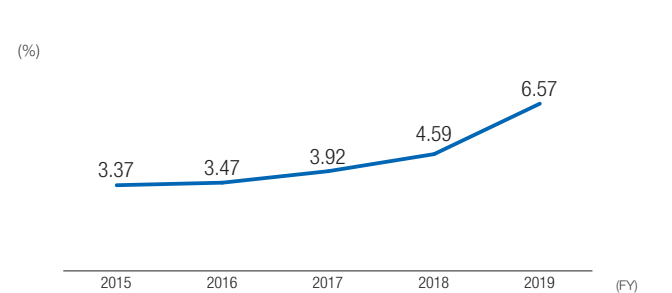
Waste emissions **3,200 tons**



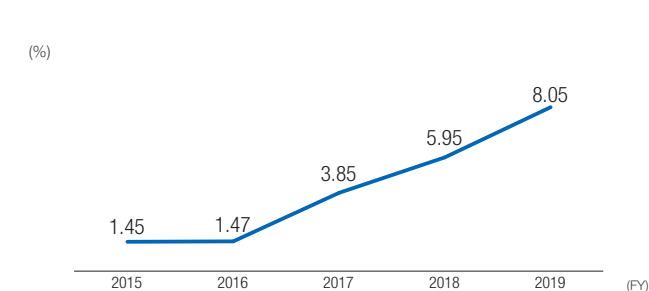
Water use **1,309,000 m<sup>3</sup>**



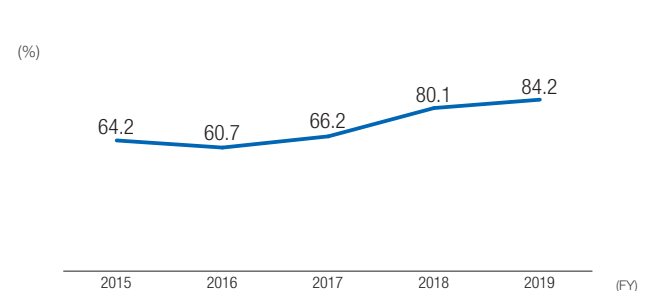
Ratio of non-Japanese employees **6.57 %**



Ratio of women in management positions **8.05 %**



Ratio of paid vacation taken **84.2 %**



Number of accidents that led to lost working days (nine consecutive years) **0**



## Message from the President

# Becoming a 100-Year-Old Company Loved by All



Allow me to offer my deepest condolences to those who have lost loved ones to COVID-19, which is wreaking havoc worldwide. Further, I would like to express my sincere sympathy to those who are suffering from the disease as well as my genuine gratitude to the medical professionals and many others engaged in frontline response efforts.

### Ken Shido

President and COO  
Member of the Board

The global economy in fiscal 2019 was characterized by the prolonged trade friction between the U.S. and China, the imminent departure of the U.K. from the EU, and tariff issues, which particularly affected the economies of Japan, the U.S., and Europe. Reflecting such factors, the automotive industry—the majority of Yorozu Group's customers—saw continuous declines in production and sales. Since the COVID-19 outbreak at the beginning of 2020, the pandemic has had an enormous impact on the global economy. Uncertainty over the virus' containment means the recovery is unforeseeable in economic activities and the automotive market.

Amid such a business environment, we have taken measures to counter the effect on our businesses as well as initiatives to increase the robustness of our corporate structure so that it is less susceptible to the business environment while protecting employment.

These initiatives include Emergency Profit *Kaizen*\* Activities, which we have been conducting across all fields without exceptions since the second half of fiscal 2019. Specifically, through group-wide concerted efforts to ensure maximum efficiency in the capacity-based production system, drastic expense reduction, and boosting of work efficiency while introducing work style reform, we achieved a cost reduction of approximately ¥1.4 billion.

Despite maintaining an operating surplus in fiscal 2019, a significant decrease in the production volume of major customers led to an impairment loss on tangible fixed assets, which resulted in a significant net loss attributable to owners of parent. However, we will strengthen our profit structure along with our Emergency Profit *Kaizen* Activities so that it is less susceptible to fluctuations in production volume, step up rationalization efforts aimed at lowering manufacturing costs, and curb investment through reuse, manufacture, and adoption of equipment that can be used across product generations.

Business conditions have changed dramatically since the three-year medium-term business plan—Yorozu Spiral-up Plan 2020 (YSP2020)—was created for the second phase of our long-term vision. Achieving the initial targets is likely to be challenging. Nonetheless, in addition to the aforementioned activities, we will move forward with our key initiatives—improving profitability, strengthening product competitiveness and development capabilities, and enhancing corporate capabilities—with the aim of building a robust corporate structure for the Group to prevail in global competition.

With respect to the first key initiative of improving profitability, we will generate positive free cash flow by achieving steady returns on investments, with less capital spending for new models, and by managing investment profitability. Our

proprietary complete tack welding and final assembly lines, which earned an award from Nissan Motor Co., Ltd. in fiscal 2020 for their ability to weld parts of different product generations simply by replacing the jigs that secure the workpiece in place, have contributed greatly to capital spending cuts. We have also built a system to manage and ensure target profits from individual products by analyzing the project profitability when receiving an order.

As for the second key initiative, strengthening product competitiveness and development capabilities, we will meet the ever-increasing demand for lighter parts. With EVs (electric vehicles) on the rise, automakers must reduce the weight of all vehicle components, including suspensions, which we currently manufacture by using existing technologies. Therefore, we will develop technologies that enable the processing of ultra-high-tensile strength steel sheets, thereby making suspensions with lighter, stiffer structures than those of previous products. Further, we will cut costs by using ultra-high-tensile strength materials to reduce the weight of cast, forged, and aluminum parts and by offering other sheet metal solutions. Evolving our stamping and welding technologies will promote the development of our new product lineup.

Improvements in product competitiveness and development capabilities as well as increased profitability are realized through our third key initiative of enhancing our corporate capabilities. As we reform our organization, we are developing human talent and promoting diversity. The Smart Work Committee, which I chair, is working to create a healthy and engaging workplace. Further, with a focus on ESG management, we are placing more emphasis on reducing environmental burden, introducing work style reform, and strengthening compliance and governance.

We will embark upon a new medium-term business plan in fiscal 2021. While ensuring all employees understand and endorse the corporate profile that we aim to realize over the next 10 years, we will steadily take the steps necessary in the first three years.

Through these key initiatives we will improve our profitability by increasing reliable sources of profit, strengthen product competitiveness with lighter, low-cost products that meet the needs of the times, and enhance our corporate capabilities so that employees can maximize their skills. These efforts will take us toward our symbolic goal of becoming a 100-year-old company, loved and needed by all stakeholders.

\* In Japanese, *kaizen* means "improvement."

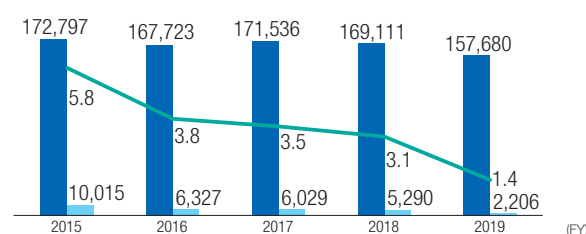
# Profit *Kaizen* Activities

Despite maintaining a surplus in operating income in fiscal 2019, a marked decrease in the production of major customers led to an impairment loss on tangible fixed assets, resulting in a significant net loss attributable to owners of parent. The decrease was particularly large at our main customer Nissan Motor, leaving us in a tough situation.

In seeking a way out, Emergency Profit *Kaizen* Activities began in fiscal 2019. By reducing loss costs, increasing reuse, and by making and adopting equipment that can be used across product generations, we will shift toward a profit structure that is less susceptible to fluctuations in customers' production volumes, thereby achieving a pickup in our business results.

## Emergency Profit *Kaizen* Activities

Net sales ■ / Operating income ■ / Operating income ratio (%) —  
(Millions of yen)



### Emergency Profit *Kaizen* Activities without Exceptions

- 1 Ensure maximum efficiency through an optimized production system
- 2 Drive drastic cost cuts—won't buy, won't waste
- 3 Boost work efficiency along with work style reform

Our *kaizen* activities are:

- Positive;
- a combination of a top-down approach and a bottom-up approach, incorporating the opinions of employees; and
- a "One Team" effort of all members.

These are the key points of the activities aimed at achieving a rapid profit recovery.

1

### Ensure maximum efficiency through an optimized production system

In response to the decline in operating rates of assembly lines that were until recently in full production, we have halted certain lines based on production quantities to increase efficiency. Along with reducing labor and power costs at bases with low operating rates, this measure allows us to use downtime to train employees and improve facilities. At the same time, we have encouraged employees to take annual paid vacation in unison as part of work style reform.

2

### Drive drastic cost cuts—won't buy, won't waste

In light of the challenging business environment resulting from the decrease in automotive production volume, we reduced the compensation of directors and executive officers in fiscal 2019 and maintained this level in fiscal 2020. Other measures included a zero-based review of the budgets of all departments and bases, and slashing travel expenses through maximum utilization of online meetings among Group companies in and outside Japan.

3

### Boost work efficiency along with work style reform

Our efforts are concentrated on increasing work efficiency to reduce overtime. Also, as part of work style reform, we have introduced a work-from-home system. By strongly encouraging employees to take advantage of this system, not only can we benefit from lower commuting costs, we can also increase employee motivation, engage and retain talents by removing restrictions on work location, and use the freed up office space more effectively.

The above three Emergency Profit *Kaizen* Activities brought cost savings of approximately ¥1.4 billion in the second half of fiscal 2019.



Second half of FY2019  
Cost reduction of  
approx. **¥1.4 billion**

In fiscal 2020, we will reduce further costs by continuing the three Emergency Profit *Kaizen* Activities above. We will curb cash outflows associated with new investments by ensuring that production equipment is reused for years and by outsourcing production to convert fixed costs into variable costs. These activities will lower our break-even point and establish a profit structure that is less susceptible to production volume.

# COVID-19 Response

Economic activities have contracted significantly due to the COVID-19 pandemic, which began in December 2019 with the confirmation of the first cases of the disease in Wuhan, China. On the premise of protecting employment while taking measures against the impact of the pandemic on our operations, we are working to build a corporate structure that will be less susceptible to the external business environment over the medium to long term.

## Operational Status of Our Main Production Bases

The spread of COVID-19 left production suspended or dramatically reduced at the plants of automakers, our main customers in Japan and overseas. Under directives from governments and municipal authorities, we aligned the production of our

worldwide bases with the operational status of major customers. For example, we changed from two-shift production to single shifts and employed intensive production for low output products to stop idle lines according to customers' operations.

Base	Operational status in 2020 between February and August							Details
	Feb.	Mar.	Apr.	May	June	July	Aug.	
Japan								From late March operations suspended or production lines reduced to align with major customers, normal operations resumed from August onward
United States								Period of shutdown: March 23 to May 10, subsequently took measures to align with major customers, normal operations resumed from mid-June onward
Mexico								Period of shutdown: March 30 to May 31, subsequently took measures to align with major customers, normal operations resumed from late June onward
Brazil								Period of shutdown: March 25 to May 17, subsequently took measures to align with major customers
Thailand								From early April operations shut down or production lines reduced to align with major customers
India								Period of shutdown: March 24 to May 10, subsequently took measures to align with major customers
Indonesia								Period of shutdown: April 10 to June 1, subsequently took measures to align with major customers
China								
Guangzhou								Period of shutdown: February 5 to 16, normal operations resumed from mid-April onward
Wuhan								Period of shutdown: February 5 to March 10, normal operations resumed from mid-April onward

Shutdown — / Temporary or partial shutdown — / Normal operations —

## Initiatives for Stable Part Supply

Though the COVID-19 pandemic temporarily hampered the operations of our bases, the Group took steps to overcome unprecedented difficulties.

Given the risk that the Group or its customers may be unable to operate due to employees' infection, we increased inventories above normal levels. Through close communication with our customers, we clarified the level of risk associated with the lead time of each part, and revised our standard inventory levels.

In addition, immigration and domestic travel restrictions produced shortages of personnel. However, as we routinely train personnel to perform multiple production processes,

we were able to work around these shortages.

Moreover, during periods that directives from governments or municipal authorities caused certain bases to temporarily shut down, our past efforts to standardize and globalize operations enabled us to use alternative bases to manufacture and deliver products.

Other measures including rigorous infection prevention measures, the use of anti-dust masks, and the establishment of a COVID-19 task force, which shares timely information with customers and the Group, allowed us to ensure the safety of the employees and meet our parts-supply responsibilities.

## Special Award for Maintaining Stable Supplies

Due to the spread of COVID-19, our plant in Wuhan, China, temporarily shut down its operations. Thanks to the Group's global standardization efforts, other bases were able to provide backup supplies covering approximately 91% of the parts normally produced at the Wuhan base. Moreover, by sending dies and equipment to these bases, they were capable of manufacturing the remaining products. The capacity at our alternative bases helped Nissan Motor maintain stable plant operations amid the crisis, and they honored us with a special contribution award.



Special contribution award received

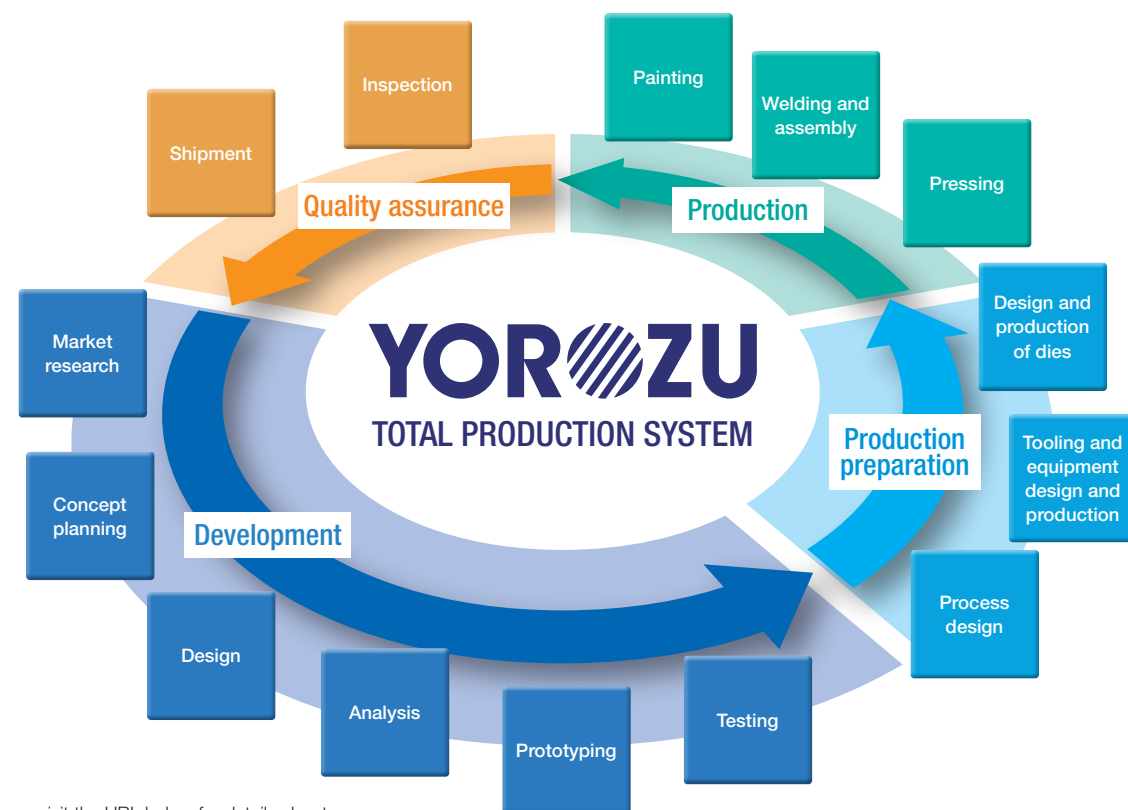


# Yorozu's Source of Competitiveness

## Total Production System

The Group's advantage in the development of suspension parts lies in its distinctive total production system.

Under this system, all production-related processes are conducted in-house, from research and development to quality assurance and the manufacture of production equipment. The system, established on a wealth of data and experience accumulated over more than 50 years, is constantly evolving so that information from individual projects can be utilized in the development and production of next-generation models.



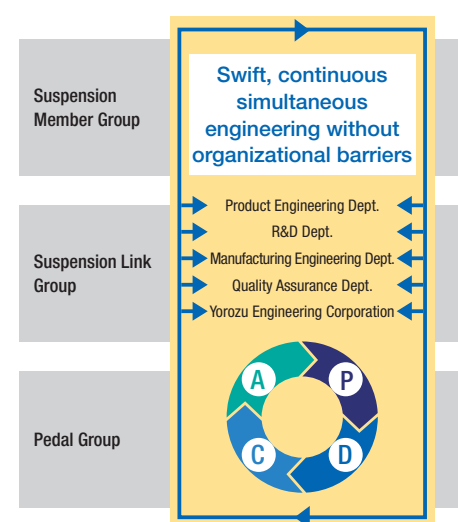
Please visit the URL below for details about each phase of the total production system.  
<http://www.yorozu-corp.co.jp/en/technology/>

### Development Based on Simultaneous Engineering

Under the total production system, product-specific groups are organized to facilitate the evolution of the system and cement our advantage in manufacturing.

Further, our competitiveness is strengthened through simultaneous engineering activities where all development and engineering departments coordinate from the initial stages of manufacturing (*monozukuri*) with the aim of reducing the number of parts and production costs, and making a transition from automated production (*jidoka*) to unattended production (*mujinka*). These activities are carried out by: the Product Engineering Department, responsible for product design; the R&D Department, responsible for the development of new technology and methods; the Manufacturing Engineering Department for processes, dies, and welding equipment; the Quality Assurance Department, responsible for quality; and Yorozu Engineering Corporation, responsible for the production of dies and equipment.

The use of product-specific groups in our development activities where coordination of all departments is required rather than the conventional division by automakers, is our biggest difference from competing suppliers. By leveraging the respective expertise of product-specific groups for suspension members, suspension links, and pedals, we will engage in development that caters to automakers' needs.



### MESSAGE

## Winning Out in the CASE Era and Becoming a Leading Global Suspension Company

Concepts and requirements with respect to suspension parts are diversifying as automakers proceed with technological innovations in new fields with the advent of the CASE (connected, autonomous, shared & services, and electric) era.

Also, recent years have seen a steep rise in the market's expectations in relation to environmental friendliness, safety, and comfort of cars. Given that vehicles are becoming heavier due to batteries used for EVs and computer systems installed for autonomous driving, the Group's most pressing task is to reduce the weight of suspension parts.

In response, we have succeeded in developing and mass-producing an array of lighter suspension parts. These include suspension members made by hydroforming, a process in which high hydraulic pressure is applied to expand tubes; all-aluminum suspension members made of aluminum sheets and extruded aluminum materials; suspension beams made by the full-curl method employing three-dimensional forming to make sheet metal into tubes; and suspension members and suspension beams using a tailored weld blank fabrication method to process blank materials of different sheet thicknesses. In all of these cases, the introduction of new processing methods marked the first time for the respective technologies to be adapted to mass production of suspension parts for Japanese vehicles. The

methods enabled a 30% reduction in weight—an exceptional improvement by industry standards.

We are currently developing a 980-megapascal material which is significantly stronger than the existing high-tensile strength material for suspension parts, for use in mass production. Although the 980-megapascal material can help reduce weight because of its stiffness, working on the material poses a technical problem. To overcome this difficulty, we are bringing to bear our long-cultivated developmental and technical competence. With our sights set on mass production using the challenging material to achieve a 30% weight reduction, we are steadily proceeding with development.

Through diverse new technologies and manufacturing methods, we will develop suspension parts that help automakers meet CASE-related needs, thereby enabling us to contribute to the mobility society of the future as one of the world's leading suspension companies.



**Masashi Yamada**

Senior Vice President (SVP)  
General Manager of Product Engineering Department

### Complete Tack Welding and Final Assembly Lines

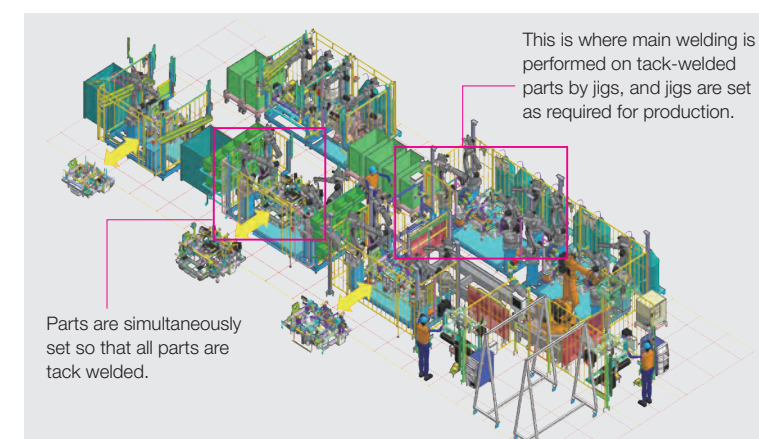
### Winner of the Nissan Motor 2020 Global Innovation Award: Yorozu's Complete Tack Welding and Final Assembly Lines—Reducing Costs and Improving Production Efficiency

Yorozu was among the first companies to perform research and development on the automation of welding lines for new projects, with a view to reducing costs and improving the production environments in countries where labor costs are either high or expected to increase.

In addition, our progress in research and development led to our proprietary tack welding and final assembly lines, making us the world's first manufacturer to utilize such lines for global vehicle models. Our latest welding lines allow the reuse of prototype jigs in mass production. Further, standardization of a majority of equipment in the new model lines makes reuse possible for subsequent models.

These initiatives have led to a significant reduction in capital spending, allowing us to maintain and enhance our price competitiveness. Further, by adopting a structure that allows the jigs to be replaced, the same line can be used to manufacture different parts, thereby allowing production lines to flexibly adapt to model changes and fluctuations in volume.

In recognition of our latest tack welding and final assembly lines, Nissan Motor presented us with the 2020 Global Innovation Award—the only such award Nissan gave in fiscal 2020. Our efforts in research and development will continue in order to gain unrivaled competitive advantages.



Complete tack welding and final assembly lines

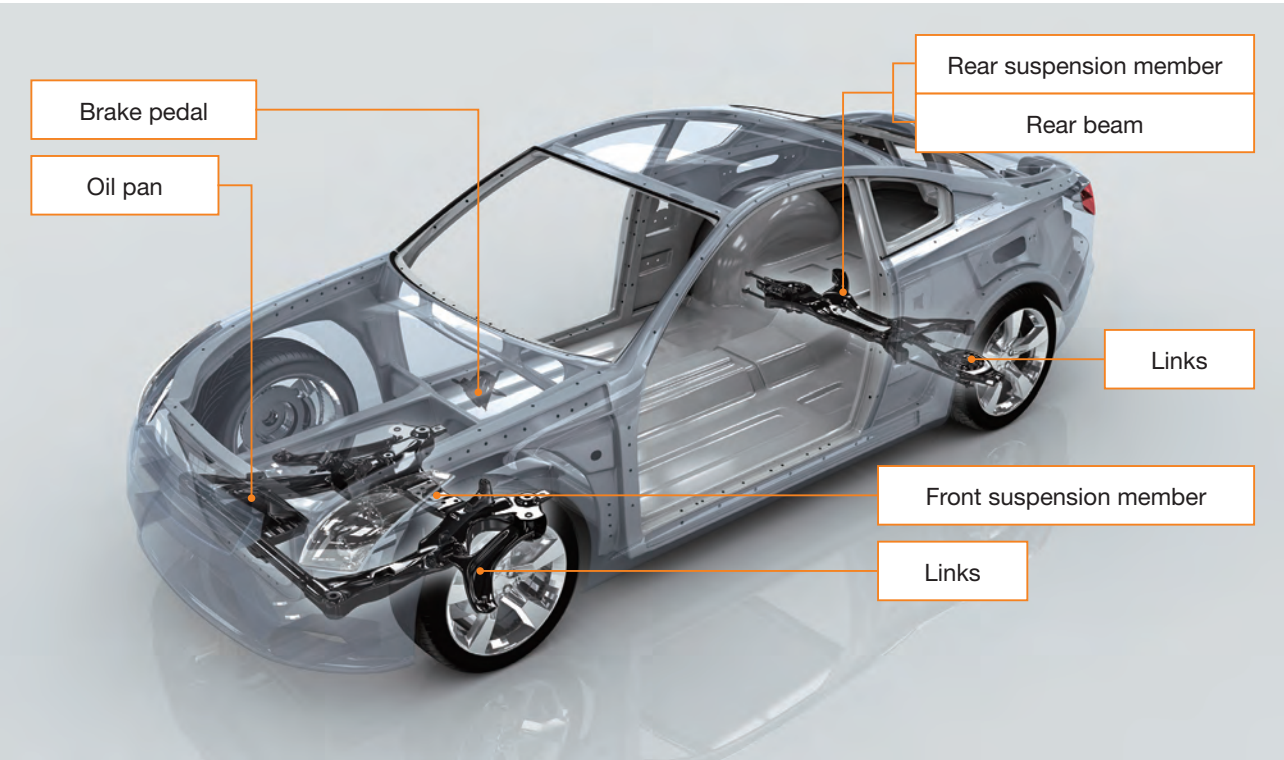


Yorozu's Source of Competitiveness

World-Class Technology and Global Production System

In addition to developing and manufacturing a series of suspension parts with its cutting-edge technology, the Group engineers, develops, and makes its own production facilities based on standardized specifications and methods to assure uniform quality worldwide.

Here, we introduce examples of our advanced capabilities and product advantages.



Lightweight Suspension Parts

Suspension parts, which essentially connect tires to the vehicle body, perform three main functions: 1) supporting the weight of the vehicle as a frame; 2) determining the motion and position of tires, which defines drivability and maneuverability; and 3) absorbing shock from the road, which affects the level of comfort while the car is in motion. Of these functions, Yorozu mainly manufactures suspension parts that determine the motion and position of tires.

Cars are known to have a large impact on global warming because of CO<sub>2</sub> emissions. Yorozu has made great progress

in reducing emissions by making its products lighter, thereby improving the fuel economy when the car is driven.

Even if environment-friendly EVs (electric vehicles) and FCVs (fuel cell vehicles) gain popularity around the world, they will still need suspension parts. With this in mind, we are aware of the need to continue making lighter products.

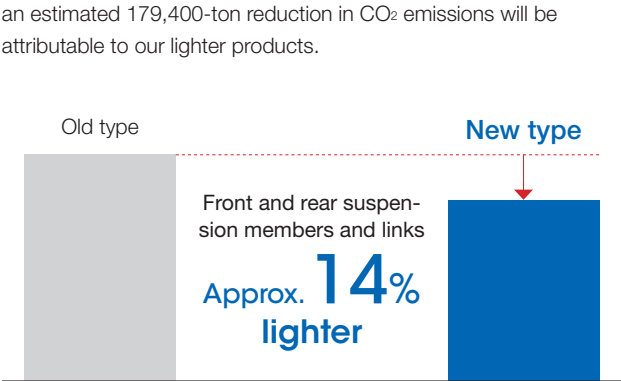
To take on this challenge, we are developing new structures, unlike the conventional ones, and using ultra-high-tensile strength steel sheets and non-steel materials (plastics and aluminum) to reduce weight.

CASE STUDY

Example of Lighter Front and Rear Suspension Members and Links – The Nissan Rogue for North America –

Reduction in CO<sub>2</sub> emissions through weight reduction    Approx. **179,400** tons

All development and engineering departments—including Product Engineering, R&D, Manufacturing Engineering, and Quality Assurance—and Yorozu Engineering Corporation worked intensively to realize simultaneous engineering from the initial stages of development. The coordinated activities led to a large reduction in weight through use of innovative assembly methods and thinner sheet materials. By the time a model reaches the end of its production run,



Awards      Quality Awards from Customers

We tirelessly hone our technical capabilities to supply parts that meet customer needs. The numerous awards we receive from automakers each year are a testament to our success in these efforts.



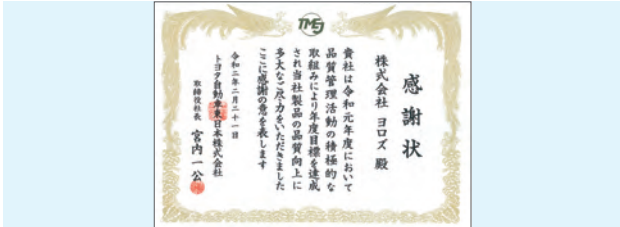
**Nissan Mexicana Quality Award**

For the fifth consecutive year, Yorozu Mexicana S.A. de C.V. (YMEX) in Mexico received the Nissan Mexicana Quality Award from Nissan Mexicana, S.A. de C.V. in recognition of the company's contribution to improving the quality of suspension parts for the Versa and March.



**Nissan Regional Quality Award**

Nissan North America, Inc. has honored YMEX with the Nissan Regional Quality Award. Our role in enhancing the quality of suspension parts for the Sentra and Kicks has been highly evaluated.



**Appreciation Award for Quality Activities**

We received the Appreciation Award for Quality Activities from Toyota Motor East Japan, Inc. for the third straight year. The certificate expresses gratitude for the quality of the parts we supplied, including the tailgate of the Sienta and brackets for the body of the Yaris.



**Excellent Quality Management Award**

Hino Motors, Ltd. presented us with the Excellent Quality Management Award. The distinction attests to the high quality of the cab links for small to large trucks and the vehicle body parts delivered to the customer.

In fiscal 2019, in addition to these awards, we received commendations for quality and delivery not only from such Japanese automakers as Honda Motor, Subaru, and Mazda Motor but also from General Motors and other non-Japanese automakers.

Encouraged by this acclaim, we will keep working to enhance our technical capabilities and provide parts of the highest quality that satisfy our customers.

For details on awards and the Group's quality management system certifications, please visit the following web page.  
<http://www.yorozu-corp.co.jp/en/products/quality/>

# Progress of Yorozu Spiral-up Plan 2020, the Medium-Term Business Plan

## – Establish a Robust Corporate Structure to Prevail in Competition –

In May 2018, we created Yorozu Spiral-up Plan 2020 (YSP2020) for the second phase of our long-term vision, covering fiscal 2018 through fiscal 2020. As the automotive industry focuses on the development of autonomous driving technologies and the improvement of fuel economy to achieve a greener environment, the Group is developing new products in response to CASE-focused business trends of the industry.

### Fiscal 2020 Initiatives Aimed at YSP2020 Goals

#### Consolidated net sales

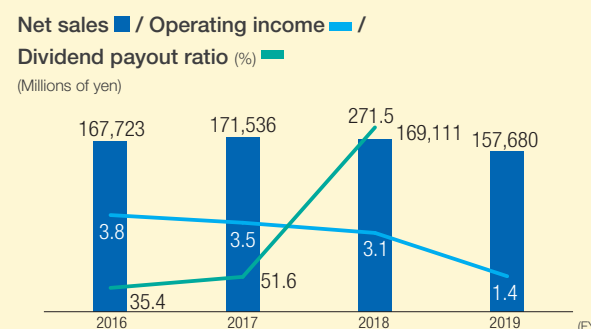
FY2020 target ¥180.0 billion  
FY2019 result ¥157.7 billion (down 6.8% YoY)

#### Consolidated operating income ratio

FY2020 target 5%  
FY2019 result 1.4% (down 1.7 pp YoY)

#### Consolidated dividend payout ratio

FY2020 target 35%  
FY2019 result —



The Company has set consolidated net sales of ¥180 billion and a consolidated operating income ratio of 5% as targets for fiscal 2020, the final year of the medium-term business plan. However, the achievement of these targets has become challenging due to significant changes in the business environment, such as intensified U.S.—China trade friction and a plunge in the production of our major customers in fiscal 2019 coupled with the COVID-19 pandemic in fiscal 2020.

To stay positive, we will transform into a more profitable business, less susceptible to impact from customer demand through Emergency Profit Kaizen Activities, ongoing since fiscal 2019. We will continue to follow up on the key initiatives and the directional goal of the medium-term business plan to improve profitability, strengthen product competitiveness and development capabilities, and enhance our corporate value on the foundation of our increased corporate capabilities.

### Key Initiatives to Enhance Profitability and Drive Future Growth

#### 1 Improve profitability

- Strong free cash flow management
- Effective project revenue management
- Manufacturing (*monozukuri*) innovation

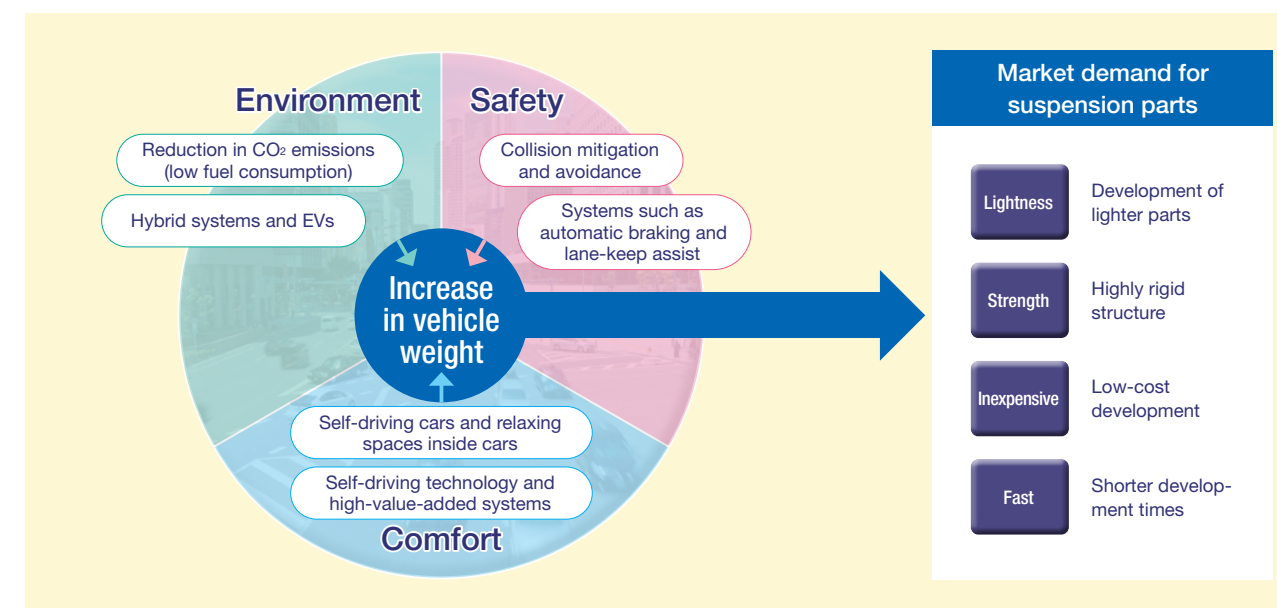
#### 2 Strengthen product competitiveness and development capabilities

- More competitive suspension parts
- New products driven by unique technologies
- Proactive sales expansion focusing on the three elements (customer, product, and region)

#### 3 Enhance corporate capabilities

- Human resource development
- Organizational review
- ESG management

### Business Environment Faced by the Automotive Industry



The automotive industry is entering a once-in-a-century stage of evolution as represented by the word “CASE.” The value of automobiles extends to more sophisticated driving-support systems including communication, safety, and autonomous driving beyond the traditional basic functions of running, turning,

and stopping. Consequently, automakers are rushing to devote resources to advanced technologies while leaving the basic engineering field to parts manufacturers through delegation.

This will intensify the competition but bring more business opportunities for us.

#### Yorozu Group Initiatives

Global warming has prompted both developed and developing countries to tighten CO<sub>2</sub> emission regulations, leading to the development of more fuel efficient cars such as EVs (electric vehicles) and hybrid vehicles (HVs and PHVs). Meanwhile, advances in the IoT have brought about an increase in the number of parts used, which may make cars

heavier and worsen their fuel economy.

To overcome these challenges, the Group aims to create lighter-weight suspension parts and reduce the weight of peripheral parts such as batteries and motors by using stamping and welding technologies.

### Advancing ESG Management

The Group takes a proactive approach to ESG activities to sustain medium- and long-term growth, understanding the crucial importance of ESG (environmental, social, governance) management in contributing to society and risk mitigation.

We strive to reduce our impact on the environment (E), promote work style reforms and diversity in society (S), and improve proactive disclosure and corporate governance (G).

This ESG management consists of green manufacturing applied to production processes and the development of new products and technologies; promotion of work style reforms and diversity; and constructive dialogue with shareholders through proactive disclosure along with an effective compliance structure built by reviewing the Board of Directors' composition and installing more outside directors.

#### Yorozu Group's Approach to SDGs\*

##### Environment

**Innovation in manufacturing (*monozukuri*)**  
• Earth-friendly production

**New products and technologies for the future**  
• Less impact on global warming when products are in use

##### Social

**Work style reform and promotion of diversity**  
• Create “healthy and engaging” workplaces  
• Nurture a culture of diversity

##### Governance

**Robust governance framework**  
• Review structure of Board of Directors  
• Enhance further compliance  
• Promote constructive dialogue with shareholders

For details on the YSP2020 medium-term business plan, please visit the link below.  
[http://www.yorozu-corp.co.jp/wp-content/themes/YOROZU%201.0.3/images/en/investors/YSP2020\\_2019528\\_E.pdf](http://www.yorozu-corp.co.jp/wp-content/themes/YOROZU%201.0.3/images/en/investors/YSP2020_2019528_E.pdf)

\* SDGs are the United Nations' 17 goals and 169 targets for achieving a sustainable world by 2030.



# Human Resource Strategy

The Group believes training personnel to be able to flexibly adapt to change is important to continue contributing to society in the changing business environment. We strive to promote diversity and talent development to nurture a corporate culture where everyone can reach their full potential.

## Companywide Education Policy

The Group regards human resources as a driving force in corporate management, and promotes HR training and global staff exchange with the belief that motivating and upskilling employees will ultimately lead to growth across the entire Group.

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

## Initiatives of Work Style Reform Committee (Smart Work Committee)

The Group set up the Work Style Reform Committee (Smart Work Committee) in fiscal 2017, comprising non-managerial employees, with the aim of boosting work style reform activities that we have been engaged in for years to increase job satisfaction. Headed by the president, the Smart Work Committee is keen to extend such reforms beyond a specific department by adopting the members’ opinions and solutions on cross-departmental issues.

In fiscal 2018, the committee expanded the target to include domestic Group companies. Members selected from

each company work together to create a better workplace through problem identification and by sharing specific solutions. The tablet-based information sharing system for facility maintenance and fan jackets, a wearable cooling solution for work in factories, were installed as recommended by the Smart Work Committee.



A jacket with built-in fans furnished by the Smart Work Committee

Shortened work-hour systems	Child-rearing 1) Reduced working hour system Work is shortened in one-hour increments, up to three hours 2) Flextime system	Caregiving 1) Reduced working hour system Work is shortened in one-hour increments, up to three hours 2) Flextime system
System for accompanying a spouse being transferred	1) Accompanying spouse transfer system Employees can be reassigned to another Group company in Japan or abroad within commuting distance of their new residence when a spouse is transferred to a new location. 2) Accompanying leave of absence system A leave of absence of up to three years can be taken when a spouse is transferred. 3) Accompanying reemployment system Employees who resigned to accompany a spouse being transferred can be rehired within three years of leaving.	
Annual paid vacation reserve system	Up to 20 days of unused annual paid vacation may be set aside as paid vacation that could be taken in one day increments when required for child-rearing, caregiving, personal sickness, or other reasons accepted by the Company.	
Thanks Card system	The system started in fiscal 2018 as a way of fostering an encouraging culture (atmosphere).	
Updates to in-house work environments	• Work Style Reform Committee (Smart Work Committee) has met once a month since fiscal 2017 • Creation of handbook for supporting a balance between work and caregiving responsibilities • Employee satisfaction survey was conducted to analyze and find out results • Expansion of mentoring system • Improvement in work efficiency by streamlining internal processes • Implementation of new 5S activities	

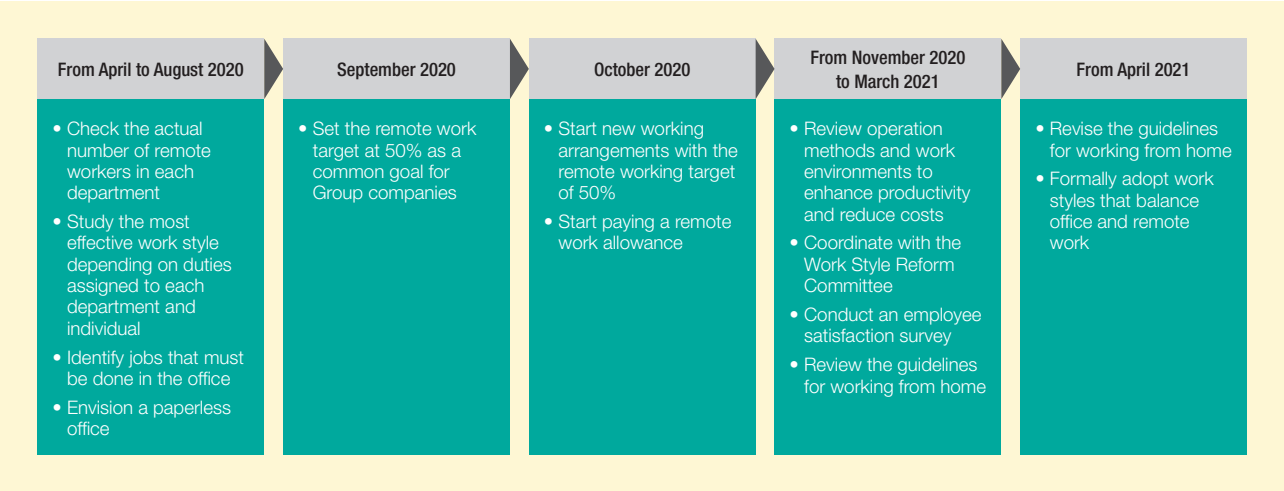
## Work Style Reform for the “New Normal”

We have systemized remote working arrangements in the past years to diversify and retain talents. Now that the state of emergency declared by the government in the COVID-19 pandemic is accelerating ‘work from home’ which has become the Company’s standard, except for duties that can only be performed on our premises, we will continue to promote remote working as the “new normal” that will come after the state of emergency is lifted nationwide.

Not only does work style diversity contribute to business

continuity, even amid natural disasters or an infectious outbreak like the COVID-19 pandemic, but it also removes restrictions on work locations, allowing effective use of the freed-up office space, and leads to higher motivation and retention of employees and top talents. Aiming to have 50% of employees work from home, we will establish an effective business structure to adapt to the “new normal” by taking actions and scrutinizing the validity to boost productivity.

## Road Map to New Work Style Whereby 50% of Office Employees Work from Home



## Health Management

Based on the Health Management Declaration we made in October 2019, the Group works toward creating a healthy and rewarding workplace through various corporate wellness programs.

### Health Management Declaration

Aiming for a healthy and rewarding workplace, the Group hereby declares that it will work to create a company where each and every employee can continue to work in good health and with a smile on their face.

October 1, 2019  
President Ken Shido

### Key Initiatives

**<Health promotion and lifestyle disease preventive measures>**  
Have all employees undergo regular medical checkups, and encourage additional tests or screening if required  
Provide healthy lifestyle and diet information as well as health guidance

**<Mental health improvement>**  
Ensure all employees take a stress test  
Prevent employees from becoming mentally unhealthy in stressful workplaces

**<Promotion of work-life balance>**  
Reduce overtime through the Smart Work Committee activities



## Human Resource Strategy

### Promotion of Diversity

#### Empowerment of Women

The Company is continuing its efforts to create a working environment where women can play an active role and is set to achieve the target of women occupying 10% of management positions by 2020. Toward the next target of

17.6% by 2030, we are advancing women empowerment activities such as creating a better working system for women and holding seminars to raise the awareness of female employees and managers.

#### “Eruboshi” Certification Obtained

In December 2018, the Company received the highest-rank certification under the “Eruboshi Certification System” from the Ministry of Health, Labour and Welfare in recognition of our women empowerment activities. *Eruboshi* certification is given to exemplary companies under the Act on Promotion of Women’s Participation and Advancement in the Workplace.

Note: *Eruboshi* means “L Star” (“L” stands for Lady, Labour, and Laudable.)



#### Main Qualification Categories

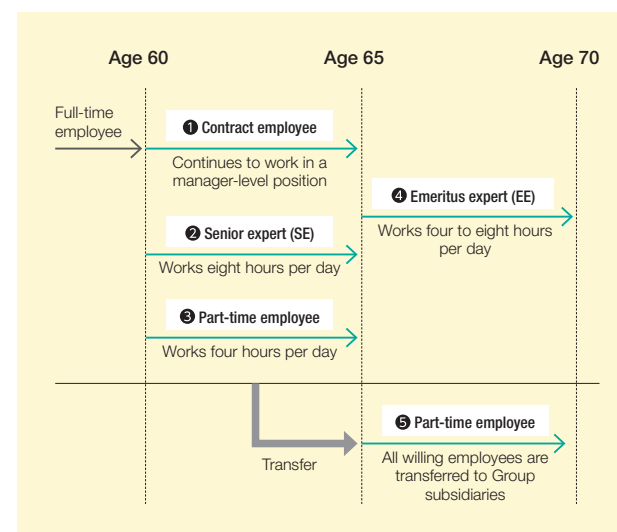
- Hiring
- Continued employment
- Work styles, including work hours
- Ratio of women in manager-level positions
- Variety of career paths

#### Active Aging in the Workplace

To enable employees aged 60 or above to remain in active roles, in April 2017 we increased the employment options available to senior employees based on their skills and desire to work. Specifically, those between the ages of 60 and 65 can become managerial contract employees, part-time senior experts, or part-time employees. For employees aged 65 to 70, we offer two options: to become part-time emeritus experts or to work for Yorozu Service Corporation, a Group company.

In an era of 100-year lives, we have prepared an environment where personnel with a wealth of experience and knowledge can continue working in a position that suits them.

#### Yorozu’s Continued Employment System



#### Proactive Hiring of Foreign Nationals

We proactively hire non-Japanese employees. In addition to recruiting international students in Japan, we have directly recruited employees from Thailand since fiscal 2016 and from Vietnam since fiscal 2018.

We support potential employees with the work visa application process and help guide them through life in Japan. Upon

arrival, we organize meet-and-greet events, and provide Japanese-language education and consulting services to help them quickly adapt to their new lives.

## Environmental Management



Hiroshi Kume

Senior Vice President (SVP)  
General Manager of Internal  
Auditing and Environmental  
Management Office

### Contributing to a Sustainable Society —Fulfilling Our Corporate Social Responsibility

It goes without saying that climate change is a major social issue. Yorozu Group is taking a range of steps to curb greenhouse gas emissions and help realize a carbon-free society. To cope with ocean plastic pollution and the world’s population growth, which is endangering the availability of natural resources, it has become more important than ever to use resources sustainably through environment-friendly procurement and minimization of waste emissions. We will work toward a more ambitious goal by fostering employees’ awareness of the environment.

#### Environmental Philosophy

Yorozu Group places high priority on the preservation of the earth’s environment and, through proactive efforts, contributes to the well-being of people around the world.

#### Environmental Policy

- 1 Grasp the impact of our business activities on the environment, and set environmental goals and targets while enhancing and improving our environmental management system
- 2 Prevent environmental pollution through compliance with environmental laws, regulations, agreements, and requirements
- 3 Work toward resource and energy conservation, recycling, and reduction of industrial waste and water use in all areas of our corporate activities
- 4 Engage in manufacturing and engineering development with less environmental impact
- 5 Reduce use of substances of environmental concern
- 6 Coexist with local communities and engage in the active exchange of information on environmental conservation

#### Environmental Objectives

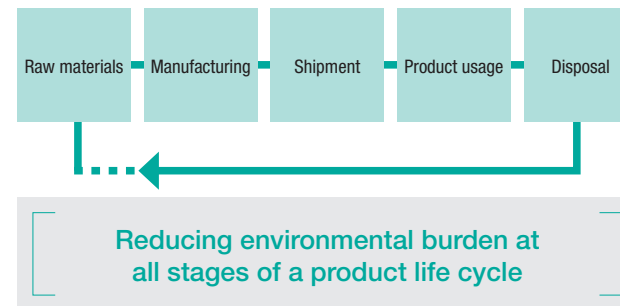
- 1 Enhancement and continual improvement of our environmental management system
- 2 Prevention of environmental pollution (zero environmental accidents)
- 3 Energy saving: Reduce carbon emission intensity by 18% against the fiscal 2012 level by fiscal 2030
- 4 Waste reduction: Reduce waste intensity by 18% against the fiscal 2012 level by fiscal 2030
- 5 Water reduction: Reduce water intensity by 15% against the fiscal 2015 level by fiscal 2030
- 6 Manufacturing with less consumption of energy and resources
- 7 Reduction of environmentally hazardous materials
- 8 Harmonious coexistence with local communities
- 9 Active exchange and disclosure of information related to environmental protection

## Management Foundation That Supports Sustained Growth

# Environmental Management

### Environmental Initiatives over the Entire Life Cycle

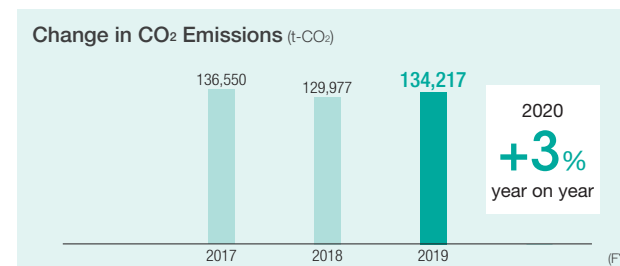
The Group's efforts to reduce its environmental burden go beyond the manufacturing process and include all stages of a product life cycle. We promote green procurement in purchasing raw materials and optimize transportation to save energy. In addition, the environmental impact from waste disposal is minimized by controlling the hazardous substances contained in our products.



### Realization of a Carbon-Free Society: Initiatives to Reduce CO<sub>2</sub> Emissions

With each passing year, the impact of global climate change becomes ever greater. In Japan, disasters such as heavy rain are a threat to business continuity. As a member of the automotive industry, we have a responsibility to combat climate change. It is estimated that CO<sub>2</sub> emissions from cars while driven are 50 times larger than the level of CO<sub>2</sub> emissions generated during the production of cars. Since this indirect form of emissions has a significant impact on the global environment, it is imperative that we help improve the fuel economy and electrical efficiency of cars by reducing their weight, even by a single gram. (Please see "Case Study" on page 15 for more details.)

The Company engages in energy-saving activities based on a drive to achieve "maximum efficiency with bare minimum cost," taking on renewable energy as a new corporate challenge for the next generation.



### Utilization of Renewable Energy

Since January 2020, our second production base in Thailand, Y-Ogura Automotive (Thailand) Co., Ltd. (Y-OAT), has been utilizing renewable energy from solar power. The solar panels at Y-OAT have a capacity of 500kW, which is larger than the panels installed at Yorozu Global Technical Center (YGTC) in Tochigi Prefecture, Japan. Y-OAT's solar power system provides approximately 35% of the power used at Y-OAT. The panels on the rooftop have a heat-shielding effect and lower the indoor temperature, thereby improving the work environment. We are taking one step at a time doing the things we can do to realize a carbon-free society.



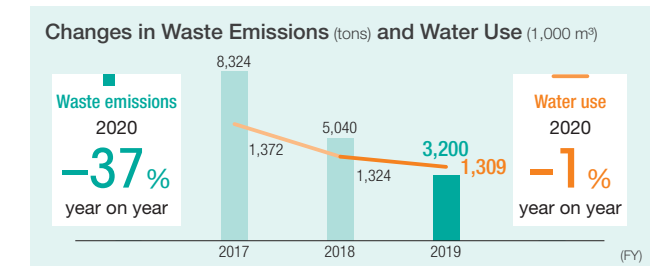
The large-scale panels for solar power generation installed at Y-OAT (Thailand)

### Efforts to Establish a Resource-Recycling Society: Cutting Waste Emissions and Water Use

As the population grows, effective utilization of resources and working toward a recycling-based society have become increasingly important. Through the 3Rs (reduce, reuse, recycle), Yorozu has long endeavored to lower the amount of waste it generates. Now that ocean plastic pollution has become a growing problem, we are taking stronger actions to reduce plastics from our in-house production processes.

There are parts of the world where day-to-day life is threatened by scarce water resources. While adhering properly to industrial wastewater treatment, we embrace the need to reduce the volume of water used, and in 2015 we embarked on a full-scale initiative to reduce water

consumption. Large quantities of water are used particularly in our painting process where parts are cleaned before painting. We have eliminated wasteful practices to save water in the process.



### Green Procurement

Seeking sustained mutual growth, we encourage our business partners to lower their impact on the environment.

In 2015, we issued *Yorozu Green Procurement Guidelines*, and we preferentially purchase materials from environment-conscious suppliers. Surveys are also conducted

to check compliance with the guidelines. We advance these activities through close communication between our environment-related departments and those of our suppliers.

### Coexistence with Local Communities

Twice a year, Yorozu participates in a survey of natural life forms organized by the Yokokura Community Association, to which the Yorozu Global Technical Center (YGTC) and Yorozu Tochigi Corporation belong. In this area, companies treat their own wastewater and release it into the waterway for agricultural purposes. If wastewater is not treated properly, it can affect the local ecosystem. Through participation in the survey, together with the Yokokura Community Association and NPOs, we sample and observe organisms in the area and check that their habitats are preserved and that the local natural environment is protected.

Watarase-yusuichi in Oyama, Tochigi Prefecture, is a natural treasure trove of many animals and plants, including 183 endangered species. In 2012, the retarding basin was registered under the Ramsar Convention on Wetlands. Yorozu regularly takes part in the Watarase Retarding Basin Willow and Canada Goldenrod Removal Operation led by

the city of Oyama. By removing these invasive plant species, we help native plants (including endangered species) recover and flourish. The mayor of Oyama presented us with a letter commending us for supporting the activities to preserve the Watarase wetlands.



Survey of natural life forms in the Yokokura area



# Board of Directors

(as of June 26, 2020)

## Directors



**Akihiko Shido**  
Chairman, Chief Executive Officer (CEO)



**Ken Shido**  
President, Chief Operating Officer (COO)  
Chairman of Manufacturing Function Group



**Akira Saso**  
Chief Executive Vice President, Chief Financial Officer (CEVP & CFO)  
Chairman of Finance and Project Management Function Group



**Tsutomu Hiranaka**  
Chief Executive Vice President (CEVP)  
Chairman of Marketing Sales and Management Function Group



**Yasushi Miura**  
Member of the Board (Standing)

## Outside Directors



**Masashi Oshita**  
Outside Director  
(Independent Officer)

**Concurrently held positions**  
Vice Chairman and Executive Managing Director of Japan Auto Parts Industries Association (JAPIA)  
Director of Japan Automobile Research Institute (JARI)  
Director of Automobile Business Association of Japan  
Director of Japan Society for the Promotion of Machine Industry



**Hiroshi Moriya**  
Outside Director  
(Independent Officer)

**Concurrently held positions**  
Chairman of Marelli Corporation  
Member of Saitama Prefectural Personnel Commission



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

**Concurrently held position**  
Outside Director of Keihin Corporation



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

**Concurrently held position**  
Chief Audit Commissioner of Toda City

# Corporate Governance

## Basic Stance

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 open and transparent corporate activities, thereby earning the trust of our stakeholders, the Group remains committed to reinforcing corporate

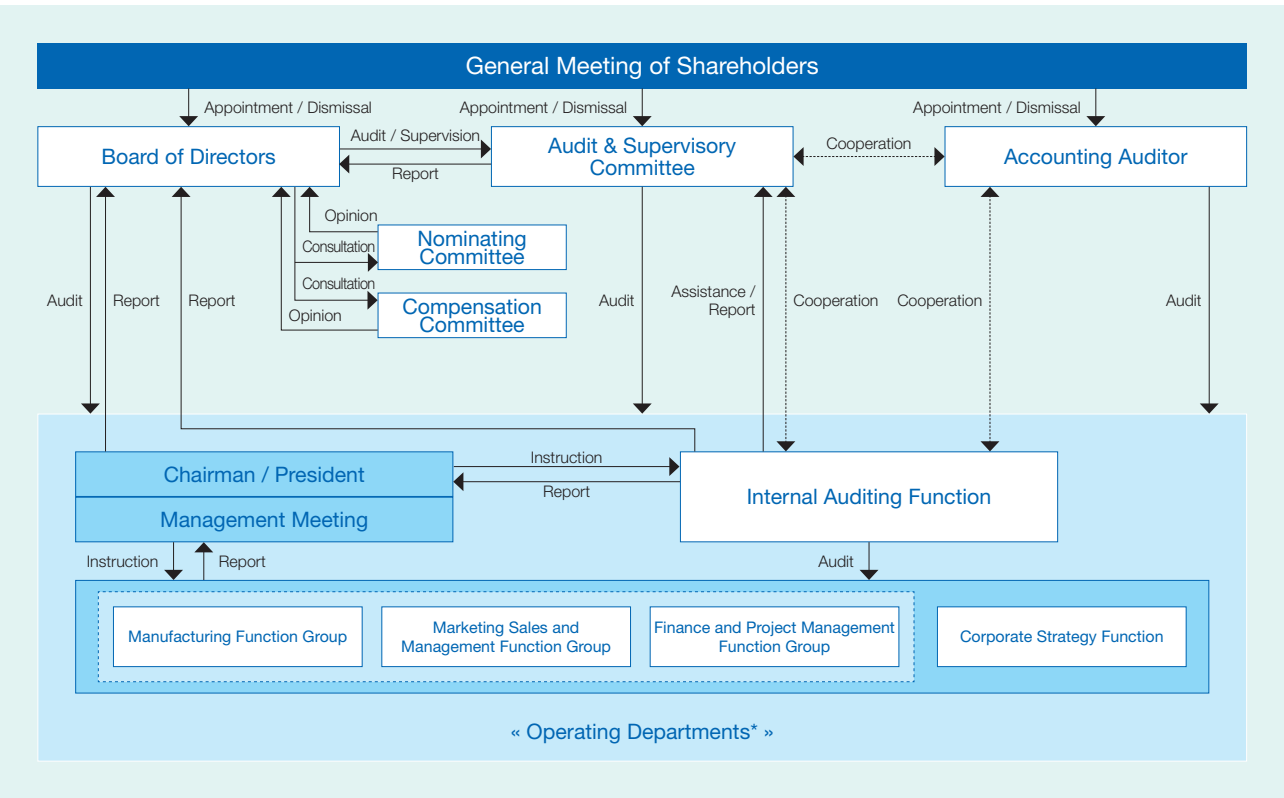
governance through its organizational design, establishment of a governance framework that includes internal control systems, and application of its corporate philosophy across the Group, driven by the self-cleansing effect under the Group's Charter of Corporate Behavior and Employee Code of Conduct.

## 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, where outside directors hold a majority, and thereby strengthen corporate governance and audit and supervisory functions.

### Corporate Governance Structure



\* A cross functional organization made up of three function groups (Manufacturing Function Group, Marketing Sales and Management Function Group, and Finance and Project Management Function Group) and two independent functions (Corporate Strategy Function and Internal Auditing Function) to control each site based on three regions (Japan, the Americas, and Asia)

### Overview of Corporate Governance

Type of organizational design	Company with an Audit & Supervisory Committee
Number of directors who are not members of the Audit & Supervisory Committee (number of independent outside directors)	6 (2)
Number of members of the Audit & Supervisory Committee (number of independent outside directors)	3 (2)
Total number of directors (number of independent outside directors)	9 (4)
Ratio of independent outside directors	44.4%

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



Corporate Governance

Messages from Outside Directors



Masashi Oshita  
Outside Director  
(Independent Officer)

For Corporate Value Enhancement over the Medium to Long Term

While on one hand giving us freedom of movement, cars can have a negative impact on the environment and safety, and Yorozu has a responsibility to contribute to the improvement of environmental sustainability and automotive safety. As a member of the highly interconnected automotive industry, the Company must ensure a stable supply of products even amid the COVID-19 crisis, and, needless to say, it must work to enhance corporate value over the medium to long term while considering the interests of its stakeholders, such as shareholders, employees, and business partners.

While the business environment is likely to remain challenging, I hope to fulfill my responsibilities as an outside director from broad perspectives, including ESG management and SDGs, that the Company is expected to consider.



Hiroshi Moriya  
Outside Director  
(Independent Officer)  
(newly appointed)

Turning Risks from Environmental Changes into Opportunities

The business environment is going through dramatic changes, such as once-in-a-century innovations in automotive technologies, social transformations triggered by the COVID-19 crisis, and the rapid progress of digital transformations (DX). In order to sustain growth, Yorozu must further evolve its safety and quality as well as its distinguished and unrivaled *monozukuri*, now a part of Yorozu's corporate DNA, and foster a sense of solidarity, or a "One Team" mindset, among the 6,500 diverse individuals comprising the workforce. I will fulfill my responsibilities as an outside director through the experience gained over my many years in the automotive industry in Japan and overseas, and hope to make suggestions that will help enhance the Company's corporate value and turn risks into opportunities.



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

Making the Most of My Experience as an Attorney in Japan and Overseas

The role of an outside director in corporate governance is to supervise the execution of duties from the shareholders' and stakeholders' view. As company information is communicated swiftly and accurately, outside directors are given sufficient time to prepare for a lively discussion at the Board of Directors meetings. Since my appointment in 2017, I have been able to perform my duties in a healthy business environment because the opinions of outside directors are respected.

Going forward, I hope to make the most of my firsthand experience as an attorney in Japan and Germany and as a law school professor. I will stay focused on the changing trends under globalization and the increasing ubiquity of IT, and hope to perform the expected duties and contribute to enhancing sustainable corporate value.

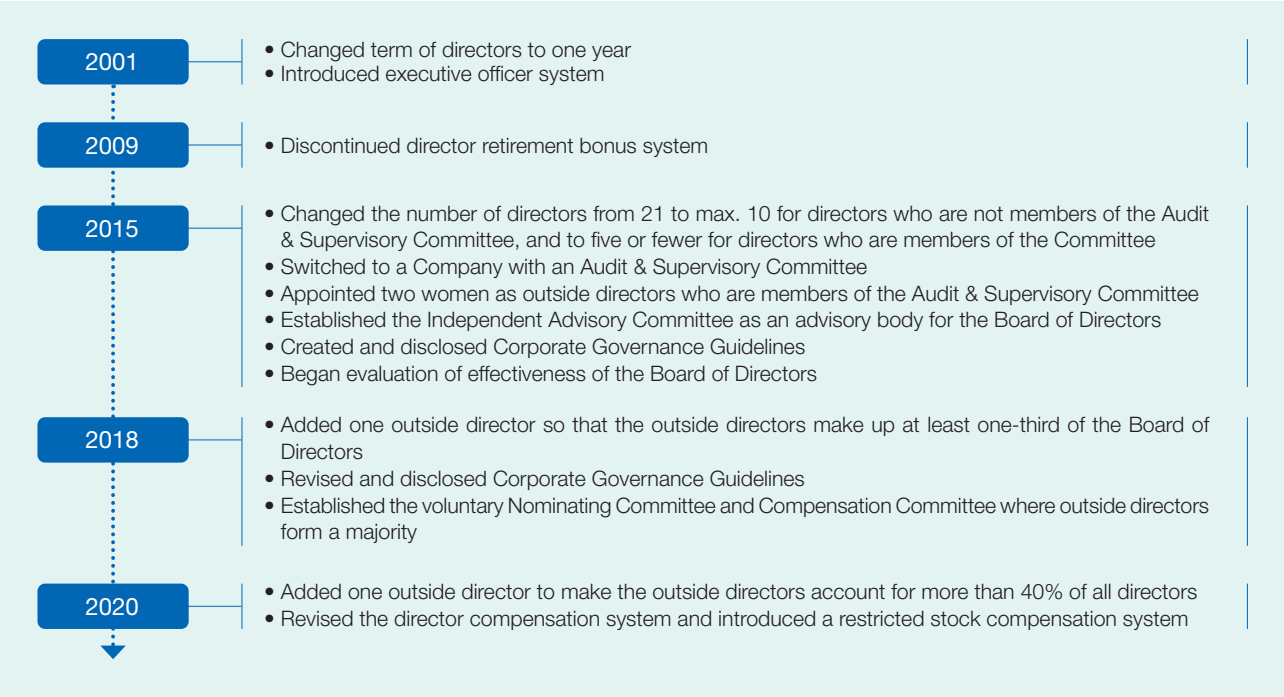


Chieko Ogawa  
Outside Director (Member of  
Audit & Supervisory Committee)  
(Independent Officer), CPA

Ensuring Diversity, Including Gender Equality

I strive to reflect my knowledge and experience as a CPA in my opinions on the agenda items submitted to the Board meeting. I also endeavor to closely monitor management decisions throughout the decision-making process. Given recent social changes, such as technology innovation, changes to the working-age population, and environmental issues, consideration for diversity and gender equality is important when making sustainable management decisions to create an environment that allows women to participate in management and reflect their opinions. Such an environment will not only aid in the self actualization of these women but also help their junior female colleagues, the Company, and society. I would like to keep addressing the issues surrounding female managers and advocating for them in the Board meeting.

Steps to Reinforce Corporate Governance



Audits and Supervision

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

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

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

The Company has established the Independent Advisory Committee as an advisory body to the Board of Directors, consisting of outside experts and outside directors independent of the management team. At the request of the Board of

Directors, the Committee advises on overall corporate management, in particular, corporate governance, capital policy, and Company proposals with less support for resolution in the General Meeting of Shareholders.

Directors who are members of the Audit & Supervisory Committee hold regular and extraordinary meetings of the Committee; attend Board meetings, monthly Management Meetings, meetings of global subsidiary presidents, among others; and periodically meet with representative directors. The Committee comprises four members including two outside directors appointed at the General Meeting of Shareholders. It receives appropriate and timely reports from directors, officers, the accounting auditor, auditing departments, and other relevant personnel, and necessary information is shared to improve the quality and efficiency of the audits.

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

The Internal Auditing and Environmental Management Office has been established to maintain effective internal control activities and supervisory functions. The Audit &

Corporate Governance

Supervisory Committee strives to improve efficiency in auditing and investigating the Company's operations and financial assets in cooperation with the internal auditing department by sharing annual auditing plans and monthly audit reports and by attending the quarterly hearing reviews

conducted by the accounting auditor together. The internal auditing department exchanges opinions with the accounting auditor on audit plans, the state of audits, and audit results to reflect in internal control activities.

Execution of Business

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 has established an overarching system that

laterally manages discrete functions through three function groups (Manufacturing Function Group, Finance and Project Management Function Group, and Marketing Sales and Management Function Group) and two independent functions (Corporate Strategy Function and Internal Auditing Function), based on the existing three regional units.

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 people who meet the Company's criteria for independence and have the approval of at least one current independent director or independent member of the Audit & Supervisory Committee 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	Reason for nomination	Concurrently held positions	Attendance at Board of Directors meetings (April 2019 to March 2020)
Masashi Oshita	Since assuming the position of outside director in June 2018, Masashi Oshita has provided oversight to the Company's management from an independent and neutral position. His advice is based on extensive experience and knowledge acquired during his tenure with the Ministry of Economy, Trade and Industry, which is why we believe he is fully qualified to serve as outside director. He also chairs the Nominating Committee and is a member of the Compensation Committee, both voluntarily established for higher transparency and objectivity in the process for the appointment of directors and the determination of compensation. Although Mr. Oshita has not engaged in corporate management in any other capacity, we believe him to be capable of performing the duties of an outside director for the above reasons.	Vice Chairman and Executive Managing Director of Japan Auto Parts Industries Association (JAPIA) Director of Japan Automobile Research Institute (JARI) Director of Automobile Business Association of Japan Director of Japan Society for the Promotion of Machine Industry	14 out of 14 meetings (100%)
Hiroshi Moriya	We believe the appointment of Hiroshi Moriya as outside director is appropriate because of his involvement in the automotive industry over the years. The extensive experience and wide-ranging insight he has garnered as a senior executive of a global corporation are expected to strengthen the decision-making and supervisory capabilities of the Board of Directors.	Chairman of Marelli Corporation Member of Saitama Prefectural Personnel Commission	—
Chiaki Tsuji	Since assuming the position of outside director in June 2017, Chiaki Tsuji has provided oversight to the Company's management from an independent and neutral position. Her objective and straightforward opinions based on her career as a lawyer in Japan and in Germany as well as her extensive experience suggest she is fully qualified to serve as outside director.	Outside Director of Keihin Corporation	14 out of 14 meetings (100%)
Chieko Ogawa	Since assuming the position of outside director in June 2017, Chieko Ogawa has provided oversight to the Company's management from an independent and neutral position, as well as advice from an objective point of view based on her extensive experience and career as a CPA in Japan and the U.S., which is why we believe she is fully qualified to serve as outside director.	Chief Audit Commissioner of Toda City	13 out of 14 meetings (93%)

Nominating Committee and Compensation Committee

The Nominating Committee and Compensation Committee have been established, where independent outside directors form a 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 deciding on the nomination and compensation of directors.

The Nominating Committee proposes candidates for director nomination at the General Meeting of Shareholders, and discusses the process of training the candidates for key management positions. The Compensation Committee reviews the director compensation system and makes suggestions. Yorozu periodically evaluates the effectiveness of both committees.

Committee	Inside directors	Outside directors	Chairperson
Nominating Committee	2	4	Masashi Oshita (outside director)
Compensation Committee	2	4	Chieko Ogawa (outside director)

Evaluation of Effectiveness of Board of Directors

Once a year, Yorozu interviews directors and conducts a survey about operations and the effectiveness of the Board of Directors to identify any issues and increase the effectiveness of corporate governance.

As for the effectiveness of the Board of Directors in fiscal 2019, the Board meeting concluded that it was sufficiently effective, based on the survey and the deliberations that followed.

Summary of the results:

- The composition of the Board of Directors is appropriate in terms of size and the ratio of outside directors.
- The frequency and duration of the Board meetings as well as the number of items on the agenda were appropriate. Furthermore, the standards for submitted proposals were found to be reasonable.
- All transactions with the Company's executives and related parties are subject to approval of the Board of Directors due to the nature that they may give rise to

- conflicts of interest. In conclusion, proper procedures were followed in managing such transactions.
- The Board meetings received favorable responses for their lively discussions that took into account the meeting results of the voluntary Nominating and Compensation committees on succession planning and the directors' compensation system. We believe a more in-depth discussion has become possible at the Board meeting.
  - While some improvement was observed with regard to issues from the previous fiscal year concerning the volume and contents of the meeting materials, our efforts will continue into fiscal 2020 to improve management supervisory functions.
- In order to increase the effectiveness of the Board of Directors, Yorozu will continue making improvements in dealing with the identified issues.

Internal Control System

The Board of Directors determines and discloses the general policy for maintaining the internal control system as defined by the Companies Act. The Board also reviews the effectiveness of the system every fiscal year.

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

Our corporate governance report (in Japanese) can be viewed here.  
<https://www.nikkei.com/nkd/disclosure/tdnr/cbbt9d/>

# Revision of the Director Compensation System

As a replacement for stock options, in fiscal 2020 we introduced restricted stock compensation to provide medium- to long-term incentives and revised the proportion of performance-linked compensation.

## Compensation Levels

Compensation levels are based on the capabilities, roles, and performance expected of each officer. By offering a globally competitive remuneration level to senior management based

on targets and results, we motivate the next generation of leaders and enhance the vitality of the organization.

## Director Compensation Structure

The compensation structure of directors engaged in business execution consists of a fixed compensation based on roles, function, and achievement, and performance-based compensation in annual and medium- to long-term perspectives. The Company has also introduced a stock remuneration plan that reflects medium- to long-term

corporate performance as well as potential risks, as an incentive to inspire a healthy entrepreneurial spirit.

To ensure independence from business execution and avoid impact on performance, fixed compensation is applied to nonexecutive and outside directors.

## Governance of Compensation

The Company's voluntary Compensation Committee, which is an advisory body to the Board of Directors, deliberates on and monitors director compensation policies, the appropriateness of the level and breakdown of compensation, and the evaluation process.

Since June 2019, the Company has convened the Nominating Committee seven times and the Compensation Committee eight times. Of particular note, the Compensation Committee proposed a stock compensation to the Board of Directors. Following the approval of the Board and the General Meeting of Shareholders, a new stock compensation

system was introduced. Both committees are voluntary and chaired by an outside director, and at least two-thirds of the members are outside directors. The Compensation Committee reviews all executive directors' compensation, which is then determined by the Board of Directors.

The amount of compensation is determined based on qualitative evaluations and individual performance. The Company's chairman is entrusted by the directors to evaluate the performance, and the Compensation Committee reviews the results and submits them to the Board of Directors for approval.

Total Compensation by Director Classification, Total by Compensation Type, and Number of Directors

Director classification	Total compensation (Millions of yen)	Total by compensation type (Millions of yen)			Number of directors
		Basic compensation	Stock compensation	Performance-linked compensation	
Directors (Not including members of the Audit & Supervisory Committee and outside directors)	240	130	45	65	5
Directors (members of the Audit & Supervisory Committee) (Not including outside directors)	12	12	–	–	1
Outside directors	18	18	–	–	3

# Initiatives for Compliance

The Group maintains its basic stance to advance fair and transparent corporate activities with a strong sense of ethics and strict adherence to laws and regulations. Aware of the need to increase corporate value and gain the trust of all stakeholders by fulfilling our social responsibilities as a good corporate citizen under relevant laws and regulations, the Yorozu Group Charter of Corporate Behavior and the Employee Code of Conduct are in place as guidelines for our daily operations.

## Initiatives for the Antimonopoly Act

The Group strictly complies with the Antimonopoly Act (competition law) as well as other laws and regulations governing business transactions. In addition to organizing seminars led by attorneys, we ensure all employees are thoroughly conversant with our *Antimonopoly Act Compliance Manual* and perform their day-to-day work in a sincere and fair manner. Anti-harassment training is also given to create a healthy workplace environment, ensuring basic understanding and appropriate handling of harassment if it should happen.



Compliance training by an attorney

## Elimination of Antisocial Forces

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

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

## Avoiding Conflict Minerals

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

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

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

The Group has set up the “Come Forward for Help Line” as a means for frontline employees to quickly and accurately report important compliance matters to senior management. To encourage everyone to take advantage of this system and provide information, we have set rules to protect the users

and people seeking consultation. The help line has also been made available to Group companies and others around the world, making it possible for outside directors to directly receive complaints and inquiries. The Board of Directors is updated on the reports and consultations.



# Risk Management

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

## Information Security

The Information Security Control Policy is in place and the Technology Leak Prevention Committee has been set up to properly protect the Company's information assets and take information security measures. We protect customers, suppliers, and internal data from such threats as errors, accidents, damage, and criminal acts by clarifying the

method to handle information based on risks and severity. The Company complies with relevant laws, regulations, and other rules, and continuously improves its control system that is well-coordinated with changes in the business environment.

## Business Continuity Planning (BCP)

Yorozu has formulated a business continuity plan (BCP) to ensure uninterrupted performance of the core businesses, to fulfill our social responsibilities as an enterprise, in the event of unforeseen incidents and natural disasters. To ensure a stable supply structure for customers, we have designated our headquarters as a control tower and have taken steps to prevent fires and accidents at plants that provide production equipment that is essential to product delivery.

Disasters and accidents could render our suppliers incapable of manufacturing and delivering products, which could halt our production and thereby cause our customer's production lines to stop. To avoid such consequences, we regularly update the database of our die assets used for key products in Japan so that we can quickly switch to alternative production locations. We are well-prepared with

information on the type of presses required at the alternative plants to ensure a stable supply of stamping products. To prevent the halting of our production lines due to aging facilities, we inspect the stamping presses with vibration gauges, oil degradation meters, and ultrasound meters to quantify the degree of deterioration. We are working on a thorough follow-up process when conducting statutory inspections and a preventive maintenance system based on IoT technology. In addition, the Company has set up an emergency communication plan, increased the resilience of IT systems, stockpiled food and supplies, and distributed a pocket guide for emergencies to employees. Our efforts are also focused on disaster prevention training and regular drills.



Disaster drill at Yorozu Global Technical Center (YGTC)

# Five-Year Summary of Financial and Non-Financial Data

Yorozu Corporation and Consolidated Subsidiaries

	FY2015	FY2016	FY2017	FY2018	FY2019
(Millions of yen)					
Financial Data					
Profit / Loss statements (fiscal years)					
Net sales	172,797	167,723	171,536	169,111	157,680
Cost of sales	149,315	147,489	151,587	149,295	141,331
Gross margin	23,482	20,234	19,949	19,816	16,349
SG&A expenses	13,467	13,906	13,919	14,525	14,142
Operating income	10,015	6,327	6,029	5,290	2,206
Non-operating income	434	745	857	796	594
Non-operating expenses	3,094	807	1,239	864	2,030
Ordinary income	7,355	6,265	5,648	5,222	770
Extraordinary gains	49	64	55	288	73
Extraordinary losses	128	96	321	2,650	11,760
Net income (loss) attributable to owners of parent	3,700	3,980	2,717	402	(12,933)
Cash flows (fiscal years)					
Cash flows from operating activities	18,735	17,191	9,421	17,603	10,824
Cash flows from investing activities	(15,046)	(22,627)	(20,814)	(13,807)	(9,584)
Cash flows from financing activities	260	10,075	6,875	1,103	(7,718)
Financial condition (fiscal year-ends)					
Cash and cash equivalents, end of period	21,501	25,197	20,882	24,970	19,019
Total assets	151,351	167,171	175,083	168,097	139,700
Net assets	96,027	93,759	97,015	92,310	74,550
Per-share information					
Net income (loss) per share (¥)	149.39	163.73	114.31	16.94	(544.05)
Net assets per share (¥)	3,214.55	3,300.26	3,359.44	3,182.74	2,507.05
Other Financial Data					
Operating income ratio	5.8%	3.8%	3.5%	3.1%	1.4%
Return on equity (ROE)	4.6%	5.0%	3.4%	0.5%	(19.1%)
Return on assets (ROA)	4.9%	3.9%	3.3%	3.0%	0.5%
Equity ratio	52.6%	46.9%	45.6%	45.0%	42.7%
Dividend payout ratio	35.5%	35.4%	51.6%	271.5%	—
Capital investments	15,500	24,643	20,013	15,451	11,216
Depreciation	10,870	10,592	11,915	12,075	12,522
R&D expenditures	6,163	8,677	9,435	8,179	7,391
R&D expenditures to sales ratio	3.6%	5.2%	5.5%	4.8%	4.7%
Non-Financial Data					
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	113,205	114,512	136,550	129,977	134,217
Waste emissions (tons)	5,167	5,354	8,324	5,040	3,200
Water use (1,000 m <sup>3</sup> )	1,248	1,280	1,372	1,324	1,309
Employees (people)	6,491	6,727	6,590	6,597	6,475
Ratio of non-Japanese employees	3.37%	3.47%	3.92%	4.59%	6.57%
Ratio of women in management positions	1.45%	1.47%	3.85%	5.95%	8.05%
Ratio of paid vacation taken	64.2%	60.7%	66.2%	80.1%	84.2%
Number of accidents that led to lost working days	0	0	0	0	0

# Corporate Information (as of March 31, 2020)

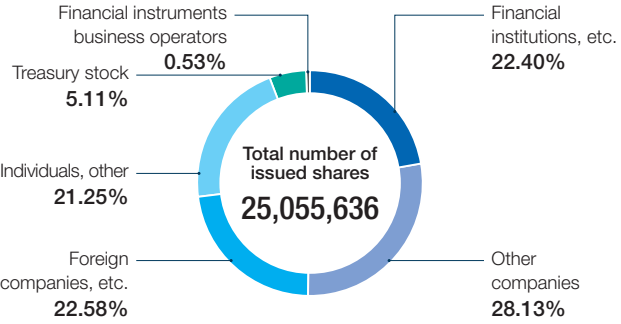
## Company Overview

Company name	Yorozu Corporation	Business activities	Development, design, production, and sales of auto parts, agricultural machinery parts, and manufacturing equipment
Address	3-7-60 Tarumachi, Kohoku-ku, Yokohama, Kanagawa 222-8560, Japan	Employees (consolidated)	6,475
Foundation	April 1, 1948		
Capital	¥6,200 million		

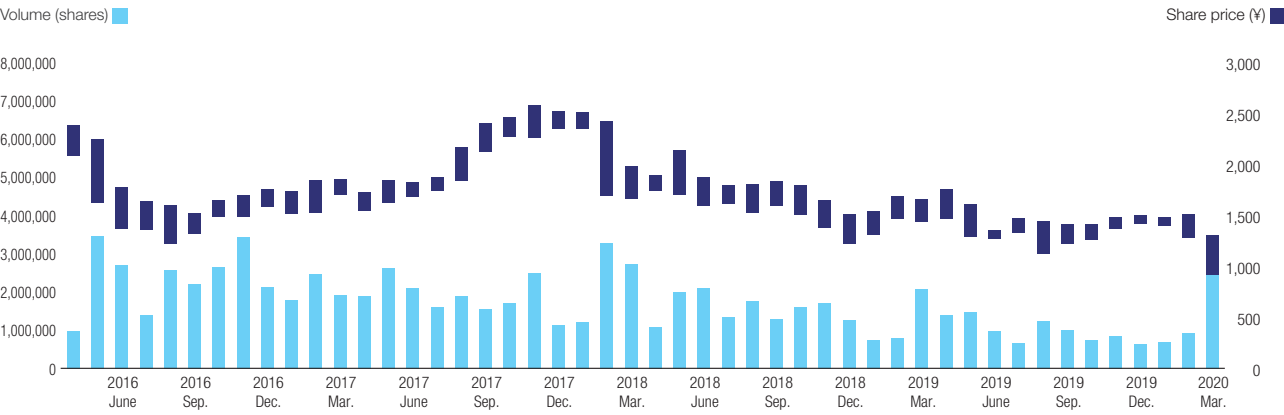
## Stock Information

Stock exchange listing	Tokyo Stock Exchange, First Section
Securities code	7294
Authorized shares	64,000,000
Transfer agent & office	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan
Number of shareholders	13,148

## Breakdown of Shareholders by Investor Type



## Trend in Share Price

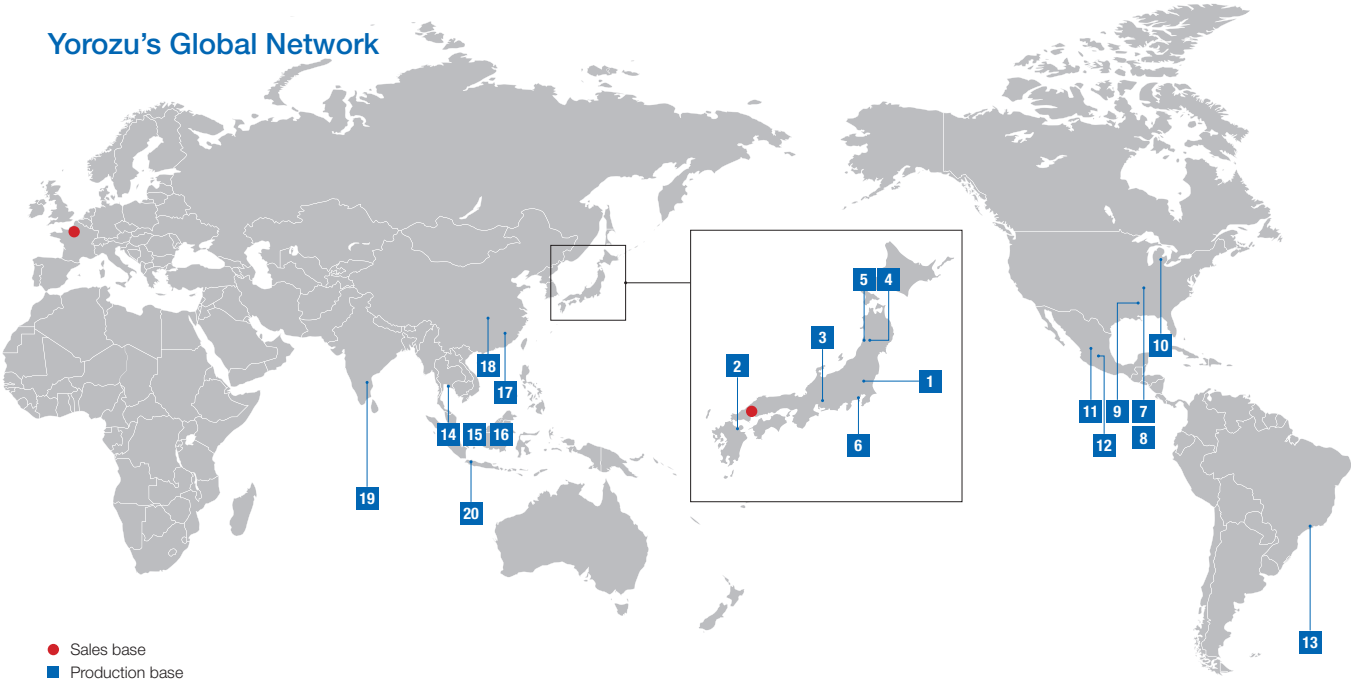


## Major Shareholders

Name of shareholder	Number of shares held	Ownership ratio (%)
Reno Co., Ltd.	1,929,200	8.11
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	1,852,000	7.79
Japan Trustee Services Bank, Ltd	1,817,200	7.64
The Master Trust Bank of Japan, Ltd.	988,900	4.16
Shido Holdings Co., Ltd.	883,500	3.72
JFE Steel Corporation	843,000	3.55
Mizuho Bank, Ltd.	842,668	3.54
The Bank of Yokohama, Ltd.	842,668	3.54
Suzuki Motor Corporation	800,000	3.36
Mitsubishi UFJ Trust and Banking Corporation	682,000	2.87

Note: The Company owns 1,279,108 treasury shares. Ownership ratios were calculated by deducting treasury shares from the total number of issued and outstanding shares.

## Yorozu's Global Network



	Name	Location	Capital or investment amount	Main business
1	Yorozu Tochigi Corporation	Oyama, Tochigi Prefecture	¥100 million	Manufacture and sale of auto parts
2	Yorozu Oita Corporation	Nakatsu, Oita Prefecture	¥100 million	
3	Yorozu Aichi Corporation	Nagoya, Aichi Prefecture	¥100 million	
4	Shonai Yorozu Corporation	Tsuruoka, Yamagata Prefecture	¥100 million	
5	Yorozu Engineering Corporation	Mikawa Town, Higashi-Tagawa-gun, Yamagata Prefecture	¥100 million	Manufacture of stamping dies and assembly production equipment
6	Yorozu Service Corporation	Yokohama, Kanagawa Prefecture	¥10 million	Insurance services, money lending, temporary staffing, service contracting, etc.
7	Yorozu America Corporation	Morrison, Tennessee, U.S.A.	\$192 million	Supervision of North America region and development of auto parts
8	Yorozu Automotive Tennessee, Inc.	Morrison, Tennessee, U.S.A.	\$95 million	
9	Yorozu Automotive Alabama, Inc.	Jasper, Alabama, U.S.A.	\$70 million	
10	Yorozu Automotive North America, Inc.	Battle Creek, Michigan, U.S.A.	\$20 million	Leasing of plant structures
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 Janerio, 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	770,000 million Indonesian rupees	

## Website

**Investor Relations**  
<http://www.yorozu-corp.co.jp/en/investors/>

The IR section has information about management policies, strategies in medium-term business plans, financial results information, and FAQs.

**CSR**  
<http://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**  
<http://www.yorozu-corp.co.jp/en/csr/eco/>

Yorozu publishes an environmental report for stakeholders that introduces its environmental preservation initiatives. This section introduces our environmental philosophy, ISO certifications obtained by Group companies around the world, initiatives to conserve energy, and other CSR activities.

## Contact us

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