



Toward the Future of *Monozukuri*

**YOROZU
INTEGRATED
REPORT
2022**

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]

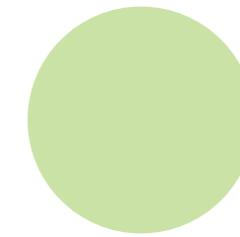
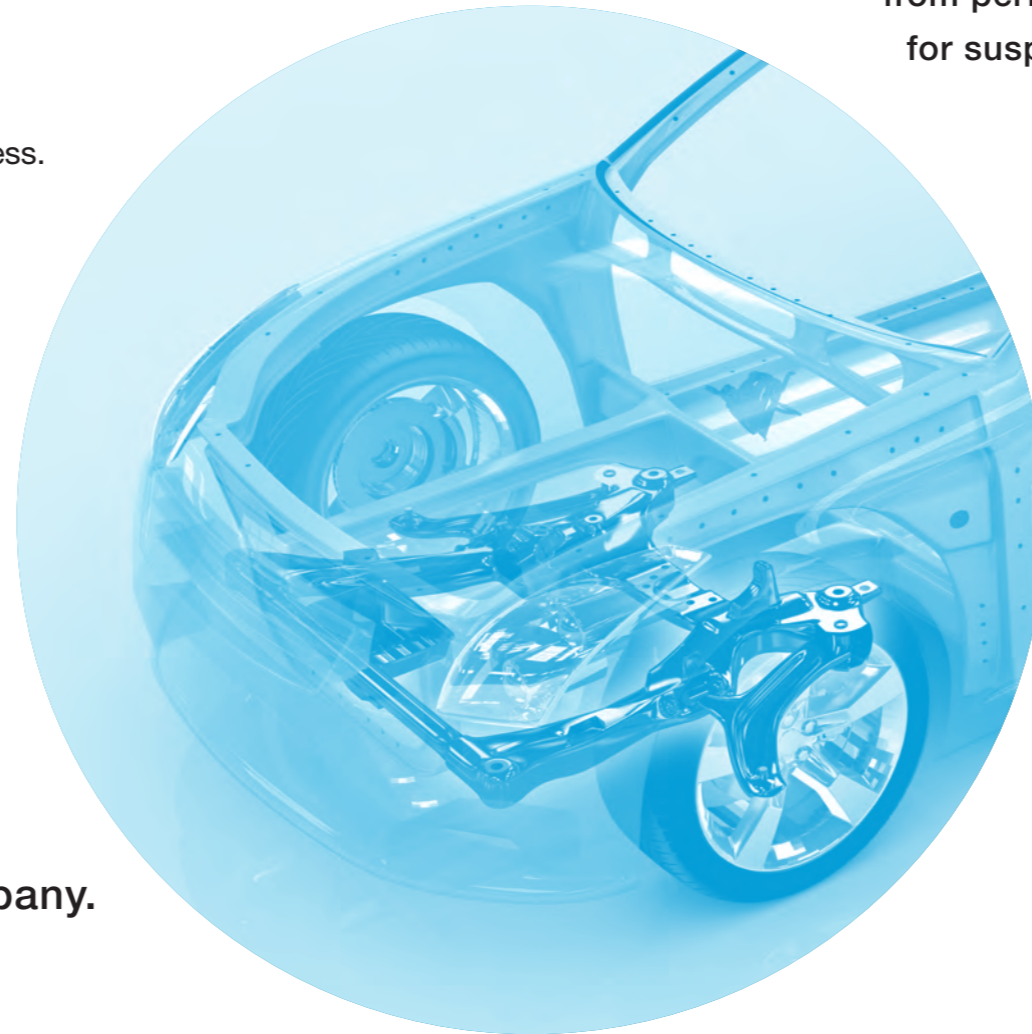
Our basic business creed is to conduct reliable management.

[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

With the one and only technologies and developmental capabilities in suspensions, we deliver solutions to customers' needs and aim to become a 100-year sustainable and evolving company.



Becoming a Byword for Suspensions

Yorozu has earned the trust of domestic and foreign automakers as a premier supplier of suspensions, having honed its technologies as an auto parts maker with a focus on suspensions. Leveraging its advanced developmental and technological capabilities, Yorozu will continue to expand globally as a suspension system manufacturer with a fully integrated production system, from performance development to mass production, for suspension parts and peripheral components.

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Editorial Policy

This is our fourth integrated report since we first published it in 2019. We see this report as a communication tool for promoting a better understanding of our corporate value and growth potential, aiming to convey in an easy-to-understand format our various initiatives to realize a sustainable society, as well as the Group's management policies, business strategies, and financial information, to all of our stakeholders, including shareholders, investors, suppliers, local communities, and employees.

The Yorozu Group will endeavor to provide its stakeholders with better reports to deepen their understanding of the Group. Please visit our official website for the most recent information.

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

Period and Scope of Reporting

- Period: Fiscal 2021 (April 1, 2021–March 31, 2022)
(Some information from outside this period is also included.)
- Scope: Yorozu Corporation and its Group companies.

Guidelines and Entities Referenced

- The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- Guidance for Integrated Corporate Disclosure and Company–Investor Dialogues for Collaborative Value Creation



Disclaimer Regarding Forward-Looking Statements

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

Message from the President

Evolving into a Strong, Competitive Company through Transition to ESG Management



**Tsutomu
Hiranaka**

President and COO
Member of the Board

Aiming to establish a solid presence in the age of electrification on the strength of our long-cultivated Yorozu brand and proprietary technologies

Perception of the Current Situation and Our Vision Going Forward

Our business environment continues to remain uncertain and extremely challenging due to a number of factors. These include the prolonged impact of COVID-19, declining automobile production stemming from semiconductor shortages and logistics disruptions, soaring prices of resin and steel sheets, and a paradigm shift of the automotive industry said to occur once every 100 years—as reflected by CASE—as well as a rapidly growing global momentum toward decarbonization as a measure against global warming. The acceleration of measures in response to CASE and toward decarbonization marks a major turning point where we may see a restructuring of the market and, as a result, we are searching for a way to stay ahead of the fierce competition. In order to benefit from this transition period in the form of new business opportunities, we must strategically step up our pace of evolution, rather than rely on our conventional measures for improvement. While our business environment remains unstable, I hope that we come together as an organization and demonstrate our solid presence in this age of electrification, without succumbing to a defense-first mentality.

Progress of Medium-Term Business Plan

Reflecting on the Inaugural Year of Yorozu Sustainability Plan 2023

With respect to our business performance in fiscal 2021, we were not able to achieve our first-year targets for sales and operating income ratio due to the impact of the decline in automobile production. That said, despite the stagnant growth in physical volume, we were able to improve our operating income ratio by roughly 5.6 times compared with the previous year by thoroughly implementing a production system that is adjusted flexibly in line with our customers' production volume and by continuing to engage in the Companywide Profit *Kaizen* Activities to improve profitability. We believe the fact that we were able to turn the substantial net loss incurred in the past two years into profit is a testament to the changes and improvements we have made to our profit structure.

We have been moving forward with our medium-term business plan, Yorozu Sustainability Plan 2023 (YSP2023) (see page 12), since fiscal 2021, a year in which we

worked to establish ways to address various issues and an internal framework. Once YSP2023 got underway, the first thing I embarked on was organizational reform to speed up management decision-making and act quickly on decisions made. First, we redefined the objectives of the Board of Directors, the Audit & Supervisory Committee, the internal management meetings, and other meetings; clarified the themes to be discussed; and restructured the meetings to ensure efficiency and effective outcomes. Also, in order to steadily and quickly implement the decisions made at these meetings, we classified our various departments into function groups and our global operations into three regional groups (Japan, the Americas, and Asia), appointed a regional manager for each region, and clarified responsibilities and the delegation of authority. Furthermore, in an effort to address the key issues that may have an impact on management, we established the new Steering Committee, which I chair as the president of Yorozu and consists mainly of officers in charge, to examine and determine solutions to said issues. While it has only been a year since its establishment, the Steering Committee has already produced positive results, such as the announcement of the construction of a new factory in the Tokai region (see page 16) and the foundation for achieving 100% green power generation at all of our domestic sites by 2024 (see page 28). Moving ahead, we look to continue utilizing both top-down and bottom-up approaches and incorporating the views of our employees to be able to explore innovative ideas on resolving our increasingly complex issues and make decisions with speed.

Initiatives for the Second Year and Beyond

To build and pave the way for Yorozu's growth strategy and demonstrate our solid presence in this age of electrification, our initiatives for the second year of YSP2023 and beyond are defined as the 5Gs (see page 13).

Our initiatives comprise four specific themes.

First is the advancement of carbon neutrality across all sites in and outside Japan as a measure against climate change, which is the backbone of our ESG management.

In addition to switching to the use of green energy for electricity used at all of our business sites worldwide, we aim to use 100% renewable energy as the heat source for our production lines and achieve carbon neutrality in manufacturing. Climate change is an

Message from the President

issue that threatens our lives and livelihoods today and tomorrow, and as a human being living on this planet and as a company based in Japan, it is an issue that must be addressed. We believe that our efforts to realize a sustainable, decarbonized society in this time of great transition and competition with the possibility for market restructuring will lead to gaining new business opportunities. In 2021, we formulated Yorozu Global Environmental Vision 2040 (see page 26) and set a goal to become carbon neutral by 2040. Since then, we have been promoting efforts across the organization toward achieving this goal, which include the establishment of the ESG Office in April 2021 and the Carbon Neutrality Office in April 2022. Yorozu will continue to advance its carbon neutrality initiatives with the strong determination and resolve that carbon neutrality will bring about a structural change and with pride as an industry leader in this area.

The second theme is the realization of a model plant at the new site in the Tokai area, which Yorozu sees as a game changer to strengthen competitiveness and generate stable profits.

Through the operation of this new factory, Yorozu aims to not only become exceptionally competitive but also to establish a model plant for automotive parts manufacturers in Japan that consistently delivers new value while thoroughly respecting the environment and being rooted in local communities.

Third is the development of new technologies and methods that contribute to electrification in society, in which we strongly emphasize the importance of protecting the environment, and the fourth theme is our proactive efforts to expand sales.

With the increasing use of electric vehicles (EVs) and the additional parts and systems being installed on vehicles to address the need for automated driving, anti-collision, and other features for added convenience, automobiles will only continue to get heavier. In light of this situation, we at Yorozu are working to develop lighter parts to help reduce CO2 emissions from vehicle use. For example, in fiscal 2021 we introduced stamping and welding technologies that enable the processing of high-tensile thin sheet materials, which offer significant weight-reduction benefits, and will unveil a production method that generates significantly less CO2 emissions throughout the manufacturing process. These measures have increased the likelihood of achieving our goal of reducing weight by 30% or more compared with fiscal 2017 levels and enabled us to make significant contributions to the CO2 reduction efforts of automakers. In addition, Yorozu has developed strategies centered on customers, products, and regions and is actively engaged in activities to expand sales. A number of our suspension parts have been adopted in newly released or soon-to-be released EVs, such as the Ariya by Nissan Motor Co., Ltd., the Sakura and eK X EV, new mini EVs from Nissan Motor Co., Ltd. and Mitsubishi Motors Corporation, the bZ4X by Toyota Motor Corporation, and the Solterra by Subaru Corporation. Through the development of fully

carbon-neutral products and highly competitive products incorporating new technologies and methods at our new factory in the Tokai region, we will devote even more efforts to our sales expansion activities with a view to becoming the preferred choice of Honda Motor Co., Ltd., Toyota Motor Corporation, Daihatsu Motor Co., Ltd., and Suzuki Motor Corporation in the Tokai region.

Promotion of ESG Management

At Yorozu, we believe that the most essential aspects of our corporate management going forward are ensuring stable profits; creating social value through our efforts in ESG management, which involves harmony with the natural environment, employee motivation, and robust governance; and ensuring that all stakeholders are fully aware of our reason for existence. Based on this belief, we consider ESG management to be our most important management policy.

As a measure to increase employee motivation, we are conducting employee engagement reforms (see page 25) in order to establish a workplace where every individual feels fulfillment in working at Yorozu and desires to continue working for the duration of their career. For instance, in terms of empowering women, we not only established the appropriate workplace environments and enhanced our existing systems but also actively conducted awareness-raising seminars and lectures led by external instructors. As a result of these measures, over 10% of our management positions are now held by female employees, and in November 2021 Yorozu became the first company and manufacturer based in Kanagawa Prefecture to receive Platinum Eruboshi certification. Further, our efforts to promote diversity go beyond empowering women. At over 70%, a high number of our male employees take childcare leave, and we also have a relatively high rate of non-Japanese employees.

With respect to strengthening governance, we will continue to strive for sustainable growth and medium- to long-term increases in corporate value by placing emphasis on a high level of governance and constructive dialogues with all investors.

By coexisting with local communities, we will continue to focus more on how we, as an organization, can make contributions to these communities and create social value.

To All Stakeholders

Guided by our Corporate Philosophy—Our primary mission is to contribute to society by continually striving to deliver technological innovation and create products that are beneficial to people—each employee at Yorozu has been working day by day to develop and improve its products as backseat players in the automotive industry by embracing the value, importance, and joy of *monozukuri* (manufacturing), similar to the way suspensions function in automobiles. The recognition of these efforts by all stakeholders has helped develop the Yorozu brand into a premier supplier of suspensions over the span of 74 years. However, as I stated earlier, Yorozu is currently in a major transition period. On the strength of our collective efforts based on GRIT (guts, resilience, initiative, and tenacity), which represents our frame of mind for the 5Gs, and our supply of exceptional suspension parts that offer cost competitiveness as well as the highest levels of safety, reliability, quality, and comfort, we aim to become a 100-year-old company that will grow continuously and boasts a solid presence in the age of electrification. Along the path to doing so, we will achieve sustainable improvements in our corporate value.



President and COO
Member of the Board



History of Value Creation

Founded as Yorozu Automobile Works in April 1948, the Company has developed its business by specializing in suspensions, mainly in the area of automotive undercarriage mechanisms. As Yorozu has grown alongside the automotive industry, it has experienced a series of turbulent times over the years, defined by severe changes in its external business environment arising from the Nissan Revival Plan, the global financial crisis of 2008, and the ongoing COVID-19 pandemic. However, despite the twists and turns, the Company has overcome a number of crises by promoting reforms and streamlining measures through the concerted efforts of all employees. Moving ahead, we will continue to enforce strategies that leverage the resilience, strengths, and advantages that have been fostered through this process of overcoming hardships to realize our vision of becoming a 100-year-old company.

The Four Defining Periods of Our Business

1999 Yorozu Survival Plan

The Nissan Revival Plan, which called for a 20% reduction in purchasing costs over a three-year period and the disbanding of affiliated companies, had a major impact on the Company, which was an affiliated manufacturer of Nissan Motor Co. Ltd. However, we addressed this issue through the formulation of the Yorozu Survival Plan, thereby achieving cost reductions of ¥5.8 billion by streamlining production, reducing personnel, introducing the Toyota Production System, and implementing a function-based matrix management system. To overcome the challenges brought on by the disbanding of affiliates, Yorozu formed a capital alliance with Tower Automotive, Inc., an automotive parts manufacturer based in the U.S., thereby becoming a foreign-affiliated company, and expanded its overseas operations to increase orders for automotive parts from Japanese companies other than Nissan Motor.

2008 Urgent Profit Improvement Measures

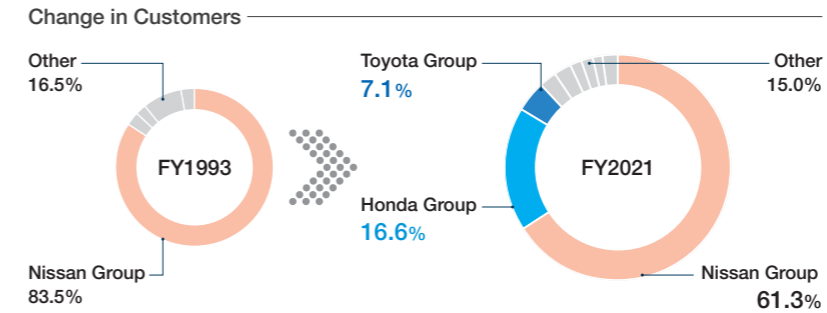
The global financial crisis triggered by Lehman Brothers' collapse had a severe impact on automakers and sparked a rapid appreciation of the Japanese yen, cutting our sales by half and putting our business at great risk. However, we took urgent measures to improve profitability, such as closing down a subsidiary in North America, streamlining our production system, and engaging in drastic cost reductions, based on a policy of "achieving maximum efficiency with bare minimum cost." In addition, the Company implemented reforms to reinforce its management structure, including manufacturing and educational reforms, and relocated the R&D functions and related departments to Tochigi Prefecture with the aim of developing globally competitive products. As a result, we successfully posted positive earnings with an operating income of ¥4.8 billion, eclipsing the operating loss of ¥0.7 billion we had initially forecast.

2011– Active Expansion of Overseas Business

In June 2011, Nissan Motor unveiled its mid-term plan, Nissan Power 88, and in response Yorozu immediately established six production facilities, mainly in emerging countries, over the course of three years from 2011. The Company expanded its two existing production sites in both China and Mexico and increased their production capacity to maximize returns on investment. In addition, we launched operations of our second production site in Alabama, U.S. in 2015 and of a second plant at one of our production bases in China in 2019, gaining additional customers in the process, particularly overseas, and increasing the percentage of our sales abroad.

2019– COVID-19 and Measures to Improve Profitability

While some production sites faced operational difficulties for a short period due to the global spread of COVID-19, the situation was dealt by identifying the degree of risk on our product's lead time and reviewing and ensuring proper inventory standards. At Yorozu, we have always encouraged the development of personnel who can multi-task and promoted the standardization and globalization of our business. This has led to the establishment of a system that enables production and delivery processes to be alternatively conducted at other facilities, thereby ensuring the safety of our employees and fulfilling our responsibility of supplying parts.



● Topics

Nissan Revival Plan

When Nissan Motor formed an alliance with French automaker Renault, then COO Carlos Ghosn announced the Nissan Revival Plan as its restructuring plan. In addition to plans to develop the business and increase its market presence, the Nissan Revival Plan entailed the achievement of ¥1 trillion in cost reductions by fiscal 2002 on a consolidated basis and a reduction of interest-bearing debt, excluding sales finance, from ¥1.4 trillion to less than ¥700 billion.

Global Financial Crisis of 2008

The bankruptcy of Lehman Brothers Inc. in the U.S. triggered a global economic downturn, leading to a drop in consumption and a rapid depreciation of the U.S. dollar due to financial instability along with a relative appreciation of the Japanese yen. The resulting significant slowdown in the Japanese economy had a massive impact on the country's automotive industry as automakers incurred losses and generated substantially less profits.

Nissan's Active Overseas Expansion Strategy (Nissan Power 88)

In June 2011, Nissan Motor introduced a mid-term plan focused on speeding up growth in global markets, including new markets and segments, in pursuit of a global market share of 8% and operating margin of 8%. As one of the measures of this plan, the company aggressively introduced new models and expanded production capacity in China, the ASEAN region, Brazil, and North America.

COVID-19 Pandemic

The number of people infected with the COVID-19 virus, first confirmed in Wuhan, Hubei Province, China, has exceeded 500 million in total worldwide as of April 2022. Automakers have also been forced to temporarily suspend operations of plants or adjust production due to the unstable supply of parts and the sluggish global demand caused by the pandemic.

Founding



● Technological Achievements

Hydroforming (1998–)

A metal forming process in which hydraulic pressure is applied to the inside of pipe materials set in a mold to form the pipe into the mold's inner shape.

Aluminum Welding (2001–)

While aluminum was previously considered more difficult to process and weld than steel, the optimization of each process has significantly reduced the number of processing steps as well as costs.

Full-Curl Method (2004–)

A method of shaping sheet metal into a three-dimensional hollow shape. Reduces welding overlap and welding length by half in the upper, lower, and middle structures compared with conventional methods.

Tailor Welded Blanking Technology (2006–)

A technology used to weld sheet metals of different thicknesses into a single panel, which is then press-formed, eliminating the need for reinforcement previously required.

High-Tensile Strength Materials for Suspension Parts

Although high-tensile strength materials have lower press formability, they are able to maintain the same degree of strength as ordinary sheet metals even when made into thinner sheets.

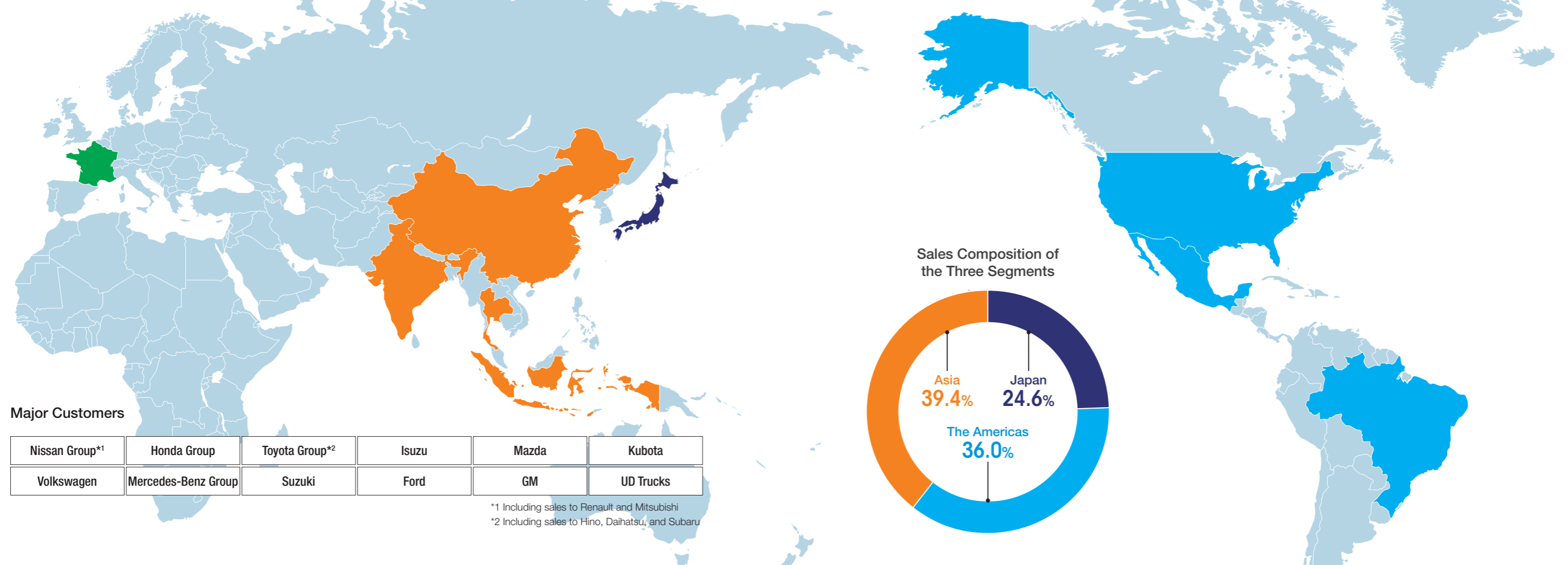
Complete Tack Welding and Final Assembly Lines (2019–)

A comprehensive assembly line made up of a tack welding line to ensure that the work pieces are perfectly aligned and a parallel main welding line to complete the entire welding process.

Yorozu at a Glance

Financial Highlights

Non-Financial Highlights

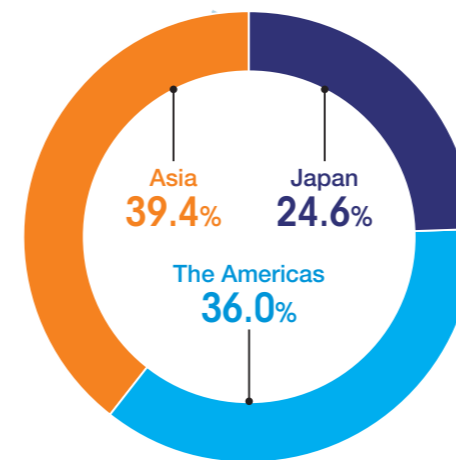


Major Customers

Nissan Group*1	Honda Group	Toyota Group*2	Isuzu	Mazda	Kubota
Volkswagen	Mercedes-Benz Group	Suzuki	Ford	GM	UD Trucks

*1 Including sales to Renault and Mitsubishi
 *2 Including sales to Hino, Daihatsu, and Subaru

Sales Composition of the Three Segments



Japan
 Sales **¥37.48 billion**
 Operating Income **¥1.09 billion**

The Americas
 Sales **¥46.13 billion**
 Operating Loss **¥0.91 billion**

Asia
 Sales **¥50.54 billion**
 Operating Income **¥1.60 billion**

Ratio of Overseas Sales
75.4 %

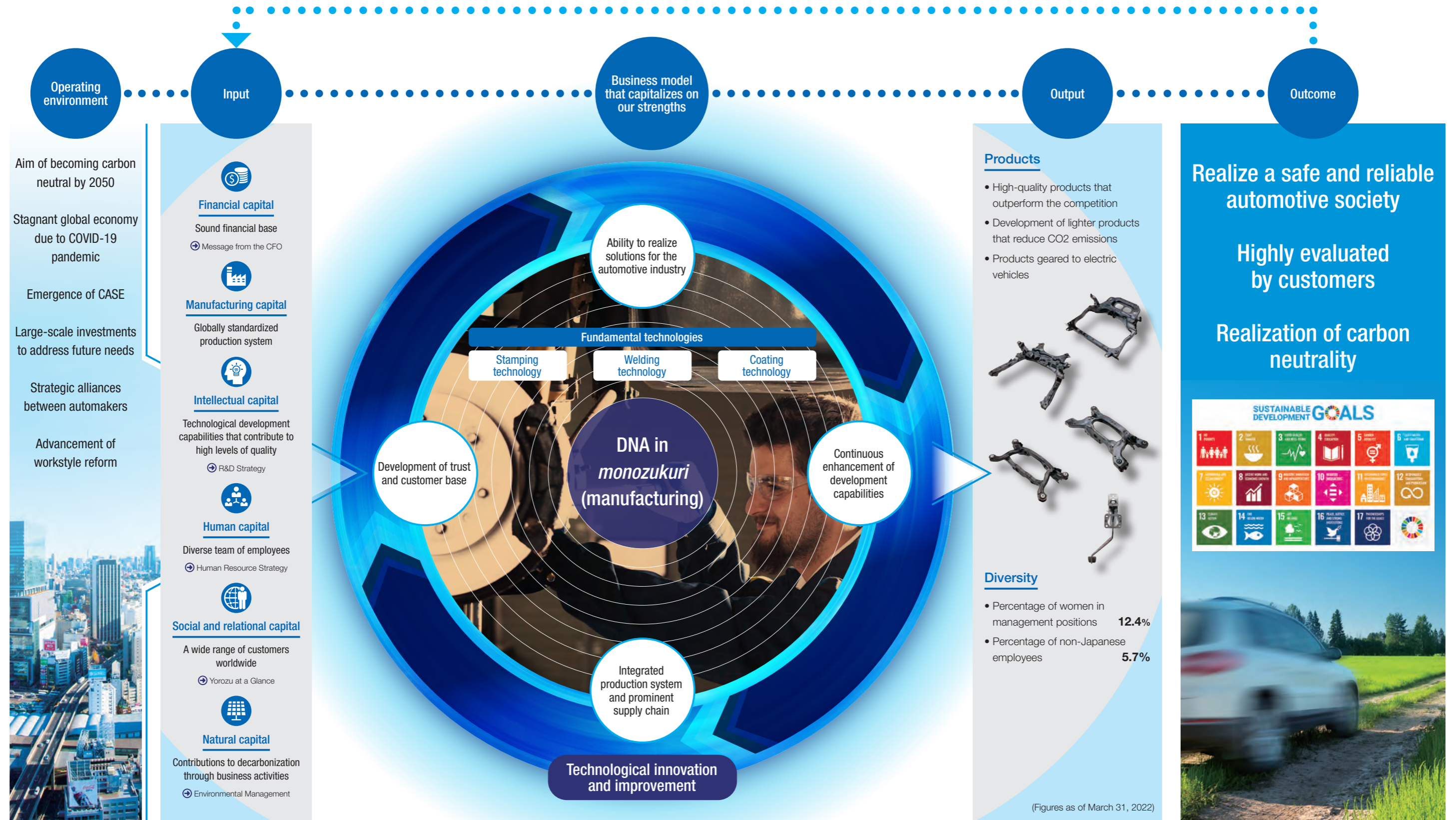
Number of Employees
5,666

Number of Group Companies
 Number of Companies **21**
 Number of Countries **9**

* Includes intersegment sales and transfers

Value Creation Process

At Yorozu, we aim to continuously evolve as a company that constantly delivers solutions to customers' needs on the strengths of our one and only technologies and developmental capabilities in suspensions. To that end, we have developed a value creation process designed to constantly deliver new value to society, and we continue to evolve this process by bearing in mind the needs and expectations of society. By continuing to enhance its value creation capabilities throughout the entire process, Yorozu will strive to realize sustainable growth and enhance corporate value.

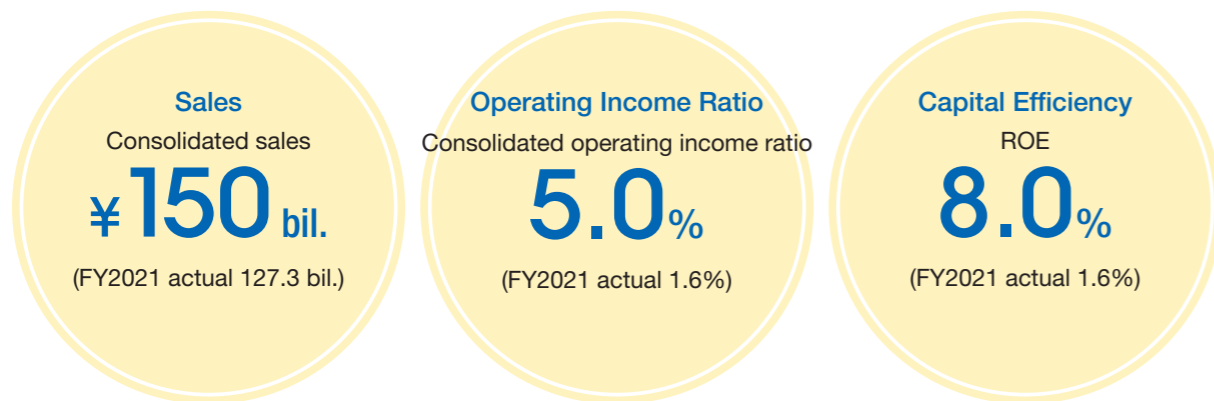


Medium-Term Business Plan Yorozu Sustainability Plan 2023

The business environment surrounding the Company is undergoing immense changes due to the increasingly chaotic state of global affairs, such as the continuous spread of COVID-19 and the conflict between Russia and Ukraine. In the automotive industry, the path to resolving the issue of semiconductor shortages remains unclear and recoveries in production have been delayed while the impacts of surging resource prices and supply chain disruptions are becoming apparent. Even in these circumstances, we are seeing a rapidly increasing momentum in climate change measures on a global scale, and the automotive industry is pressing forward with a range of measures toward electrification, such as through the shift to electric vehicles (EVs), with a view to becoming carbon neutral.

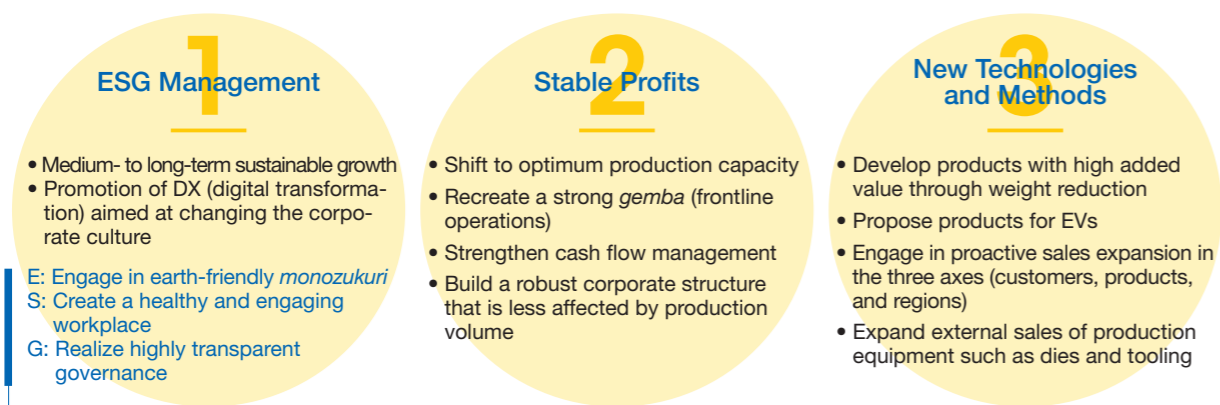
Against this backdrop, Yorozu has been moving ahead with reforms to cope with major environmental changes and to sustain its business based on Yorozu Sustainability Plan 2023 (YSP2023), the current medium-term business plan, which kicked off in fiscal 2021. A variety of measures must be implemented in order to realize a carbon-free society and this, we believe, is the issue of highest priority for management. Therefore, we will strive to enforce even more effective measures toward a sustainable society.

Fiscal 2023 Financial Targets



Management Policy

Engage in sound management that is resilient to changes



Key Issues in ESG Management

E Engage in earth-friendly <i>monozukuri</i> (manufacturing)	<ul style="list-style-type: none"> Reduce CO2 emissions in the production process with an eye on carbon neutrality Help to prevent global warming with lightweight products
S Create a healthy and engaging workplace	<ul style="list-style-type: none"> Secure human resources Promote workstyle reform and diversity Foster a culture that respects diversity
G Realize a highly transparent governance structure	<ul style="list-style-type: none"> Strengthen supervisory functions Promote higher compliance Encourage dialogues with shareholders

Please visit the link below for details on YSP2023.
https://www.yorozu-corp.co.jp/wp-content/themes/YOROZU%201.0.3/images/en/investors/YSP2023_E.pdf

Fiscal 2021 Performance

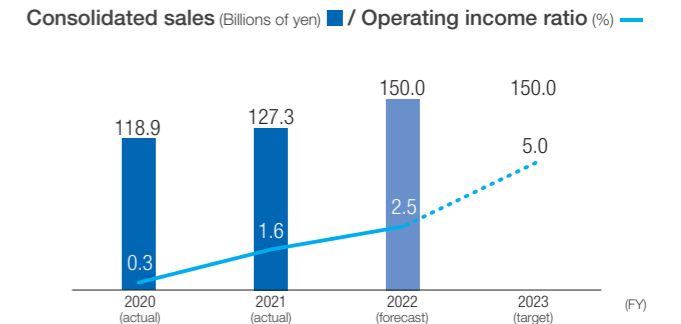
In fiscal 2021, the global economy showed signs of recovery in Europe, the U.S., and China, but the situation remained unstable in the latter half of the fiscal year due to the rapid surge of coronavirus variants and ongoing price hikes.

The production volume of the automotive industry, to which our business is closely tied, increased year on year in the first half of the fiscal year but decreased thereafter in the latter six months due to the semiconductor shortage and the disruption in parts procurement resulting from the impact of COVID-19. As a result, for the year as a whole automobile production remained nearly on par with the previous fiscal year.

In light of this situation, the Group's sales climbed 7.1% from the previous fiscal year owing to higher prices of steel and the weak Japanese yen. Moreover, by thoroughly implementing a *yosedome* (consolidation of operations or processes to pursue efficiency) production system in accordance with production volume and reaping the benefits of fixed cost reductions, operating income grew by roughly 5.6-fold compared with the previous fiscal year. The higher operating income combined with entries of employment adjustment

subsidies contributed to a year-on-year increase of 57.7% in ordinary income while net income attributable to owners of parent turned positive after posting a loss in fiscal 2020, improving by ¥7,072 million, to ¥876 million in fiscal 2021.

An annual dividend of ¥13 per share was paid, resulting in a dividend payout ratio of 35.6%.



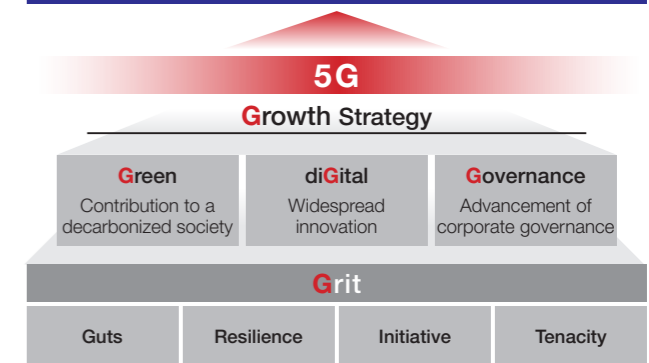
Progress of Initiatives under YSP2023

Fiscal 2021 was a year in which we developed our approach and policies for YSP2023, as well as the mechanisms for achieving its goals. In August 2021, the Company announced Yorozu Global Environmental Vision 2040, and in March 2022, Yorozu Oita Corporation, its largest production facility in Japan, switched to the use of 100% green energy for electricity. Moreover, in recognition of our numerous efforts to promote the advancement of women, in November 2021 we received the Platinum Eruboshi certification from the Ministry of Health, Labour and Welfare, becoming the first manufacturing company and the first company based in Kanagawa Prefecture to be recognized with this distinction. Further, in line with our transition to the Prime Market of the Tokyo Stock Exchange, we will continue to maintain high standards of governance along the road to achieving sustainable growth and medium- to long-term increases in corporate value.

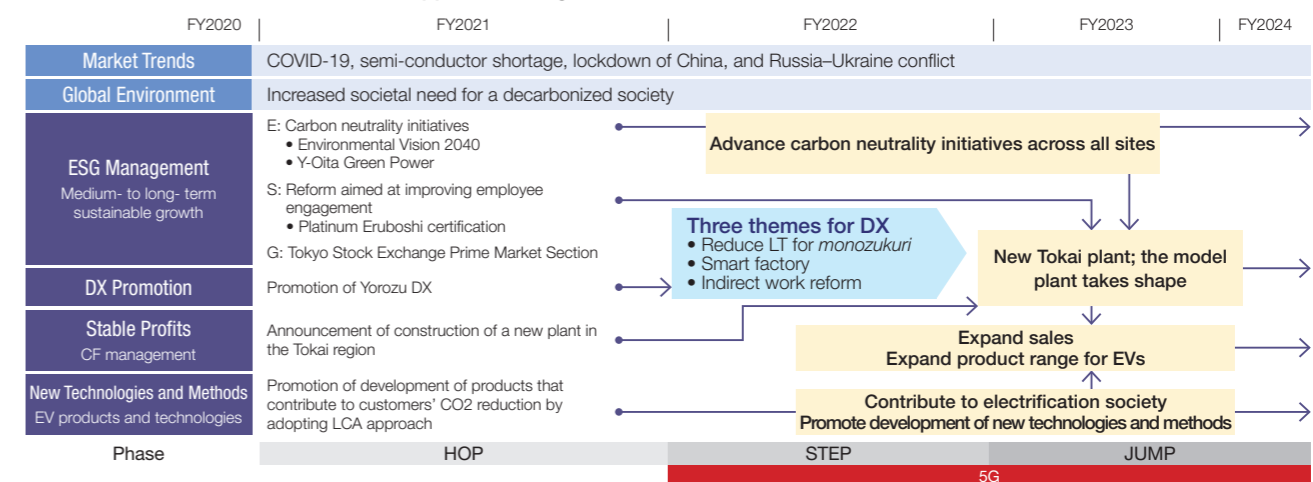
In order to create new forms of added value and services that enable us to continue to outperform the competition, we announced the Yorozu DX Initiatives in August 2021 and are promoting digital transformation (DX) based on this project. In February 2022, the Company announced the construction of a new plant in the Tokai region, which it deems as a proactive strategy. Yorozu plans to proceed with an array of measures, including the introduction of the latest production facilities and digital technology as competitive advantages, positioning the plant as a manufacturing site that addresses carbon neutrality and other social issues.

In order to steadily generate results under YSP2023, in the second year and beyond Yorozu will continue to accelerate its efforts, which are defined as the "5G initiatives," based on the slogan, "Build and pave the way for Yorozu's growth strategy to prove its strong presence in the electrification era."

Build and pave the way for Yorozu's growth strategy to prove its strong presence in the electrification era



Fiscal 2021 Initiatives and Results and Approach Going Forward



Growth Strategy: New Technologies and Methods Contributing to Electrification in Society and Sales Expansion

Progress of Lightweight Engineering

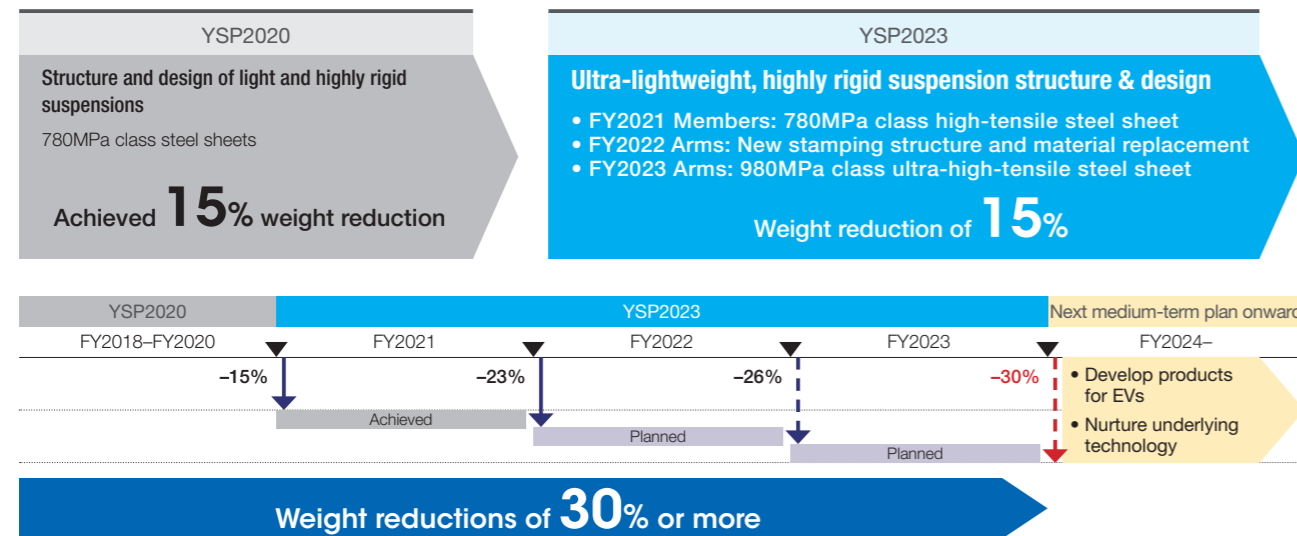
Automobiles are becoming heavier due to the increasing shift to EVs and this has sparked greater demand for lighter suspension parts. In response to this growing demand, under YSP2023, Yorozu aims to reduce the weight of suspension parts by 30% or more compared with fiscal 2017 levels by developing ultra-lightweight, ultra-high-tensile suspension parts.

While placing greater emphasis on reinforcing our development capabilities, we have been working on advanced press-forming and

welding technologies that can process thin, high-tensile-strength sheets as well as new structures and methods. As a result, we are on track to achieve our weight reduction target of 30% at an early stage, enabling us to play a major role in our customers' efforts to reduce CO2 emissions.

Yorozu will continue to develop products and elemental technologies that are tailored to the electrification of vehicles.

Development of New Technologies and Methods and Progress toward Our Weight-Reduction Target

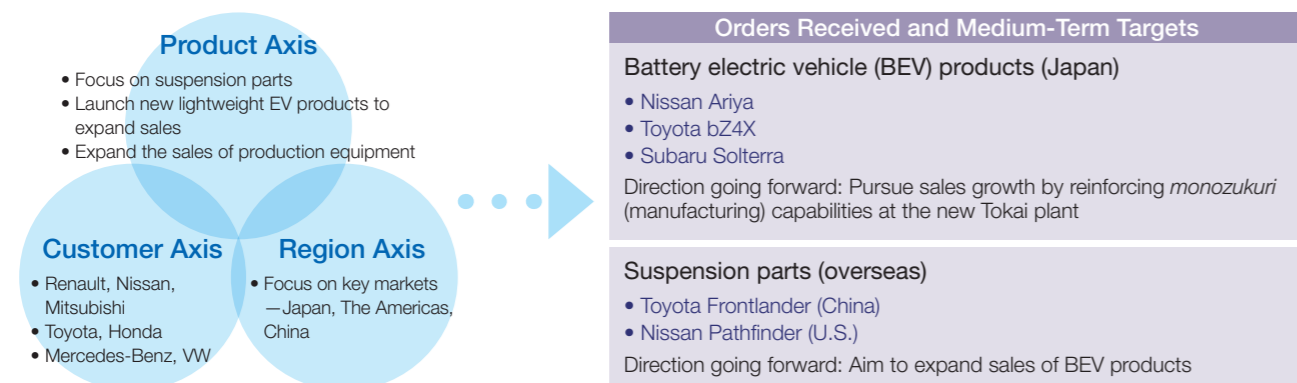


Aggressive Approach to Expanding Sales

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

Yorozu's suspension parts for battery-powered EVs have already been adopted on the vehicles of Nissan Motor Co., Ltd., Mitsubishi Motors Corporation, Toyota Motor Corporation, Subaru Corporation, and others. Moving forward, in Japan we will utilize the new plant in the Tokai region as a platform for expanding sales to Honda Motor Co., Ltd., Toyota Motor Corporation, Daihatsu Motor Co., Ltd., and Suzuki Motor Corporation, which all operate in the neighboring area.

Stabilize Earnings by Strengthening Coordination among the Three Axes



External Sales of Dies and Tooling

Yorozu Engineering Corporation, a manufacturer of dies and production equipment for the Group, now also engages in the external sales of its products in order to improve competitiveness and technical capabilities, nurture a new business through external sales, maintain employment, and pass down the skills related to dies and equipment

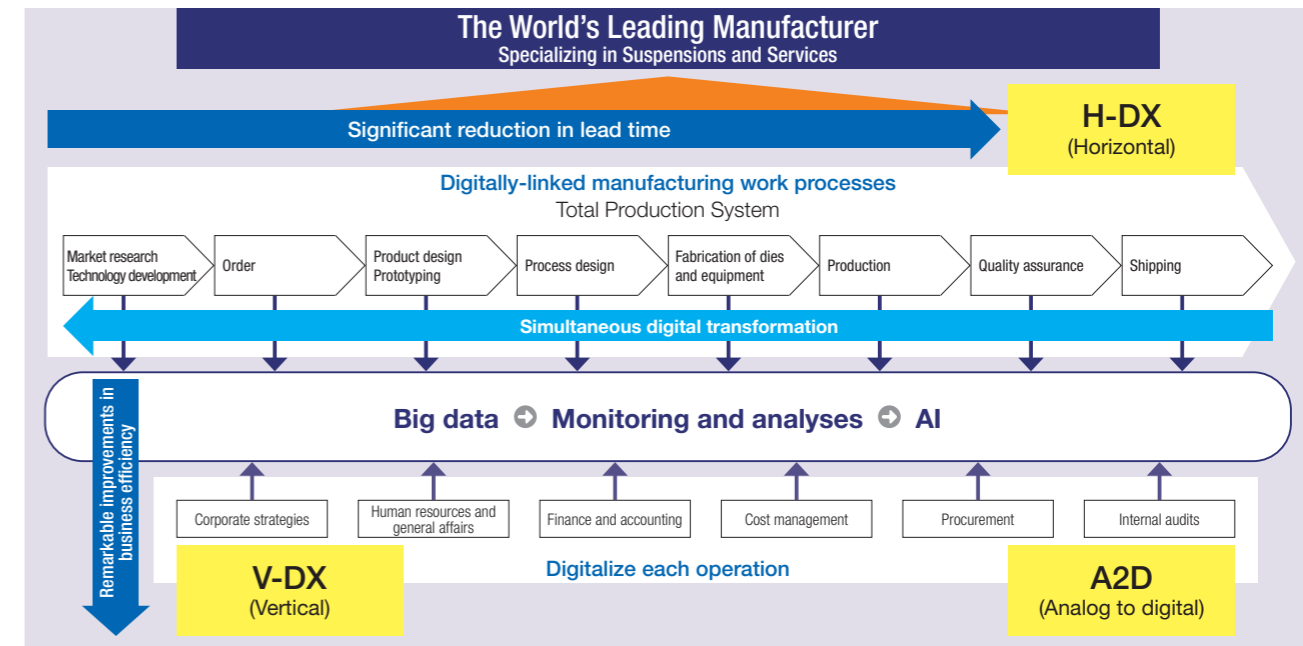
to the younger generation.

While the external sales of production equipment have only just begun, we will develop a new business that will play a critical role in expanding the parts business in the medium to long term.

Approach to DX

In order to accelerate the transformation of our corporate structure into one that continues to win out against the competition, we are aggressively pursuing DX through sweeping business reforms and by establishing a system to realize these reforms. We aim to shorten

lead times drastically in all operations, gain outstanding competitiveness, and enhance product quality through a transition from analog to digital processes (A2D), improvement of business efficiency (V-DX), and digital alignment in the phase of business (H-DX).



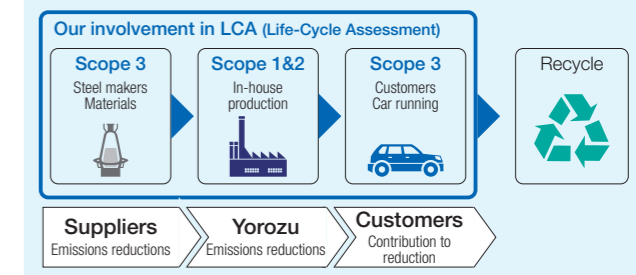
Approach to Life-Cycle Assessment (LCA)

In terms of CO2 emissions reductions, Yorozu announced its goal of achieving a 50% reduction in Scope 1 and Scope 2 emissions by 2030 compared with 2013 levels and becoming carbon neutral by 2040. To reduce CO2 emissions from our business activities, we have adopted the life-cycle assessment (LCA) approach.

At Yorozu, we view the response to climate change as an opportunity to further strengthen our competitiveness, rather than as a risk to our business, and are actively developing products that facilitate our customers' efforts to reduce CO2 emissions and tailor to the needs of the environment, performance, and prices.

Development of New Technologies and Methods Implementation of Life-Cycle Assessment (LCA)

- ◆ Cut CO2 emissions in our manufacturing process and advance product development that contributes to the reduction of our customers' CO2 emissions
- ◆ Develop products that fulfill customer preferences and environmental, functional, and pricing requirements



Promoting Structural Reforms in Response to Changes in the Business Environment

Under YSP2023, Yorozu declared “shift to optimum production capacity” and “recreate a strong *gemba*” as pillars for establishing a stable earnings base that can adapt to changes in the business environment. As a part of these measures, we will review our production processes and introduce the latest equipment to ensure the highest standards of quality, enhance cost competitiveness, and reinforce our manufacturing capabilities.

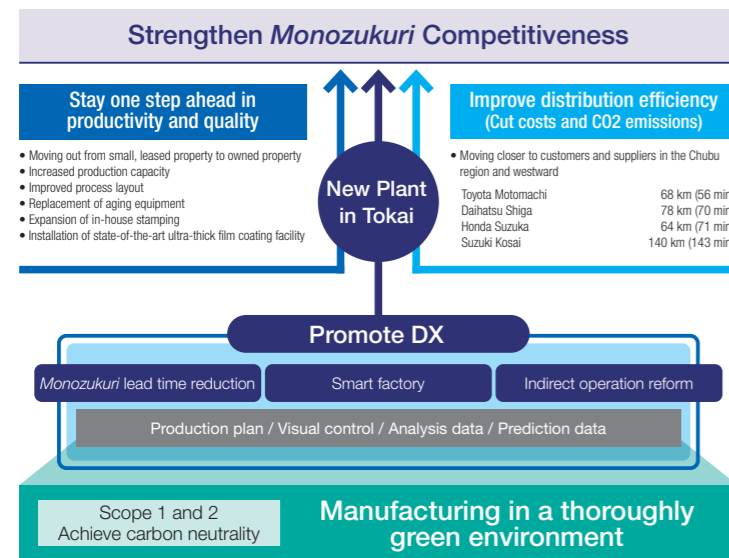
Construction of New Plant in the Tokai Region

In February 2022, Yorozu announced the construction of a new plant in the Tokai region. At this new plant, we will strengthen our manufacturing capabilities by ensuring high levels of quality and cost competitiveness through expansion of in-house stamping work, consolidation of production, review of process layouts, and introduction of cutting-edge equipment for ultra-thick coating.

Amid the global demand for decarbonization, CO2 emissions from parts manufacturing processes are increasingly taken into account in the selection of parts in the automotive industry. The Company formulated Yorozu Global Environmental Vision 2040 and has set its sights on achieving carbon neutrality by 2040. For the

production process at the new Tokai plant, electricity will be generated from renewable energy sources such as solar power, while green power will also be used in processes where fuel is utilized as the heat source.

We will establish a system that can readily supply products that are geared toward carbon neutrality and expand orders in the process, while proceeding with measures to enhance our competitiveness and address the issues of society. In so doing, the new Tokai plant will serve as a model plant for not only Yorozu but also for parts makers throughout Japan that fulfills the expectations of all stakeholders, including customers, employees, and local residents.



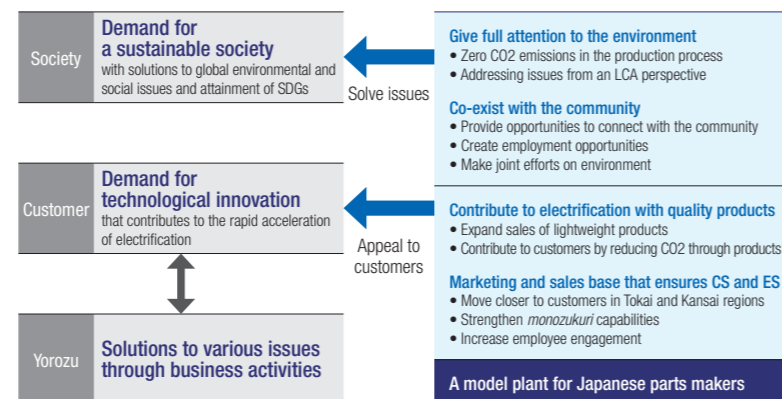
Overview of the new plant

Location: Wanouchi-cho, Anpachi-gun, Gifu (planned site)
 Product: Automotive suspension parts, others
 Site area: approx. 79,700 sq.m.
 Total floor area: approx. 18,400 sq.m.
 Investment amount: approx. 12.0 billion yen
 Start of construction: scheduled November 2022
 Start of operation: scheduled January 2024

Key Features

- Access**
 - Proximity to major customers
 - 1.6 km (approx. 5 min. drive) from Anpachi Smart-Interchange on Meishin Expressway
 - 5.5 km (approx. 15 min. drive) from Gifu-Hashima Station of the Tokaido Shinkansen
 - Approximately 27 km (within commuting distance) from Yorozu Aichi Corporation
- Wanouchi-cho**
 - Zero-carbon city declaration (March 2022)
 - Cleanup activities in Gifu to reduce marine plastic pollution (March 2022)

Aim of the New Tokai Plant

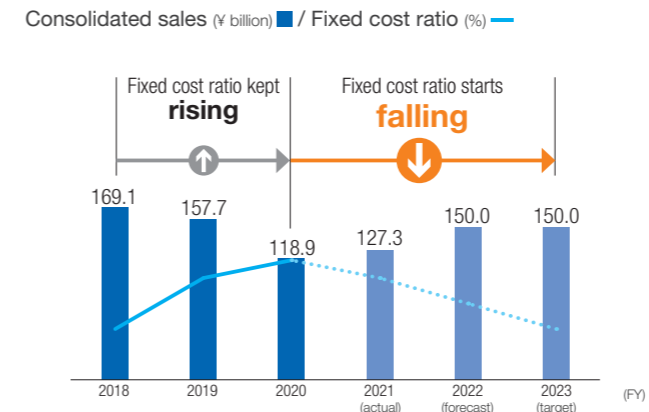


Approach to Reducing Fixed Costs

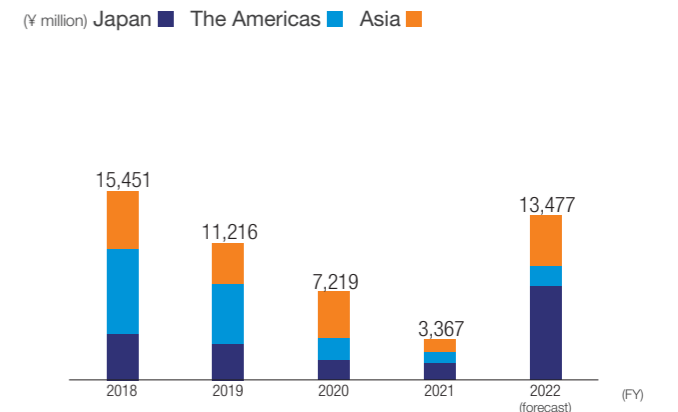
Under the “stable profits” initiative of YSP2023, the Company is working to develop a corporate structure that is more resilient to fluctuations in production volume by shedding fixed costs through less capital investment and rationalization. In regard to our capital investment plan, we are verifying and managing our investment portfolio with an eye on achieving our fixed cost ratio target. We are working to reduce the amount of project investments, which account for the majority of our capital investments, by fully embracing the three Rs

(reduce, reuse, and recycle) and simultaneous engineering activities, in which all departments participating in product development are involved in the design process from the initial stages. Moreover, we aim to maximize the benefits of our capital investments by closely examining the content and timing of general investments, such as renovation and repair of existing plant facilities. Meanwhile, we will aggressively allocate resources into environmental measures aimed at realizing carbon neutrality and the future of our new Tokai plant.

Change in Fixed Cost Ratio (Target)



Change in Capital Investment by Region

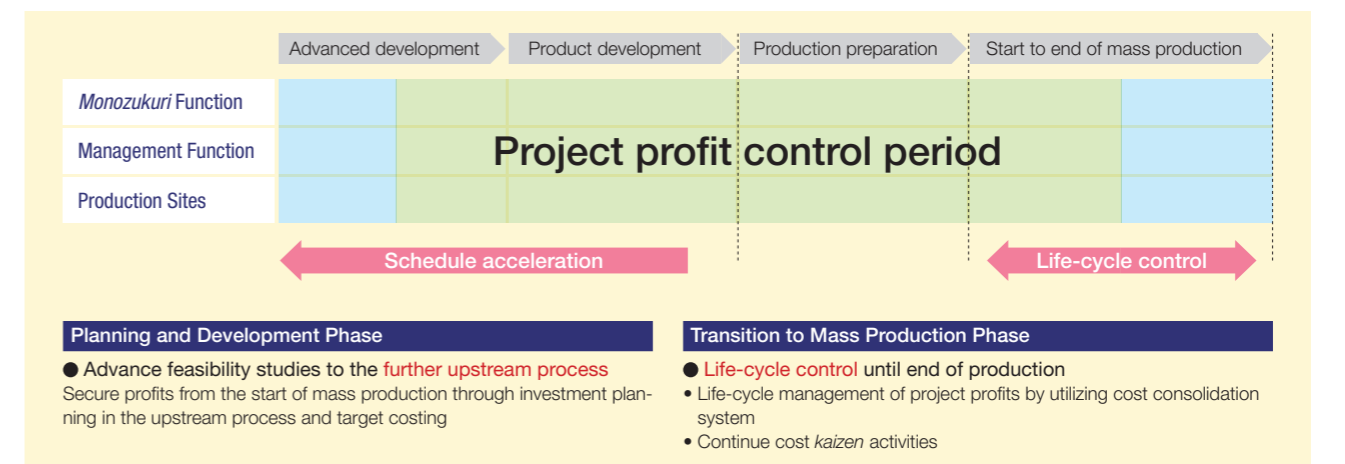


Effective Project Revenue Management

At Yorozu, we have been committed to strengthening our approach to managing the revenue of each project over its lifetime, such as through the establishment of the Project Control Department in 2020. Previously, our revenue management was limited to a process spanning from product development to production preparation. However, we have expanded our approach to include further upstream processes in the form of planning and advanced development in order to ensure that revenue is earned from the start of mass production. At the same time, through a concerted effort with our internal functions

and production sites, we will look to achieve our cost-reduction targets and improve revenue.

In addition, we will utilize a cost consolidation system at each phase of our projects (advanced development, product development, production preparation, and the start to end of mass production) and continue with our cost kaizen (improvement) activities as a part of our efforts to transition to our new approach of managing the revenue of projects over their lifetime.



Message from the CFO

Reflecting on the Inaugural Year of Yorozu Sustainability Plan 2023

In fiscal 2021, the first year of Yorozu Sustainability Plan 2023 (hereinafter, "YSP2023"), our new medium-term business plan, sales increased 7.1% from the previous fiscal year to ¥127.3 billion. However, this sales figure reflects the impact of the depreciating Japanese yen and soaring prices in the steel market pushing up the sales by approximately ¥9.0 billion, while the actual production volume remained almost at par with the previous fiscal year. Operating income, meanwhile, grew by more than five-fold year on year to roughly ¥2.1 billion, owing to a drastic decline in fixed costs and the *yose-dome* (consolidation of operations or processes for efficiency) approach of flexibly changing the production system, which improved profitability even in environments with sluggish production volume.

During the past year, our highest priority from a financial perspective has been project profit management (see page 17). The goal is to achieve our profit target and ensure return on investment by accelerating project milestone management and strengthening ties with each department and production base. In fiscal 2021, we engaged in simultaneous engineering through an all-out effort on the part of each relevant department from the initial stages of development and through the use of a cost consolidation system.

While the challenging business environment is likely to continue, we will remain committed in our efforts to achieve sales of ¥150.0 billion, an operating income ratio of 5%, and ROE of 8%, the final-year performance targets of YSP2023.

Financial Strategy under YSP2023

● Cash Flow Management

The Company's profitability took a massive hit under the previous medium-term business plan due in part to the considerable increase in depreciation and other fixed costs associated with the large decline in production volume. Accordingly, we have adopted "strengthen cash flow management" as a financial strategy under YSP2023.

We will continue to grow and increase corporate value through the appropriate allocation of capital.



Norio Hirano
Executive Vice President
Member of the Board (CFO)

We are taking measures to achieve our YSP2023 targets based on the two pillars of project profit management, mentioned earlier, and the curbing of new investments. In addition to placing greater focus on our project profit management, we will continue to shed fixed costs by reducing and streamlining capital investments. In particular, curbing new investments through the generalization and reuse of facilities will not only streamline our balance sheet but will also allow us to realize the ESG management we are committed to achieving from the perspective of reducing environmental impact.

● Toward the Realization of Our ROE Target

With a view to improving capital efficiency, under YSP2023 the Company also took one step further to disclose its numerical target for return on equity (ROE). We aim to achieve our target for ROE by first improving the profit margin through reductions in fixed costs and extensive project profit management, even in light of a business environment characterized by lackluster production volume.

Cash Allocation

● Ensuring Financial Soundness

Because suspensions, the core product of Yorozu, are significant in terms of both weight and volume, they must be produced at and supplied from a location nearby our customers' production facilities.

This requires a large amount of capital investment, so we could very well be regarded as an equipment manufacturer. Therefore, in a sense, we are susceptible to fluctuations in our customers' production volume.

Moreover, suspensions are an indispensable component of vehicles that underpin such basic functions as driving, turning, and stopping and have been designated as a vital safety part. Therefore, we have a responsibility to consistently supply these products based on a sound and stable financial structure. To this end, we believe that an equity ratio must be kept at least in the range of 40% to 50%.

Meanwhile, in terms of funds put toward capital investments, we will work to maintain our sound financial position by keeping a close eye on the debt-equity

ratio while also seeking to control the cost of capital by considering financial leverage.

● Policy on Growth Investments

While suppressing capital investments to the extent possible, we will actively invest in digital transformation (DX), carbon neutrality, and other areas to enhance our competitiveness and resolve social issues as well as in the development of new technologies and methods that contribute to our ongoing growth. More specifically, we will pursue green energy and aggressively invest in stamping presses that can be used on ultra-high-tensile strength steel sheets, which contribute to significant weight reductions, and in coating facilities that cater to thick film, an area with high customer demand.

● Shareholder Returns

At Yorozu, our basic policy on returning profits to shareholders is to strive to enhance returns on the basis of dividend payments by ensuring an optimal balance with investments aimed at realizing financial soundness and growth. As for the dividend payout ratio, we declared a target of 35% in our medium-term business plan announced in March 2015 and since then have maintained this target. Under YSP2023, while targeting a dividend payout ratio of 35% or more, we aim to pay consistent dividends based on our desire to share the benefits of medium- to long-term increases in corporate value with all of our shareholders.

Although the uncertain conditions surrounding our business persist, such as the increase in raw material prices and the impact of the semiconductor shortage on automobile production, we will all band together in pursuit of our YSP2023 targets.

As we embark on the second year of YSP2023, I hope you look forward to our continuous growth as an organization.

Executive Vice President
Member of the Board (CFO)

R&D Strategy

Automobile manufacturers have declared that electric vehicles (EVs) are the foremost priority in their upcoming vehicle development plans. However, in order to achieve a cruising distance comparable with that of gasoline-powered vehicles, the vehicle weight tends to increase as the battery load increases, requiring suspensions and other skeletal and mechanical components to become lighter. For Yorozu, weight reduction is also a matter of priority that must be addressed to respond to the social issue of CO2 emissions.

However, we at Yorozu see this situation not as a risk but as an opportunity to further enhance our competitiveness and are actively working to develop environment-friendly, high-performance products that are reasonably priced by continuing to produce lighter products and reduce CO2 emissions in the product manufacturing process.

R&D Vision and Policy

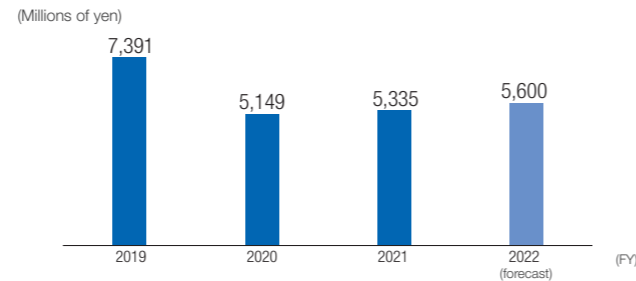
The Company strives to reduce the weight of its suspension parts by enhancing the tensile strength of steel sheet materials, thereby reducing thickness, as well as by replacing steel with aluminum and resin materials. We also analyze the suspension parts and other components of vehicles in the world to benchmark performance, cost, weight, and manufacturing methods to achieve the most optimal design.

In fiscal 2021, the Nissan X-Trail, Nissan Ariya, and Mazda CX-30, which feature these high-tensile-strength, thinner steel sheet materials, were released to the market, and we are on track to achieve our YSP2023 weight-reduction target of 30% well ahead of schedule. Through the development of elemental technology, Yorozu will work to develop lightweight, highly rigid, price-competitive products for EVs in the coming years.

We will continue to take various approaches to contribute to a carbon-free society, such as adopting a manufacturing method that avoids the use of excessive materials and involves fewer processes,

en route to achieving the Group's goal of realizing carbon neutrality by 2040.

Change in R&D Expenditures



Three Elemental Technologies Underpinning the Group's Innovation

Stamping Technology

Yorozu has established a stamping technology that can form 780MPa and 980MPa-class ultrahigh-tensile-strength sheet materials, which are difficult to process, into complex shapes, thereby achieving lighter products through the reduction of material thickness.

Moreover, a press machine is used to form multiple parts into a single component from the initial stage, instead of welding them together, thereby streamlining the welding process. Further, by developing structural design and methods that fulfill link functions, we expect to achieve weight reductions of approximately 10% as well as considerable reductions in CO2 emissions.

Welding Technology

We work together with welding wire and welding machine manufacturers to develop products used in general arc welding processes; laser welding processes, which enable narrower welding with sufficiently deep penetration; and plasma welding processes, which do not produce spatter and minimize distortion and electrode wear, enabling high-quality welding processes to be performed for long periods of time.

In addition to establishing stable welding technologies for ultra-high-tensile materials, we are making an all-out effort to reduce CO2 emissions from welding processes.

Coating Technology

With the aim of providing products that are even more resilient to rust, Yorozu will install an ultra-thick cationic electrodeposition coating facility at the paint shop of its new Tokai plant. Cationic coating is a painting process that uses electrolysis to cause a chemical reaction, and this ultra-thick cationic coating offers even more protection against rust as it is 1.7 times thicker than conventional coating.

Strengthening of R&D Capabilities

The development of new EV models has accelerated in recent years, and based on benchmark results and customer needs, it is clear that the issue of noise and vibration control must be addressed along with the conventional needs for lighter weight and lower costs.

By strengthening our analysis technology in the digital development phase, we will (1) enhance not only strength and durability but

also the level of accuracy in predicting noise and vibration performance and (2) develop an analysis technology to estimate performance by considering material distortion in stamping and welding processes in order to develop and release to the market highly efficient products that fulfill customer needs in a timely manner.

Coordinating with Other Companies (Open Innovation)

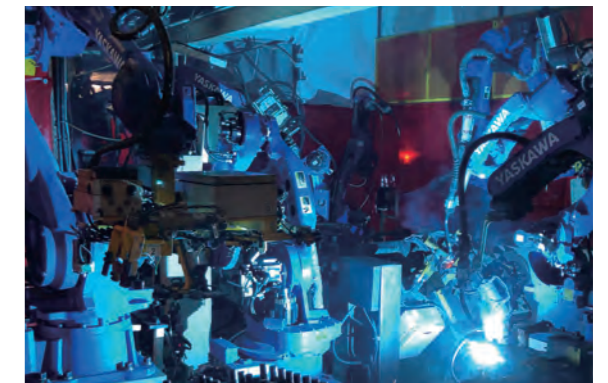
The Company is working alongside manufacturers of steel sheet materials and manufacturing equipment to develop practical applications for its technologies.

Examples of Open Innovation

Yorozu teams up with steel sheet material manufacturers in the development of stronger materials that offer exceptional levels of formability, weldability, and coating performance. We have developed lightweight products by reducing sheet thickness through the application of high-strength materials.

Yorozu engages in the development of elemental technologies with manufacturers of aluminum and resin materials to develop lightweight hybrid products that combine such materials with steel sheet components in the most optimal way.

Through a collective effort with manufacturers of welding machines and robots, we develop production equipment, enhance operating efficiency through full automation, and improve the quality and traceability of our welding and other processes.



Fully automated welding line at Yorozu Automotive Alabama, Inc.

Examples of Our Product Development Focused on Carbon Neutrality

Reducing CO2 emissions significantly throughout the product life cycle by replacing existing aluminum products with stamped steel products

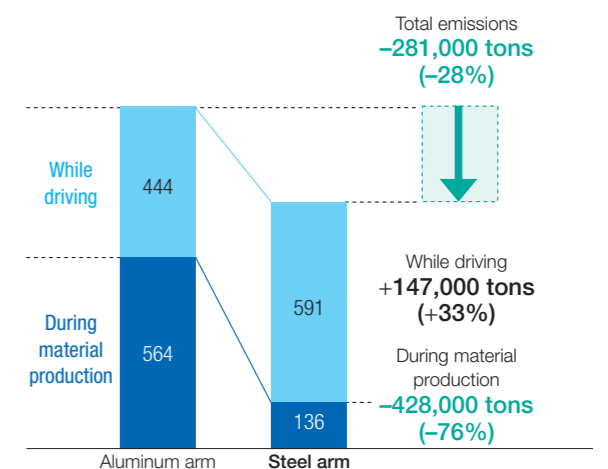
Steel has a higher specific gravity than aluminum, which increases the total weight of the product and, consequently, leads to higher CO2 emissions when driving. However, aluminum generates considerably more CO2 emissions than steel during the smelting process.

For this reason, we are advancing a proposal to replace aluminum, the material currently used, with steel in order to reduce CO2 emissions over the entire product life cycle, including the manufacturing process.

Technological Contributions of Steel Products

Material	Arms using alternative material (aluminum → steel)
Key Points of Development	Adopt steel, which generates less CO2 emissions during material production
Weight	+33% (Aluminum: 1.85 kg → Steel: 2.46 kg)
CO2 Emissions	Decrease of 281,000 tons

CO2 Emissions from Arms Using Aluminum and Steel



Note: Calculated based on a product life cycle of six years and 200,000 units of vehicles per year

Messages from Company Employees

Embracing the importance of addressing ESG issues in management, Yorozu has created a workplace environment where employees with diverse backgrounds can demonstrate their individualities and full potential at work. This section features messages from our employees who are working on value creation.

Gaining a Sense of Growth in a Flat Working Environment

I am in charge of procuring parts for the manufacture of Yorozu's products. One of the exceptionally important duties in my position is the selection of suppliers. To fulfill my duty, I request a quotation from multiple suppliers and determine which supplier to do business with after comprehensively assessing their price, quality, delivery time, level of technical support, and other factors. I also keep in touch with the suppliers in Japan and overseas to gather as much information as possible to prevent issues concerning delivery or quantity.

I have always enjoyed the company of people from different cultures and wanted to make use of my experience studying abroad and my foreign language skills. As a sophomore in university, I attended an on-campus recruiting event and realized that Yorozu's work environment catered to my interests and aspirations, which inspired me to join the Company. Although I was not completely confident with my decision up to the first day on the job, I was relieved to find that my superiors and managers were willing to help me with the technical terms of the automotive industry and manners required in Japanese society, and they have always been supportive until I was able to take on the work myself, which helped me grow both personally and professionally. While I still need to improve my knowledge in certain aspects of my work, the workplace environment makes me feel at ease to seek advice from superiors beyond my own department. It has helped me overcome various challenges and concerns. The Company provides a healthy environment for all employees, regardless of age or nationality, where the views of the young in particular are respected and everyone is encouraged to speak out openly. By fulfilling my responsibilities in global purchasing, I hope to contribute to the further growth of Yorozu in the years ahead.



Bui Ngoc Thanh Nguyen
Purchasing Department



Yoshio Iino
Quality Assurance Department

Contributing to Yorozu through My Years of Experience

It is my job to ensure the quality of new products and develop quality control training programs in Japan and overseas as a contract employee in the Quality Assurance Department. Quality Control, known as QC, entails a variety of controls to ensure that products meet a certain standard and that improvements are constantly made. It is a vitally important process that serves as the backbone of production activities in the manufacturing industry.

For this reason, I acquired certifications as a QC Circle trainer and QC Circle senior trainer at the age of 56 and 59, respectively, from the Union of Japanese Scientists and Engineers, and became the vice coordinator of the Tochigi Section of the QC Circle Kanto Regional Chapter to provide training and support concerning QC Circle activities to Yorozu and other companies in Tochigi Prefecture.

Currently, Yorozu is actively hiring non-Japanese personnel, some of whom are not familiar with the QC method or *kaizen* (improvement) activities, long practiced in Japan's manufacturing industry. Therefore, I believe it is my duty to encourage communication, measure employees' individual abilities, and prepare training programs tailored to each level. The process of adopting QC to resolve issues while on the job is critical. Trainings must be provided with care and patience so that the skills employees have acquired can be effectively applied to work.

My desire to pass on my QC knowledge to the younger generation and the advantage of being able to communicate directly with Yorozu employees in Japan and overseas are what drive me to continue working as a contract employee even beyond the age of retirement. I hope that the employees working at Yorozu value the importance of communication while believing in their infinite potential and being proactive rather than reactive in whatever they do.

Balancing Work and Life Events

I belong to Marketing & Sales Department No. 1 doing business with automakers around the world. My job involves research on industry needs and competition based on market trends, strategies to expand sales channels, new business proposals to customers and new customer development (marketing), price setting and customer negotiation considering *monozukuri* (manufacturing) and profitability, sales and profit planning, budget management, collection of payments, and customer service (sales) contact.

In 2010, I became the first female manager at Yorozu. Since then, I have taken maternity leave and childcare leave, and currently hold the role of senior manager. As a leader, it is imperative to have GRIT (guts, resilience, initiatives, and tenacity), one of the "5Gs" declared by the president of Yorozu in 2022, and to be capable of thinking, deciding, and acting to make tomorrow a better day. As a sales representative, it is also particularly important to listen to and talk to people, and understand and communicate their needs.

At Yorozu, a system for maternity leave and childcare leave is in place along with an encouraging environment. The result of the systems and the efforts to promote the empowerment of women are evidenced by the increasing number of female managers, which is a remarkably positive sign. Measures initially taken to help women realize their full potential, such as the childcare leave system, have also been extended to include male employees. Our work environment is gradually becoming one where women managers are not a rarity. I hope that advancing these measures will shape an environment where not only women but all employees are able to feel a sense of pride and accomplishment in their work.



Hikaru Matsuda
Marketing & Sales Department



Mitsuru Yamada
Design Department

Promoting Widespread Use of Childcare Leave

I am a team leader overseeing testing and jigs in a department that evaluates the test results of suspension parts. My main duties include research on the trends of testing devices, purchasing, installation, and the operation of such devices, as well as discussions on their implementation for addressing the various needs of customers. Combining the latest devices with our wealth of experience and know-how in testing, I strive to provide safe and reliable products by incorporating accurate test results into our customers' and Yorozu's design and production technologies in a timely manner.

I have been with Yorozu for 23 years and am now a father of three children. When my youngest child was born, I took two weeks of childcare leave. Since my workplace had been fully informed and prepared, my superiors and colleagues were very supportive about my leave. As those with child-rearing experience should know, there's hardly any time to sleep in the first few months after a baby is born because of the crying at night, feeding, and changing diapers, not to mention the attention that the older children need. My wife and I were able to keep ourselves physically and mentally healthy during that time thanks to the childcare leave, and therefore, I would definitely encourage any soon-to-be parents to do the same.

In order to make it easier for employees to take childcare leave, I hope the Company will consider establishing a system that allows work to be seamlessly followed while the employee is away and a culture of understanding in the workplace to ensure a smooth return to work. I also hope that those planning to take childcare leave are able to do so without stress and that they can be financially supported to take around six months of leave until the situation settles down at home.

Human Resource Strategy

At Yorozu, we believe in the importance of developing human resources who can flexibly adapt to changes in the business environment and continue to contribute to the betterment of society. By promoting diversity along with the development of talented individuals, the Company strives to create a corporate culture in which each individual is able to demonstrate their full potential.

Promoting Diversity

Based on the belief that the promotion of diversity, including gender and nationality, leads to better corporate results, the Group recruits and develops its employees with the utmost

respect for diversity. Going forward, we will continue to actively embrace diversity as a management strategy to achieve sustainable growth.

Advancement of Female Employees

Yorozu has worked to improve its environment, enhance its systems, and hold seminars to create a workplace where women can work more vigorously. These efforts were recognized in November 2021 when we were awarded Platinum Eruboshi certification. As a result, we became the first company based in Kanagawa Prefecture and the first manufacturing company in Japan to receive this certification. In March 2022, the Company established the Diversity Steering Committee with the aim of increasing the percentage of diversity in management positions at its headquarters to 30% by fiscal 2030 and advancing more

women into leadership roles at each business site in Japan so that all sites have at least one female manager by fiscal 2026.



Opportunities for Non-Japanese Employees and People with Disabilities

In addition to recruiting foreign students in Japan, Yorozu directly hires employees from Thailand and Vietnam and currently employs about 30 highly skilled individuals from various countries, such as China, Sri Lanka, Malaysia, Russia, and the U.S. Upon joining the Company, these employees receive Japanese language lessons and support through regular interviews to help them stay on the job.

We also work actively to create employment opportunities for people with disabilities and offer a variety of jobs so they can play an active role. In order to promote employment in local communities, Shonai Yorozu Corporation holds plant tours for neighboring companies and support centers to instill a deeper understanding of and interest in the experience of working with people with disabilities.

Participation of Senior Employees

With the objective of enriching the professional lives of senior employees by ensuring a range of opportunities tailored to their needs and abilities, Yorozu increased employment options in April 2017. Employees aged 60 to 65 can work either as managerial contract employees, senior or emeritus experts, or part-time employees, while those aged 65 to 70 can work at our Group company Yorozu

Service Corporation. We have created a workplace environment where employees with a wealth of experience and knowledge can stay on board, which has been well received as proven by the continuous employment rate of 100% for employees aged 60 and over in fiscal 2021.

Promoting Health and Productivity Management

Yorozu issued its Health Management Declaration in October 2019, and as a result of efforts to create a healthy and rewarding workplace based on this declaration, it was recognized as an Excellent Enterprise of Health & Productivity Management under the large enterprise category by the Ministry of Economy, Trade

and Industry and the Nippon Kenko Kaigi for the second straight year.



Enhancing Employee Engagement

In fiscal 2021, Yorozu took one step further in workstyle reform with measures aimed at enabling employees to gain a greater sense of fulfillment in their work. We took a variety of actions to turn Yorozu into a company that each and every employee wants to work at and feels proud to be a part of. We will take

necessary steps to increase employee engagement based on the belief that enhancing productivity and creativity will lead to better business performance and become the source of our sustainable corporate growth.

Fulfillment of Systems

● Clearer System for Target-Setting and Evaluation (KPI System)

We believe that in order to maintain a high level of job satisfaction, a proper system must be in place to give our employees the opportunities to take on challenging tasks, foster the willingness to go above and beyond their assigned tasks, and build trust in management. Based on this belief, in fiscal 2022 we revised our management evaluation system.

The first step involved the adoption of key performance indicators (KPIs) based on YSP2023 by all members of management. Through this approach, we will work to ensure that all management staff are able to gain a sense of connection between their work and management policies and thereby enhance their job satisfaction.

● Employee Proposal Program

Under YSP2023, Yorozu is now promoting digital transformation (DX) as the foundation for its approach to ESG management. In October 2021, we asked all employees worldwide to share their ideas on DX and energy conservation to foster a sense of inclusion in ESG management. Every participant was rewarded with a prize in appreciation

of their efforts, in addition to the presentation of the Chairman's Award and separate honors for the best ideas. Going forward, we will actively engage in ESG management through the collective efforts of all employees.

● Widespread Shift to Teleworking

Yorozu has expanded the scope of its teleworking personnel in response to the spread of COVID-19 to achieve the goal of having 50% of office employees work from home. This is to follow the business continuity plan (BCP) and also to make effective use of office space, secure highly skilled talents, and improve employee retention. We introduced a remote work system in July 2022 and will continue

to promote flexible work arrangements. Aiming for a greater sense of fulfillment in work, we will promote new workstyles centered on remote work and a range of measures, such as limitations on transfers to locations away from family, support for childcare, family nursing care, and medical treatments, that allow employees to balance their career with life at home.

Improving the Workplace Environment

Free-Address Office

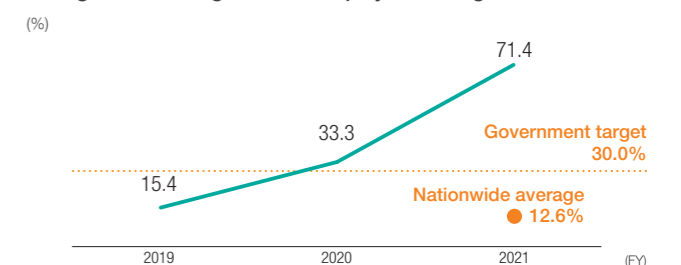
In May 2021, Yorozu revamped the office of its headquarters in conjunction with the switch to a free-address system. This makeover was led by a select group of young employees who shared their views about the type of office they hoped to work in, which resulted in a

stylish new layout. The free-address system has helped to streamline various aspects of our workplace environment, contributing to more active communication between departments, cost saving, improved productivity, and a healthier environment.

Encouraging Male Employees to Take Childcare Leave

At Yorozu, we support work-life balance by encouraging male employees to take childcare leave, and as a result, 71.4% of male employees took the leave in fiscal 2021. In addition to taking advantage of the Child Care and Family Care Leave Law revised in April 2022, we are working to increase understanding in the workplace by posting articles in the Company magazine about fathers who have taken childcare leave and sharing the experiences and benefits of taking the leave at management training sessions.

Change in Percentage of Male Employees Taking Childcare Leave (%)



Environmental Management

Environmental Philosophy

We will appreciate the bounty of nature as we pursue growth in harmony with the natural environment.

Yorozu Global Environmental Vision 2040

The Yorozu Group is fully committed to taking actions to solve environmental issues with the aim of contributing to healthy and prosperous living for all people around the world.

- Climate change: Work to become carbon neutral by 2040
- Resource recycling: Make the most effective use of our limited resources for sustainable circulation



Pressing Forward with Environmental Management toward a Sustainable Society

Hiroshi Kume

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

In Japan, environmental conservation efforts have undoubtedly grown in line with the development of industries and Yorozu has been committed to preventing pollution through wastewater treatment, as well as control of noise and vibration and conserving energy, to ensure compliance with the relevant laws and regulations. By the mid-2000s, when the Kyoto Protocol came into effect, we established the Yorozu Group Charter of Corporate Behavior to identify environmental conservation measures as a matter of priority. Since then, in addition to obtaining ISO 14001 certification—the international standard for environmental management systems—at each of our operating bases, we have enhanced our environmental efforts by undergoing external audits. With the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement in 2015, and ESG investment becoming mainstream over the years, the trend has turned from conventional environmental conservation to environmental management.

At Yorozu, our Environmental Philosophy states, “We will appreciate the bounty of nature as we pursue growth in harmony with the natural environment.” Guided by this philosophy, Yorozu Global Environmental Vision 2040 and the Environmental Policy have been established to share the Yorozu Group’s overall approach to the environment. As stated in our Environmental Philosophy, we believe that a healthy planet leads to a stable social infrastructure providing the foundation for corporate activities. In addition to climate change,

there are a number of global issues that must be addressed by companies, including the prolonged impact of COVID-19, the semiconductor shortage, and soaring prices and energy bills.

In particular, as a responsible member of the automotive industry, our commitment to carbon neutrality must be passed on to the next generation, thereby ensuring a society in which people can live with peace of mind and contributing to the development of automobiles and other forms of mobility that enable the future generations to move freely.

Our carbon neutrality initiatives are based on the four measures: energy conservation, adoption of renewable energy, procurement of green energy, and fuel conversion. On the basis of the Corporate Vision formulated in 2021, we are procuring green energy, developing plans for the installation of solar power generators in Japan and overseas, pursuing carbon neutrality at our new plant in Gifu Prefecture, and taking other measures toward becoming a forerunner in the industry. We have shifted our environmental efforts into high gear through the establishment of the Carbon Neutrality Office in April 2022 and the assignment of personnel from our engineering departments to ensure timely responses to the needs of our stakeholders.

Response to TCFD Recommendations

Climate change, which poses a significant threat to global society, the economy, and the environment, has been intensifying year after year, presenting significant obstacles to our business activities. Since the formulation of its Environmental Policy in 2009, the Group has been working to address climate change and other environmental issues along the path to realizing a sustainable society through business activities.

The Group will assess the financial impact of the business

risks and opportunities presented by climate change in accordance with the framework of the TCFD and strengthen its information disclosure from the perspectives of governance, strategy, risk management, and metrics and targets.



Four Perspectives on Disclosure Based on the TCFD Recommendations

Perspectives	Status of response	Relevant information
Governance	Yorozu’s environmental management activities are carried out under an ISO 14001 environmental management system (hereinafter, the “EMS”) headed by the president of the Company. The Management Meeting identifies requirements for the EMS, examines and formulates policies in response to medium- to long-term issues, shares information on business risks and opportunities associated with climate change and decides on the necessary measures, and reports the details of these activities to the Board of Directors for approval. Meanwhile, Yorozu sees climate change as a groupwide risk and will implement measures across the entire organization under the supervision of the Board of Directors.	Corporate Governance Structure https://www.yorozu-corp.co.jp/en/csr/governance/corporate-governance/
Strategy	A common awareness exists around the world that carbon neutrality is a matter of urgency that concerns everything on the planet. Therefore, any delays to act on the issue would pose a risk to our business, and we must work to realize our goals as quickly as possible. Yorozu Global Environmental Vision 2040 was launched in 2021 to ensure the sustainable existence of Yorozu’s entire supply chain. Electric vehicles (EVs) have become commonplace in EU and other parts of the world, and we are also seeing this trend in Japan, particularly with hybrid vehicles (HVs). As improved fuel efficiency and cruising distance call for lighter components, there is a greater need than ever to reduce the weight of the parts we develop and manufacture. For this reason, the adoption of new materials and R&D in new technologies and manufacturing methods to produce lighter components is the core of our business strategy.	Yorozu Sustainability Plan 2023 (YSP2023) Medium-Term Business Plan https://www.yorozu-corp.co.jp/wp-content/themes/YOROZU%201.0.3/images/en/investors/YSP2023_E.pdf
Risk management	Risks associated with environmental issues are managed under our EMS structure. Climate change is regarded as a Companywide risk and tackled throughout the organization. We are conducting a scenario analysis taking future uncertainties into account, which we plan to disclose. Yorozu focuses on the following three approaches to tackle the risks and opportunities associated with climate change. 1. Pursuing carbon neutrality throughout production processes [Risk: Laws and regulations] Taxes imposed on CO2 emissions would increase expenditures and put a damper on profits. [Opportunity: Energy sources] In-house electricity (solar power) generation would curb costs while energy prices surge due to energy security issues. 2. Reducing CO2 emissions from vehicles by using lighter components [Risk: Technologies] The weight of automotive components has a significant influence on CO2 emissions from vehicles. Therefore, delays in lightweight engineering may pose a threat to our business continuity. [Opportunities: Products] The products we develop and manufacture are mainly suspension parts, which are also indispensable to EVs. Therefore, the development of lighter components will play a key role in improving fuel efficiency and cruising distance in the future. 3. Reducing risks associated with intensifying storms and torrential rains [Risk: Legal matters] Heavy rainfall from typhoons and guerrilla rainstorms can cause the leakage of untreated factory wastewater, polluting nearby rivers and oceans. [Opportunity: Resilience] Wastewater is treated on-site and maintained within regulatory limits, building trust with local communities. To minimize the impact on nearby communities in the event of an emergency, we conduct daily drills and are prepared to respond to the situation in a timely manner. The Carbon Neutral Roadmap serves as an all-encompassing strategy to manage such risks and opportunities and realize our Corporate Vision at an early stage. With respect to our supply chain, the Company revised and announced its Green Procurement Guidelines in June 2022. We plan to engage in interactive dialogues based on ongoing surveys on suppliers’ energy performance. Furthermore, we will actively share our initiatives with the suppliers to develop a relationship aimed at mutual achievement of carbon neutrality. We believe that the risks and opportunities in above “1. Pursuing carbon neutrality throughout production processes” can be applied to supplier management.	Internal Control System https://www.yorozu-corp.co.jp/en/csr/governance/internal-control/
Metrics and targets	As medium- to long-term goals to combat climate change, we have declared to aim for a 50% reduction of Scope 1 and Scope 2 emissions by 2030, compared with 2013 levels, as well as our challenge to realize carbon neutrality by 2040. We have established environmental targets as short-term goals and are tracking the progress of our strategies.	Please refer to page 41 for details on the Group’s Scope 1 and Scope 2 emissions.

Environmental Management

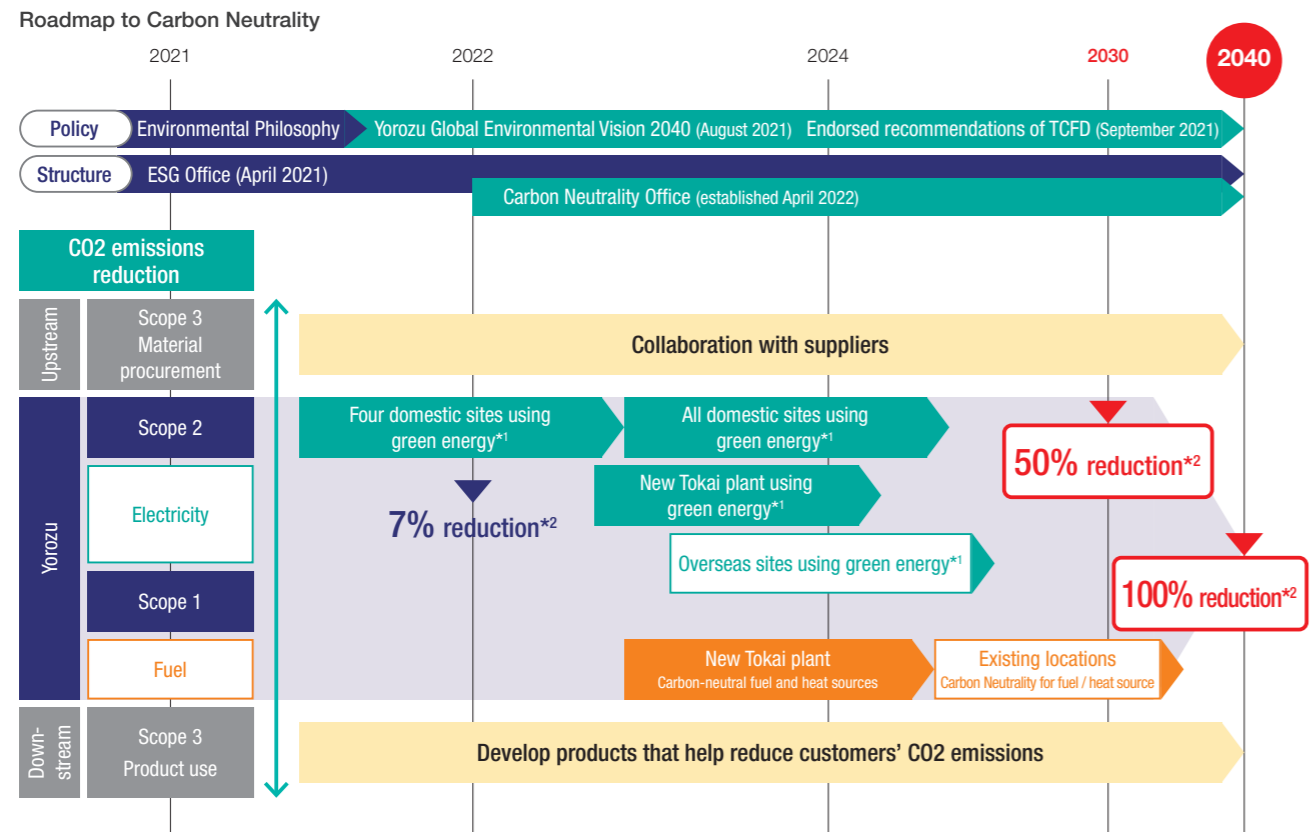
Our Approach to Carbon Neutrality

In Yorozu Global Environmental Vision 2040, we have set forth the ambitious goal of realizing carbon neutrality by 2040.

To extend the activities across the entire organization, Yorozu established the ESG Office in April 2021 and the Carbon Neutrality Office in April 2022. To deal with the increases in CO2 emissions linked with production volume, we are taking measures to improve the production process by engaging in (1) energy conservation, (2) adoption of renewable energy, (3) procurement of green energy, and (4) fuel conversion. These measures will help us achieve the goal of reducing CO2 emissions by 50% from the 2013 level by 2030 and eliminating them completely by 2040, which would not be possible without improvements in the production process. As a result of carbon neutrality measures taken in advance, Yorozu Oita Corporation has already switched to the complete use of green energy in fiscal 2021 (March 2022) and will introduce solar power generation in fiscal 2022. In addition, Yorozu has

drawn up a plan to convert to 100% green energy at all of its plants in Japan. Plans are also under way to install solar power generation facilities at overseas sites. Moreover, we are looking into the possibility of achieving carbon neutrality at the new Tokai plant as well as our existing plants by completely eliminating CO2 emissions from fuel combustion (Scope 1) in the painting process.

Carbon neutrality is a risk mitigation measure that should be addressed not only within the Company, but throughout the entire supply chain. Therefore, among the categories of Scope 3 emissions, we will work to grasp the amount of CO2 emitted by suppliers and from on-market products, and work on measures to help reduce emissions that have greater impacts. We are also working on enhancing the accuracy of our data and establishing quantitative targets for our initiatives going forward.



*1 By introducing solar power generation
 *2 CO2 emissions reductions compared with 2013

Initiatives at Domestic Operating Bases

Yorozu Oita Corporation, the Company's largest production site in Japan, transitioned to full green energy consumption in March 2022 through a partnership with the green energy provider, afterFIT Co., Ltd. During fiscal 2023, the company also plans to install solar power generators in parking lots and vacant spaces of its premises to utilize the produced electricity. These moves are expected to reduce Yorozu Oita's CO2 emissions by approximately 4,700 tons a year.

Moreover, we will expand this to four other operating bases in Japan (three production sites and Group headquarters) and

switch to 100% green energy at all of our six bases in Japan by fiscal 2024. The adoption of green energy throughout our domestic network is expected to reduce CO2 emissions by 11,000 tons each year.

Through these measures, we anticipate an 80% reduction in CO2 emissions at our operating bases in Japan by fiscal 2024, compared with 2013 levels, achieving the Company-wide reduction target of 50% well ahead of fiscal 2030.

Estimated Effect on CO2 Emissions

Fiscal year	Number of operating bases	Adoption of green energy	Yearly reductions in CO2 emissions
By FY2022	4 / 6	60%	7,020 t
By FY2024	6 / 6	100%	11,000 t

2024 Target
 Reduction in CO2 Emissions at Domestic Sites
80% Achieved

Initiatives at Overseas Operating Bases

In terms of its overseas network, Yorozu has installed solar power generators in Thailand. We will keep going green at other overseas sites in a manner that aligns with the decarbonization policies of each country.



Massive solar panels installed at Guangzhou Yorozu Bao Mit Automotive Co., Ltd. (G-YBM)

TOPIC Environmental Initiatives

Yorozu Tochigi Corporation actively takes part in the Watarase Retarding Basin Willow and Canada Goldenrod Removal Operation led by Oyama City, Tochigi Prefecture. In honor of our contributions, in fiscal 2021 we received a letter of appreciation from the mayor of Oyama as an organization that supports the preservation of the Watarase wetlands for the fourth year in a row. It is important to take part in these activities because they give us an opportunity to actually feel the bounty of nature mentioned in our Environmental Philosophy. We believe that our approach to climate change and resource recycling, as declared in Yorozu Global Environmental Vision 2040, will ultimately play a critical role in preserving and protecting our natural environment. As part of our environmental initiatives, we will continue to engage in such efforts to preserve and protect the natural environment, and contribute to the conservation of biodiversity.

As a new voluntary initiative, in fiscal 2022 Yorozu held outdoor cleanup activities at its operating bases in Japan during Environment

Month to coincide with the campaign UMIGOMI (Ocean Waste) Zero Week Spring 2022, jointly held by the Ministry of the Environment and The Nippon Foundation. It is widely known that plastics, deeply embedded in our lives, flow into the ocean causing harm and sometimes deadly damage to marine lives. It is also estimated that by 2050, there could be more plastic in the sea than marine animals by weight. Through this cleanup activity, we hope to foster environmental awareness in as many employees as possible, and we will continue to engage in environmental preservation activities to coexist harmoniously with society.



Board of Directors (as of June 27, 2022)



- 1**
Chieko Ogawa
Outside Director
(Member of Audit & Supervisory Committee)
(Independent Officer)
CPA
- 2**
Masashi Oshita
Outside Director
(Independent Officer)
- 3**
Hiroshi Moriya
Outside Director
(Independent Officer)
- 4**
Satoshi Miura
Member of the Board
(Full-Time Audit & Supervisory Committee Member)
- 5**
Chiaki Tsuji
Outside Director
(Member of Audit & Supervisory Committee)
(Independent Officer)
Attorney
- 6**
Tsutomu Hiranaka
President
Member of the Board (COO)
- 7**
Akihiko Shido
Chairman
Member of the Board (CEO)
- 8**
Ken Shido
Vice Chairman
Member of the Board
- 9**
Norio Hirano
Executive Vice President
Member of the Board (CFO)

Corporate Governance

Basic Stance

The Yorozu Group will fulfill its social responsibilities as a good corporate citizen through strict compliance with relevant laws and regulations. Understanding the need to enhance corporate value with open and transparent corporate activities, thereby earning the trust of our stakeholders, the Group remains committed to reinforcing corporate governance through its

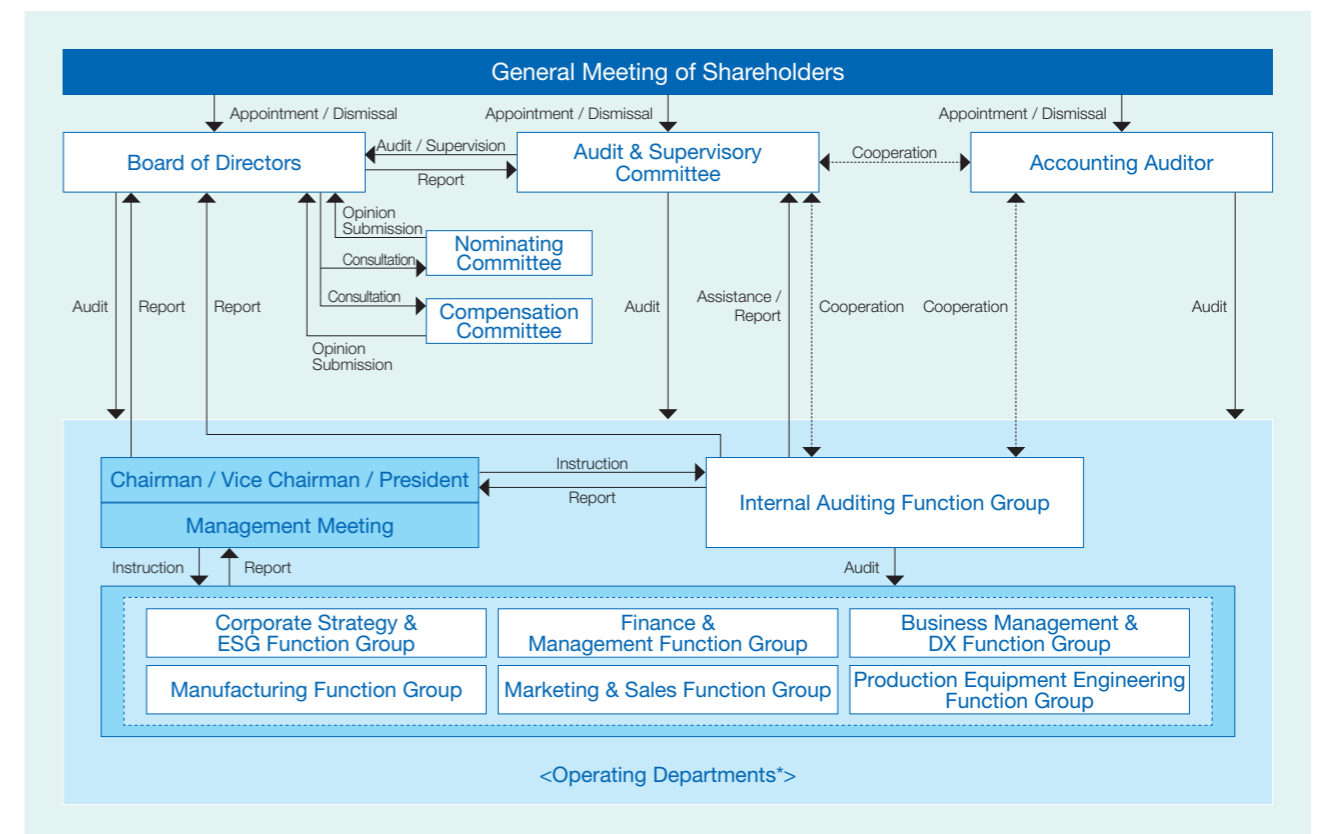
organizational design, establishment of a governance framework that includes internal control systems, and application of its Corporate Philosophy across the Group, driven by the will to take action under the Yorozu Group Charter of Corporate Behavior and the Yorozu Code of Conduct.

Our Corporate Governance Structure

As of the 70th Ordinary General Meeting of Shareholders held on June 10, 2015, Yorozu switched from a Company with a Board of Corporate Auditors to a Company with an

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

Corporate Governance Structure



* A cross functional organization consisting of seven function groups (Corporate Strategy & ESG Function Group, Finance & Management Function Group, Business Management & DX Function Group, Manufacturing Function Group, Marketing & Sales Function Group, Production Equipment Engineering Function Group, and Internal Auditing Function Group) to oversee each site based on the three regions (Japan, the Americas, and Asia).

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

Roundtable Discussion between the President and Outside Directors



Tsutomu Hiranaka
President and COO
Member of the Board

Chiaki Tsuji
Outside Director

Chieko Ogawa
Outside Director

In light of the uncertain business environment, corporate governance has become an increasingly important issue for the sustainable growth of a company. At Yorozu, we have been working to establish a highly transparent and objective corporate governance structure. President Hiranaka sat down with outside directors Chiaki Tsuji and Chieko Ogawa to facilitate a roundtable discussion on the theme of corporate governance and ESG management at Yorozu.

Effectiveness of Corporate Governance

Hiranaka Yorozu has been particularly active in strengthening its corporate governance in recent years. What is your assessment of these efforts?

Tsuji I have served as an outside director since 2017, and at the time of my appointment, materials for the Board of Directors' meetings were not always provided in advance and the duration of these meetings were very inconsistent. Today, however, the meetings are conducted efficiently and allow each member to feel comfortable speaking out, so I believe they have become remarkably effective. The diversity of external members has also increased, as the Board now consists of members with experience working at the Ministry of Economy, Trade and Industry and auto parts manufacturers and as certified public accountants.

Ogawa The efficiency of the Board meetings has certainly improved, but so has the atmosphere. At the beginning, the interactive discussions that now take place at the meetings were simply one-directional speeches by an

executive while other members listened. However, the increase in the number of outside directors has gradually helped foster a culture in which each member feels at ease speaking out. Based on my view as chairperson of the Compensation Committee, the method of determining compensation has also improved. While a compensation system has always been in place, the establishment of evaluation standards and key performance indicators in recent years has led to considerable improvements in transparency.

Hiranaka We have also been covering topics related to technology raised by the Board members. What is your take on this matter?

Tsuji We would like to see more lectures of this kind as they not only deepen our knowledge of the Company's technological capabilities and competitive advantages but also enhance the motivation of the members in the departments giving these lectures.

Ogawa While the theme this time was technology and technological development, I hope the lectures will extend to other fields as well. I would also appreciate

the opportunity to engage in such themes at venues other than Board of Directors' meetings, such as at management meetings.

Promotion of Awareness of ESG Management

Hiranaka The Company sees ESG management as the issue of highest priority under YSP2023. How would you assess the environmental and social initiatives we have been promoting through our business activities?

Tsuji With the world rapidly working toward carbon neutrality, I believe the Company's ability to develop lighter weight products has been amazing. This is an area where the Company can fully demonstrate the technological capabilities it has cultivated to date. It appears that new technologies will be released to markets, and I hope the Company aggressively allocates funds to the development of technologies as well as to initiatives and compensation that enhance employee motivation.

Ogawa As Outside Director Tsuji stated, we have seen tremendous progress in our environmental efforts in recent years. From a social aspect, we have noticed female employees taking on a more prominent role within the organization. At Yorozu, more than 10% of management positions are held by women and women account for over 20% of director roles, which are both well above the industry average. In addition, the ratio of male employees taking childcare leave is more than 70%. These results are a testament to the framework the Company has quickly built for promoting women into leaders and to its proactive efforts to create a workplace environment that enables all employees to realize sound work-life balance.

Hiranaka As you both mentioned, we pride ourselves on being a leader in the industry in terms of carbon-neutrality measures. Led by our new plant in the Tokai region, we will actively seek to achieve 100% use of renewable energy, not only for the electricity used at plants but also for the heat source used on production lines. If materialized, it will become the industry's first carbon-neutral plant. Moreover, as set forth in the basic policy of our medium-term business plan, we will work to realize even greater results in our pursuit of lighter automotive components over the next two years. Meanwhile, we were recognized for our efforts in promoting the advancement of women by becoming

the first company based in Kanagawa Prefecture and the first manufacturing company to receive Platinum Eruboshi certification. In addition to promoting more prominent roles for women, we have a relatively high percentage of non-Japanese employees and of male employees who take childcare leave. To enhance corporate performance, we will make further efforts to promote diversity.

Toward Improvements in Corporate Value

Hiranaka Finally, please share your thoughts on how you as outside directors can help us increase our corporate value.

Tsuji The significance of outside directors is their ability to look at things from an external point of view. While the past Board of Directors' meetings had been held rather as a formality, some have commented that our active participation has fostered a culture in which views can be expressed freely, both within the Company and to senior management. We are delighted to have contributed to the revitalization of these discussions. I will do whatever I can to help provide even more value to all stakeholders by continuing to be actively involved in Board of Directors' meetings while drawing on my experience as an outside director at other companies and as an attorney in Japan and Germany.

Ogawa I will work to support management in their formulation of financial plans and assessment of feasibility by utilizing my experience as a certified public accountant and tax accountant. As chairperson of the Compensation Committee, it is my responsibility to further clarify and improve the compensation system. To this end, I would like to work more closely with management to identify issues and lead discussions on the ways to resolve them. Through these efforts, I will fulfill my role and dedicate myself to enhancing Yorozu's corporate value.

Hiranaka I am grateful for the positive opinions you have shared with us today. Although we still have many challenges to overcome, we are definitely taking steps in the right direction. I look forward to continuing to receive candid yet valuable opinions based on mutual trust from the both of you as we strive to achieve sustainable growth. Thank you for your time today.

Corporate Governance

List of Directors' Skills

We are striving to enhance our governance structure and to implement management that emphasizes sustainability in order to respond to a changing global environment, beat the competition, and achieve both sustainable growth and increased corporate value in the medium to long term. We believe that the Board of Directors possesses the qualifications needed to achieve these initiatives.

In selecting directors, we give consideration to a balanced board room, including those who can demonstrate their strengths across a wide range of business areas, those who are suited to business management, and those who have international experience. We also prepare and publish a skills matrix that lists each director's knowledge, experience, abilities, etc.

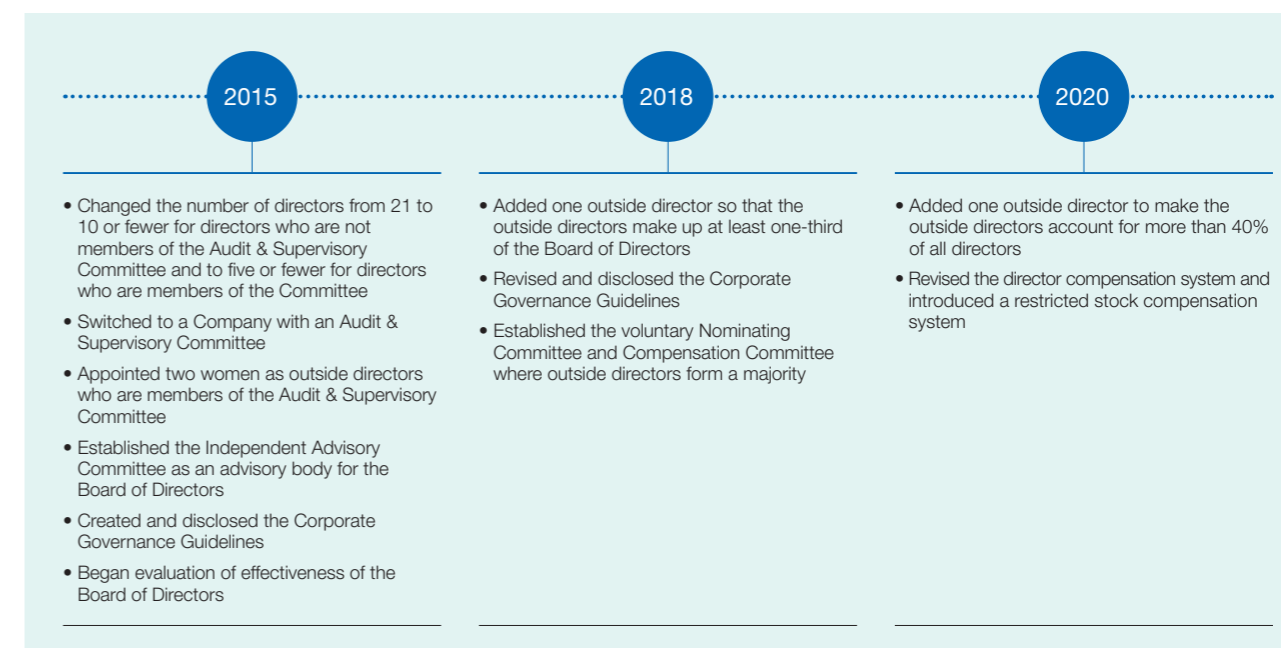
Name	Position	Outside Independent	Gender	Directors' main knowledge and areas of expertise						
				Global	Automotive industry	Management	Legal, Compliance, CSR, and Governance	Finance and Accounting	Manufacturing (Production, Procurement, and Quality)	Sales and Marketing
Akihiko Shido	Chairman, Member of the Board (CEO)		Male	●	●	●	●		●	●
Ken Shido	Vice Chairman, Member of the Board		Male	●	●	●		●	●	●
Tsutomu Hiranaka	President, Member of the Board (COO)		Male	●	●	●		●	●	●
Norio Hirano	Executive Vice President, Member of the Board (CFO)		Male	●	●	●		●	●	●
Masashi Oshita	Outside Director	Outside Director	Male	●	●	●	●			
Hiroshi Moriya	Outside Director	Outside Director	Male	●	●	●	●			●
Satoshi Miura	Member of the Board (Full-Time Audit & Supervisory Committee Member)		Male	●	●	●	●	●	●	
Chieko Ogawa	Outside Director (Member of Audit & Supervisory Committee)	Outside Director	Female	●	●		●			
Chiaki Tsuji	Outside Director (Member of Audit & Supervisory Committee)	Outside Director	Female	●	●		●	●		

Summary of Discussions at Board of Directors' Meetings in Fiscal 2021

A total of 14 Board of Directors' meetings were held in fiscal 2021. The main agenda (excerpt) for each meeting was as follows:

Meeting 1	Improvements to internal risk controls	Meeting 8	Tokyo Stock Exchange Prime Market selection
Meeting 2	New medium-term business plan	Meeting 9	Compliance with the Corporate Governance Code
Meeting 3	Revision of regulations on directors' compensation and bonuses	Meeting 10	Consolidated sales forecast for the fiscal year ended March 31, 2022 and revisions thereto
Meeting 4	Board efficacy analysis and aggregate assessment results	Meeting 11	Introduction of a restricted stock compensation system for employees
Meeting 5	Entering into a liability limitation agreement with non-executive directors	Meeting 12	77th General Shareholders Meeting and virtual meeting
Meeting 6	State of strategically held shares	Meeting 13	Implementation of a survey to evaluate the Board of Directors' efficacy
Meeting 7	Dividend forecast for the fiscal year ended March 31, 2022	Meeting 14	Progress report on the new Tokai site

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 four 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 at 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, the monthly Management Meeting, and the Global Management Committee, among others; and periodically meet with representative directors.

The Committee comprises three 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 Office has been established to maintain effective internal control activities and supervisory functions. The Audit & Supervisory Committee strives to improve efficiency in auditing and investigating the Company's operations and financial assets in cooperation with the Internal Auditing Office by sharing annual auditing plans and monthly audit reports and by having the Internal Auditing Office attend the quarterly hearing reviews conducted by the accounting auditor. The Internal Auditing Office exchanges opinions with the accounting auditor on audit plans, the state of audits, and audit results, which are reflected in internal control activities.

Corporate Governance

Execution of Duties

The Company has introduced an executive officer system to clarify the responsibilities and areas of authority in business execution. The Management Meeting is held monthly to ensure the Company's swift response to sudden changes in the business environment.

With a view to maximizing efficiency groupwide, the Company has separated twenty-one functional axes into seven function

groups (the Corporate Strategy & ESG Function Group, Finance & Management Function Group, Business Management & DX Function Group, Manufacturing Function Group, Marketing & Sales Function Group, Production Equipment Engineering Function Group, and Internal Auditing Function Group), and each site into one of three regions (Japan, the Americas, and Asia).

Outside Directors

Yorozu has appointed outside directors to ensure fairness and transparency while strengthening the oversight function of the Board of Directors. Currently, independent outside directors account for more than 40% of the Board. To be qualified as a candidate, professional knowledge and experience in corporate management, legal affairs, government administration, and accounting, among other fields, are required. From among candidates who excel in terms of personality and general knowledge, only those who meet the

Company's criteria for independence, have the approval of at least one current independent director or independent member of the Audit & Supervisory Committee, and fulfill other requirements in accordance with the Corporate Governance Guidelines can be nominated. Final candidates are selected by the Board of Directors based on recommendations of the Nominating Committee and are then elected at the General Meeting of Shareholders.

Name	Reason for appointment	Concurrently held positions	Attendance at Board of Directors' meetings (April 2021 to March 2022)
Masashi Oshita	Since assuming the role of outside director in June 2018, Masashi Oshita has provided oversight to the Company's management from an independent and neutral position. He provides valuable advice based on his extensive experience and knowledge acquired during his tenure with the Ministry of Economy, Trade and Industry. Mr. Oshita is fully qualified to serve as an outside director based on these reasons and our expectation that he will continue to fulfill these roles. 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 Japan Society for the Promotion of Machine Industry	14 out of 14 meetings (100%)
Hiroshi Moriya	Since assuming the role of outside director in June 2020, Hiroshi Moriya has provided oversight to the Company's management from an independent and neutral position. He has been involved in the automotive industry for many years and provides valuable advice based on his extensive experience and knowledge acquired as a senior executive of a global corporation. Mr. Moriya is fully qualified to serve as an outside director based on these reasons and our expectation that he will continue to fulfill these roles.	Chairman of Marelli Corporation Outside Director of SNT Corporation Member of Saitama Prefectural Personnel Commission	14 out of 14 meetings (100%)
Chiaki Tsuji	Since assuming the roles of outside director and member of the Audit & Supervisory Committee in June 2017, Chiaki Tsuji has provided objective and straightforward opinions based on her expert knowledge and extensive experience acquired over the course of her career as a lawyer in Japan and Germany. Ms. Tsuji is fully qualified to serve as both outside director and member of the Audit & Supervisory Committee based on her expert knowledge and experience and our expectation that she will continue to provide opinions and advice that will be of value to the Group's management supervisory and audit functions. Although Ms. Tsuji has not engaged in corporate management in any other capacity, we believe her to be capable of performing the duties of an outside director and a member of the Audit & Supervisory Committee for the above reasons.	Outside Director of Takara Leben Co., Ltd. Outside Auditor of Moriroku Holdings Company, Ltd.	14 out of 14 meetings (100%)
Chieko Ogawa	Since assuming the roles of outside director and member of the Audit & Supervisory Committee in June 2017, Chieko Ogawa has provided objective opinions based on her expert knowledge and extensive experience acquired over the course of her career as a CPA in Japan and the United States. Ms. Ogawa is fully qualified to serve as both outside director and member of the Audit & Supervisory Committee based on her expert knowledge and experience and our expectation that she will continue to provide opinions and advice that will be of value to the Group's management supervisory and audit functions. Although Ms. Ogawa has not engaged in corporate management in any other capacity, we believe her to be capable of performing the duties of an outside director and a member of the Audit & Supervisory Committee for the above reasons.	Chief Audit Commissioner of Toda City	14 out of 14 meetings (100%)

Nominating Committee and Compensation Committee

The Nominating Committee and Compensation Committee have been established, each with independent outside directors forming the majority, with the objective of advancing corporate governance through greater transparency and objectivity in the decision-making process of the Board of Directors, while ensuring opportunities for independent directors to be involved in 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	3	4	Masashi Oshita (outside director)
Compensation Committee	3	4	Chieko Ogawa (outside director)

Evaluation of Effectiveness of Board of Directors

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

For details of the effectiveness of the Board of Directors in fiscal 2021, please visit the web page (Japanese only) below.
<https://www.nikkei.com/nkd/disclosure/tdnr/dko8ft/>

Director Compensation System

In fiscal 2020, as a replacement for stock options, we introduced restricted stock compensation to provide medium- to long-term incentives while at the same time revising the proportion of performance-linked compensation.

For details on the director compensation system, please refer to our convocation notice below (page 12).
<https://www.yorozu-corp.co.jp/share/uploads/2020/06/E-2019SYOUSYUUTUUT11.pdf>

Director category	Total value of compensation (Millions of yen)	Total value of compensation by type (Millions of yen)					Number of directors covered
		Fixed compensation		Performance-linked compensation			
		Basic compensation	Bonus	Non-monetary compensation	Cash bonus	Non-monetary compensation	
Directors (excluding Audit & Supervisory Committee members) (excluding outside directors)	242	112	59	48	22	-	4
Directors (Audit & Supervisory Committee members) (excluding outside directors)	19	19	-	-	-	-	2
Outside directors	25	25	-	-	-	-	4

Notes:

- Performance-linked compensation consists of monetary compensation and restricted stock compensation.
- Non-monetary compensation consists of restricted stock compensation.
- The total value of directors' compensation does not include the employee salary of directors who concurrently serve as employees.
- The number of "Directors (Audit & Supervisory Board members) (excluding outside directors)" above includes one director (Audit & Supervisory Board member) who retired at the conclusion of the 76th Ordinary General Meeting of Shareholders held on June 29, 2021.

Internal Control System

The Company's Board of Directors has adopted and disclosed a basic policy for the development of an internal control system, as stipulated in the Companies Act. The Board of Directors reviews the operation of this internal control system on an annual basis.

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

Corporate Governance

Initiatives to Further Strengthen CSR

The Company maintains its basic stance to advance fair and transparent corporate activities with a strong sense of ethics and strict adherence to laws and regulations. Grounded in this philosophy, we recognized the need to increase our corporate value by fulfilling our social responsibility as a good corporate citizen and earning the trust of our stakeholders, in addition to abiding by relevant laws and ordinances. Accordingly, in December 2005 we established the Yorozu Group Charter of Corporate Behavior and the Yorozu Code of Conduct, which we use as guidelines for our day-to-day operations.

Promotion of CSR along the Supply Chain

The Group strives to build relationships of trust with all of its business partners through adherence to laws and regulations, respect for the global environment and human rights, and procurement activities that stress the importance of fairness and transparency.

As part of these efforts, we established the Yorozu Green Procurement Guidelines in 2015, in which we asked our suppliers and subcontractors to cooperate with our environmental conservation efforts. In 2022, we revised these guidelines to reflect Yorozu Global Environmental Vision 2040, announced in 2021.

The same year, Yorozu established the new Yorozu Sustainability Guidelines, in the belief that we must develop our business while identifying and responding to changes to the planet and in society, and emphasizing the importance of sustainability and social trust. Based on these guidelines, we request cooperation from all suppliers and subcontractors.

Moreover, in order to confirm compliance with the guidelines, we are using a sustainable procurement check sheet to comprehensively assess the suppliers' activities relating to legal compliance, environmental considerations, respect for human rights, and occupational health and safety on an annual basis.

Respect for Human Rights

Development of Sustainability Guidelines

The Group supports various international human rights standards, such as the Universal Declaration of Human Rights, and puts into practice its respect for human rights and diversity as stated clearly in the CSR Policy. In June 2022, we established the Sustainability Guidelines to fulfill our responsibilities and accelerate human rights promotion activities throughout the supply chain from fiscal 2022.

Sustainability Guidelines



Internal Training and Development

Employee Surveys

Each year, the Group conducts a survey to ascertain the level of satisfaction of its employees with their working environment, relations with co-workers, and relations with the Company, as well as to determine whether any human rights violations or other issues have occurred, and takes measures if required.

For more information on our CSR activities, please visit the page below.
<https://www.yorozu-corp.co.jp/csr/>

Compliance Initiatives

The Group recognizes the importance of compliance with laws, regulations, and social customs in all business activities carried out by its directors and employees to achieve fair and appropriate management, and strives to promote compliance.

Antimonopoly Act Initiatives

The Group strictly complies with the Antimonopoly Act (competition law) as well as other laws and regulations governing business transactions. We ensure all employees are thoroughly conversant with our Antimonopoly Act Compliance Manual, receive training on a regular basis, and perform their daily work in a sincere and fair manner.

In addition to mental health training, we also conduct annual training for officers and managers in Japan and overseas on the prevention of harassment in all its forms, including power harassment, of which the obligation to prevent was codified in law in 2020. As well as providing training for new managers and employees upon joining the Company and at

other milestones, we also provide company-wide training for all employees. This training provides not only basic lessons on harassment but also a deep understanding of precautions and response measures to create a healthier work environment that ensures physical and psychological safety.



Internal compliance training

Elimination of Antisocial Forces

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

Avoidance of Conflict Minerals

The Group always 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 Come Forward for Help Line is available not only to Group companies in Japan and overseas, but also to the

local community, suppliers, supply chain workers, and others outside the Company. It also affords means to facilitate direct reporting to and consultation with the outside directors. In April 2022, we put in place an external consultation service available in three languages to ensure the anonymity of whistleblowers and greater flexibility in information gathering to identify risk sources. The contents of reports and consultations are also reported at the Management Meetings.

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” by the Management Meeting and the Board of Directors are monitored by the General Affairs Department and risk aversion measures are taken groupwide.

Information Security

In order to properly protect its information assets and take the appropriate information security measures, the Company has established the Information Security Committee and the Technology Leak Prevention Committee, in addition to formulating the Information Security Control Policy and ensuring compliance thereof, formulating and implementing countermeasures, and providing the necessary training. We protect

our customers and suppliers as well as 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, which is well-coordinated with changes in the business environment.

Business Continuity Plan (BCP)

Yorozu has formulated a business continuity plan (BCP) to ensure the uninterrupted performance of the core businesses and to fulfill our social responsibilities as an enterprise in the event of unforeseen incidents and natural disasters. To ensure a stable supply 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 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 customers' 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.

Additionally, the Company has set up an emergency communication plan, increased the resilience of its IT systems, stockpiled food and supplies, and distributed a pocket guide for emergencies to employees. Our efforts are also focused on disaster prevention training and regular drills.



Disaster drill at Yorozu Global Technical Center (YGTC)

Five-Year Summary of Financial and Non-Financial Data

Yorozu Corporation and Consolidated Subsidiaries

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Financial Data					
Profit / Loss statements (fiscal years)					
Sales	171,536	169,111	157,680	118,863	127,316
Cost of sales	151,587	149,295	141,331	106,626	113,015
Gross margin	19,949	19,816	16,349	12,237	14,301
SG&A expenses	13,919	14,525	14,142	11,859	12,204
Operating income	6,029	5,290	2,206	377	2,096
Non-operating income	857	796	594	1,715	991
Non-operating expenses	1,239	864	2,030	643	802
Ordinary income	5,648	5,222	770	1,449	2,284
Extraordinary gains	55	288	73	279	194
Extraordinary losses	321	2,650	11,760	6,011	98
Net income (loss) attributable to owners of parent	2,717	402	(12,933)	(6,195)	876
Cash flows (fiscal years)					
Cash flows from operating activities	9,421	17,603	10,824	13,218	14,914
Cash flows from investing activities	(20,814)	(13,807)	(9,584)	(7,048)	(4,536)
Cash flows from financing activities	6,875	1,103	(7,718)	3,775	(13,816)
Financial condition (fiscal year-ends)					
Cash and cash equivalents, end of period	20,882	24,970	19,019	29,259	27,146
Net assets	97,015	92,310	74,550	65,738	70,378
Total assets	175,083	168,097	139,700	134,723	133,992
Per-share information					
Net income (loss) per share (¥)	114.31	16.94	(544.05)	(259.07)	36.55
Net assets per share (¥)	3,359.44	3,182.74	2,507.05	2,229.87	2,374.88
Other Financial Data					
Operating income ratio	3.5%	3.1%	1.4%	0.3%	1.6%
Return on equity (ROE)	3.4%	0.5%	(19.1)%	(11.0)%	1.6%
Return on assets (ROA)	3.3%	3.0%	0.5%	1.1%	1.7%
Equity ratio	45.6%	45.0%	42.7%	39.6%	42.6%
Dividend payout ratio	51.6%	271.5%	–	–	35.6%
Capital investments	20,013	15,451	11,216	7,219	3,367
Depreciation	11,915	12,075	12,522	10,246	8,903
R&D expenditures	9,435	8,179	7,391	5,149	5,335
R&D expenditures to sales ratio	5.5%	4.8%	4.7%	4.3%	4.2%
Non-Financial Data					
CO2 emissions (t-CO2)	136,550	129,977	134,217	97,143	89,789
Waste emissions (tons)	8,324	5,040	3,200	3,326	3,150
Water use (1,000 m ³)	1,372	1,324	1,309	1,086	1,057
Number of employees (consolidated)	6,590	6,597	6,475	6,162	5,666
Ratio of non-Japanese employees	3.92%	4.59%	6.57%	6.25%	5.70%
Ratio of women in management positions	3.85%	5.95%	8.05%	10.90%	12.35%
Ratio of paid vacation taken	66.2%	80.1%	84.2%	50.8%	66.70%
Number of accidents that led to lost working days	0	0	0	0	0

Corporate Information (as of March 31, 2022)

Company Overview

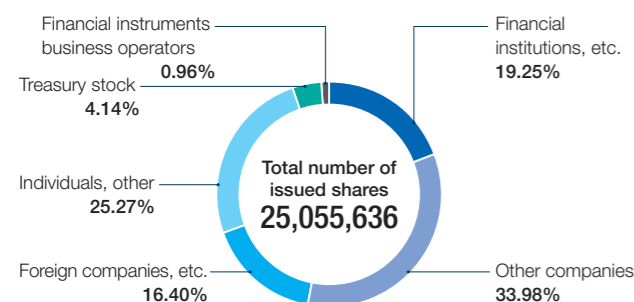
Company name: Yorozu Corporation
 Address: 3-7-60 Tarumachi, Kohoku-ku, Yokohama, Kanagawa, Japan
 Foundation: April 1, 1948
 Capital: ¥6,200 million

Business activities: Development, design, production, and sale of auto parts, agricultural machinery parts, and manufacturing equipment
 Employees (consolidated): 5,666

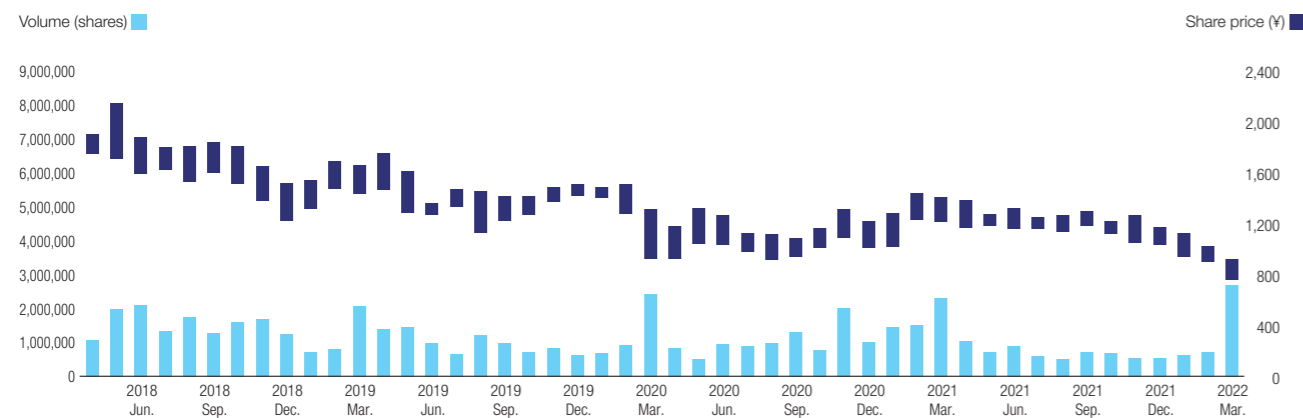
Stock Information

Stock exchange listing: Tokyo Stock Exchange Prime Market (As of April 4, 2022)
 Securities code: 7294
 Authorized shares: 64,000,000
 Transfer agent & office: Mitsubishi UFJ Trust and Banking Corporation
 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
 Number of shareholders: 23,525

Breakdown of Shareholders by Investor Type



Trend in Share Price

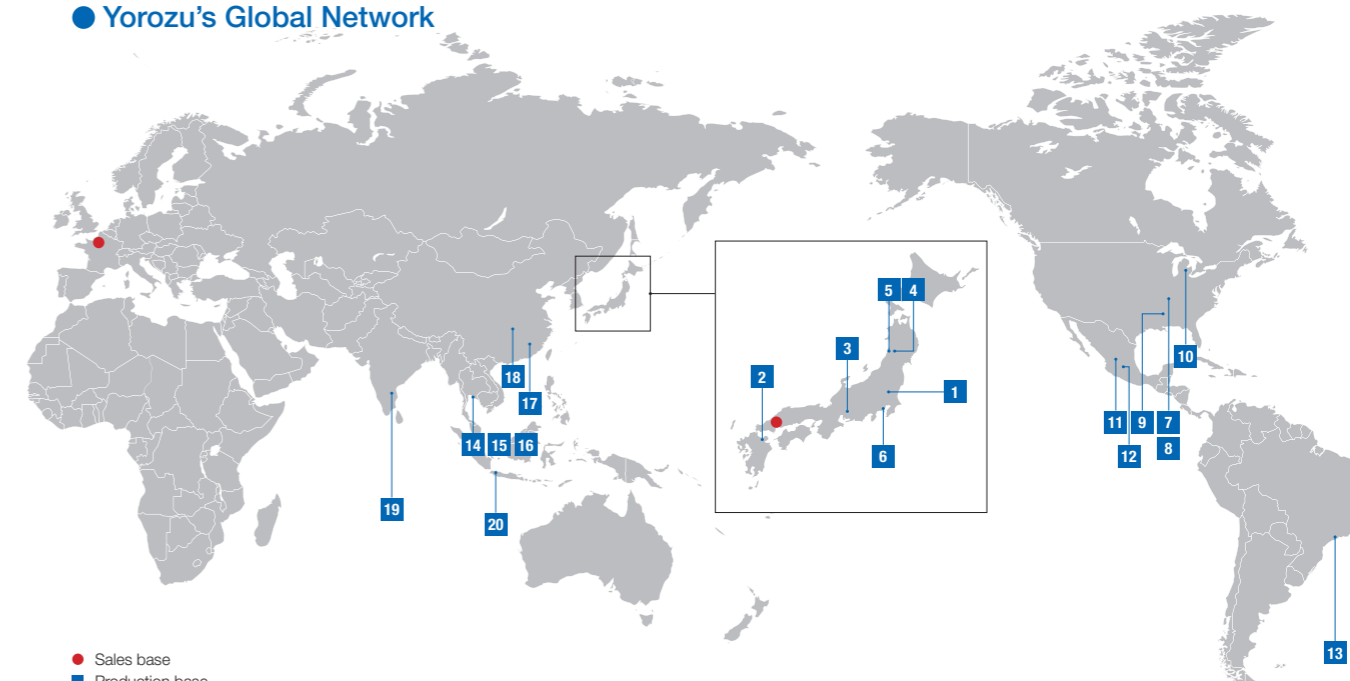


Major Shareholders

Name of shareholder	Number of shares held	Ownership ratio (%)
City Index Eleventh Co., Ltd	2,370	9.87
The Master Trust Bank of Japan, Ltd.	1,784	7.43
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	1,600	6.66
Shido Holdings Co., Ltd.	883	3.68
JFE Steel Corporation	843	3.51
Mizuho Bank, Ltd.	842	3.51
The Bank of Yokohama Ltd.	842	3.51
Suzuki Motor Corporation	800	3.33
Mitsubishi UFJ Trust and Banking Corporation	682	2.84
STATE STREET BANK AND TRUST COMPANY 505224	625	2.60

* The Company owns 1,037k treasury shares. The ownership ratio has been calculated by deducting these shares from the total number of issued and outstanding shares.

Yorozu's Global Network



● Sales base
 ■ Production base

	Name	Location	Capital or investment amount	Main business
1	Yorozu Tochigi Corporation	Oyama, Tochigi Prefecture	100 million Japanese yen	Manufacture and sale of auto parts
2	Yorozu Oita Corporation	Nakatsu, Oita Prefecture	100 million Japanese yen	
3	Yorozu Aichi Corporation	Nagoya, Aichi Prefecture	100 million Japanese yen	
4	Shonai Yorozu Corporation	Tsuruoka, Yamagata Prefecture	100 million Japanese yen	
5	Yorozu Engineering Corporation	Mikawa, Higashi-Tagawa, Yamagata Prefecture	100 million Japanese yen	Manufacture and sale of dies and equipment
6	Yorozu Service Corporation	Yokohama, Kanagawa Prefecture	10 million Japanese yen	Insurance services, money lending, temporary staffing, service contracting, etc.
7	Yorozu America Corporation	Morrison, Tennessee, U.S.A.	192 million U.S. dollars	A holding company in U.S.A
8	Yorozu Automotive Tennessee, Inc.	Morrison, Tennessee, U.S.A.	95 million U.S. dollars	Manufacture and sale of auto parts
9	Yorozu Automotive Alabama, Inc.	Jasper, Alabama, U.S.A.	100 million U.S. dollars	
10	Yorozu Automotive North America, Inc.	Battle Creek, Michigan, U.S.A.	20 million U.S. dollars	
11	Yorozu Mexicana S.A. de C.V.	San Francisco de los Romo, Aguascalientes, Mexico	754 million Mexican pesos	Manufacture and sale of auto parts
12	Yorozu Automotive Guanajuato de Mexico, S.A. de C.V.	Apaseo el Grande, Guanajuato, Mexico	1,853 million Mexican pesos	
13	Yorozu Automotiva do Brasil Ltda.	Resende, Rio de Janeiro, Brazil	250 million Brazilian real	
14	Yorozu (Thailand) Co., Ltd.	Rayong, Thailand	1,800 million Thai baht	
15	Y-Ogura Automotive (Thailand) Co., Ltd.	Rayong, Thailand	1,383 million Thai baht	Manufacture and sale of dies and equipment
16	Yorozu Engineering Systems (Thailand) Co., Ltd.	Rayong, Thailand	65 million Thai baht	
17	Guangzhou Yorozu Bao Mit Automotive Co., Ltd.	Guangzhou, Guangdong, China	189 million Chinese yuan	
18	Wuhan Yorozu Bao Mit Automotive Co., Ltd.	Wuhan, Hubei, China	276 million Chinese yuan	Manufacture and sale of auto parts
19	Yorozu JBM Automotive Tamil Nadu Pvt. Ltd.	Tamil Nadu, India	4,000 million Indian rupees	
20	PT. Yorozu Automotive Indonesia	Karawang, West Java, Indonesia	770 billion Indonesian rupiah	

Website

Investor Relations

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

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

CSR

<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/>

This section introduces Yorozu's environmental conservation initiatives and efforts to its stakeholders, which include its Environmental Philosophy and vision as well as CSR activities and ISO certifications obtained by Group companies around the world.

Inquiries regarding IR information

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