



Third-Party Opinion

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I was invited to give a third-party opinion to this report for the first time last year. As a result I got to see management that embodies Yazaki Corporation's Fundamental Management Policy that says, "Care for people." This year I had the opportunity to visit Y-CITY, that serves as Yazaki's World Headquarters, as well as the Susono Factory and a nursing care facility. It reconfirmed for me the state of Yazaki's management that I came to see last year from the information in its report. I sensed how the manufacturing of wire harnesses requires a lot of labor-intensive craftsmanship. Presently, while many enterprises are embracing AI and automation, in competition the Yazaki Group is embracing the labor intensive nature of its work. It has a strategy of actively dispersing manufacturing processes internationally, as evidenced by the fact that it operates in 45 countries, and it is winning market share as a result. At the same time, it is making a big contribution to local employment. I'm convinced this is a perfect blending of the Group's business characteristics and the Yazaki Group Corporate Policy. In light of that experience, I noticed some good things about the report, and some that need improvement.

I was most impressed by the fact that the President's Message honestly addressed the conflicts between the SDGs and management issues. From companies here and there, you can find management messages saying that they aim to practice management that incorporates SDGs, but there is bound to be some inconsistency and friction if one is sincerely trying to achieve the SDGs. When the President pointed this out so honestly, I got a sense of how resolute Yazaki's management is.

Special Feature 1 gives us a case study of Yazaki advancing into another country, in this case Tunisia. Japanese people are not very familiar with Tunisia. Choosing such a country is commendable enough, but Yazaki went further: it made the bold decision to go to an area without much industry and far from the capital. This is the very embodiment of the management philosophy that says Yazaki expands into a place where people want employment and aims to develop in step with the community. Depending on the case, you might be able to leverage to have a greater economic development benefit for the community than that by ODA or other assistance. Additionally in this report, Chairman Yazaki has a conversation with the leader of one of Japan's most progressive NGOs specializing in children's rights. I hope that this will be more than a simple conversation and that the suggestions that came out of this talk will have a positive impact on Yazaki's overseas businesses and domestic nursing care business going forward. Training 1,000 skilled workers in a country with a different culture, language, and religion is a challenging mission, but I could sense Yazaki's enthusiasm to make this a management driver to overcome the high hurdle of achieving SDGs.

Special Feature 2, "A More Joyful Community," looked at Care Center "Kamifusen." The facility's director, who had previously worked in a Yazaki Group production division, puts the needs of local citizens and facility residents first. Management takes a very maternal approach, thinking about what would be fun for the residents. For example, they published a healthy recipe book and hold frequent onsite events and outings for residents. The management policy is actively needs-based. Residents obviously like the trainees from Sri Lanka and the whole atmosphere is very congenial. I came to see that the Yazaki attitude of caring for people is very consistent.

The wire harness factory and nursing care facility are at opposite ends of Yazaki's business spectrum, but one thing they have in common is that they are both labor-intensive. Perhaps Yazaki Corporation's greatest strength is its human resources management, with which it employs a vast number of people with diverse languages and cultures as skilled workers.

There were, however, some problems here and there.

First, a look at the data under "Numeric Data for the Yazaki Group" shows that net sales, contribution to CO₂ reduction, percentage reduction in CO₂ emissions per unit, and other measures all improved over the previous year. When you present quantitative data in the future, however, I would like to see the change over time, because it is hard to judge the trends of your efforts if the only data you show is for a single year. You should also consider adding explanations about why data figures have gone up or down, as well as providing a self-evaluation. I would especially like to know some background when there is a big change in an important KPI.

Also, under priority issues, plans for adapting to climate change are one item within an environmental management system, but if you look for example at the typhoon damage happening nowadays, how to respond to disasters is a big risk for an enterprise. The need to ensure employee safety and safe operations and maintain the supply chain are among factors that significantly influence corporate activities. Particularly if you operate in 45 countries, you are going to have all sorts of climate change risks. Going forward, I believe that you will have to take initiatives on adapting to climate change, anticipating typhoons, droughts, and more, treating this as an issue that directly concerns your business strategy.

I noticed that in the section entitled "Building a Truly Strong Organization," all you do is talk about rules and structures concerning labor. This seems out of character for Yazaki, where there is so much emphasis on caring for people. Activities like your summer camp for employees' children count as human resources training and global communication, so that too is a social initiative, I think. You ought to call more attention to your true Yazaki character.

When I saw the report, I had my doubts about whether the content of your initiatives was for real. That is because there are so many reports that try to make the enterprise look good. In this case, however, when I visited Yazaki, I felt that you had actually understated all the good you do. I understood the reason why when I visited Y-CITY recently. This place is a utopia, in a sense. Clearly, this is a workplace that cares for its employees. It has everything people need for their lives so that they can do all they have to do in their everyday life within this utopia. Thinking of diversity, Yazaki operates in 45 countries, and it has a scattering of similar communities around the world. Employees living within these communities are so comfortable that they become less sensitive to what is happening in the wider world outside. Similarly, executive management runs the risk of gradually becoming unable to look objectively at Yazaki Corporation businesses and values, and that could lead to a serious error of business judgment in future. What will make Yazaki Corporation stronger going forward will be not only cultivating yourselves internally but also a multi-faceted knowledge of the outside world. I encourage Yazaki to make broad use of this report as a tool for communicating with those outside.