

Message

Message from the President



Investing in human capital and bolstering partnerships to promote technological innovation and build a more competitive company than ever

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Introduction

For its 2030 Vision, the TS TECH Group has the stated goal of being an “innovative quality company—continued creation of new value.” To achieve this vision, we have launched our new **15th Medium-Term Management Plan¹** (fiscal 2024–2026), which is focused on a policy of “realizing ESG management.” We are also striving to further enhance corporate value by expanding our business and improving capital efficiency based on priority strategies in the categories of growth, regional, and functional.

In fiscal 2024, the first year of the 15th Medium-Term Management Plan, the Group had a number of challenges in terms of profitability, as the automotive industry as a whole

has been facing an extremely challenging business environment, including a decline in production volume due to sluggish sales for Japanese automakers in the Chinese market and rising raw material and labor costs. However, we believe that we are moving in the right direction with each of our priority strategies and will allocate all management resources necessary to steadily implement measures in areas essential to growth.

Progress on the 15th Medium-Term Management Plan

For our first growth strategy, “securing cabin coordination capacity,” we take a long-term view, as the transition to EVs and the full advent of self-driving vehicles steadily approaches.

¹ 15th Medium-Term Management Plan

▶ pp. 16–17

We are engaged in **product development with an eye on next-generation vehicles²** to accelerate our transformation into a company that can fully coordinate the entire cabin space and provide new value to customers and users. We have been successful in proactively presenting customers with technical proposals, and certain next-generation technologies have in fact been adopted by customers ahead of schedule.

By consistently proposing products that exceed customer expectations, we will achieve our growth strategies of “**further growth in new businesses³**” and securing “**a higher share of major customers’ products⁴**.”

In terms of progress, we have obtained a steadily increasing number of commercial rights orders, despite delay of planned orders from new customers caused by delayed development schedules at automakers due to the dramatic slowdown in EV demand, among other factors. Specifically, with robust orders for new commercial rights from Maruti Suzuki in India, we are constructing a new plant to build up a robust production system, aiming to further expand our business in the Indian market. In other regions, as well, we are targeting customers worldwide and will continue to implement strategic sales activities tailored to the timing of each model change.

We are also making solid progress on acquiring targeted commercial rights for orders from the Honda Group. We will continue our efforts to increase our share of major customers, creating attractive products jointly with customers and conducting order development activities by ensuring collaboration across our segments and functional divisions and taking advantage of regional characteristics.

Next, with regard to our regional strategy of “V-shaped recovery in North America,” a variety of factors, including production losses caused by production fluctuations and increases in raw material and labor costs, have posed challenges to profitability. For this reason, we are taking measures such as making capital investments in **automation of production processes⁵** and building automated vertical warehouse facilities that can flexibly respond to production fluctuations, as well as optimizing production systems and reorganizing procurement structures. Although the situation has improved over certain points in the past, we have not yet fully cleared these hurdles and will continue to work on improving our business structure to ensure our capacity to generate profits commensurate with the number of units produced.

In terms of our approach to “restructuring the China business strategy,” we expect the business environment to remain challenging due to the growing strength of emerging EV manufacturer. Despite these circumstances, we are working to create a profit-generating production system by automating the production processes, actively expanding the use of local suppliers, and optimizing the employment structure of our personnel. Moreover, we are renewing our development system to secure new commercial rights from local automakers and have already received orders for seat and door trim commercial rights from new customers. This marks the beginning of expanding our commercial rights, and we will work to further increase them to secure our position in the increasingly competitive Chinese market.

Through these and other priority strategies, we aim to achieve further business growth with a steady flow of new commercial rights and improved profitability.

Priority Strategies under the 15th Medium-Term Management Plan

Management policy		Realizing ESG management	
Growth strategies	Priority strategy (1) Securing cabin coordination capacity	Priority strategy (2) Further growth in new businesses	Priority strategy (3) A higher share of major customers’ products
	Priority strategy (4) V-shaped recovery in North America	Priority strategy (5) Restructuring the China business strategy	Priority strategy (6) Strategic growth in new businesses in Europe
Regional strategies	Priority strategy (7) Supply chain restructuring	Priority strategy (8) Enhancing efforts to develop environmental technologies	Priority strategy (9) Building high efficiency production structures

² Product development with an eye on next-generation vehicles

▶ pp. 22–25

³ Further growth in new businesses

▶ p. 29

⁴ A higher share of major customers’ products

▶ p. 28

⁵ Automation of production processes

▶ p. 31

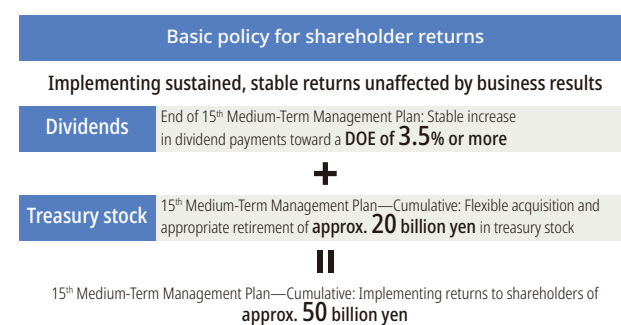
Further enhancement of corporate value

At the start of our 15th Medium-Term Management Plan, we set **performance targets and a new basic policy for shareholder returns**⁶ to quantitatively communicate this part of our 2030 Vision and demonstrate our commitment to achieving it. Since setting these targets, however, the business environment has changed dramatically, and achieving these will be no easy task. We are therefore reviewing additional measures to make improvements and scrutinizing the likelihood of meeting our performance targets. We will announce our findings, as necessary, once our review is complete.

We will, however, continue to implement shareholder returns without wavering from our initial plan. Of course, we will focus on increasing profitability and shift to an appropriate cash level aligned with the scale of our business. To this end, we will invest in growth, actively provide shareholder returns, and steadily and consistently optimize our capital structure.

Based on our basic policy for shareholder returns, we plan to return approximately 50 billion yen to shareholders over three years through stable growth in dividends, targeting a DOE* of 3.5% or more by the end of the 15th Medium-Term Management Plan period. In line with these policies, we expect dividends to continue to increase steadily during this period. In terms of acquisition of treasury stock, as announced in May 2024, we are proceeding with the acquisition of 15 billion yen in treasury stock through a combination of tender offer and market purchases by March 31, 2025. We will focus on delivering sustainable growth in corporate value by reviewing and flexibly implementing acquisition of the remaining treasury stock and further shareholder return measures.

* Dividend on equity ratio (DOE) = Total dividends / Shareholders' equity (Equity attributable to owners of parent)

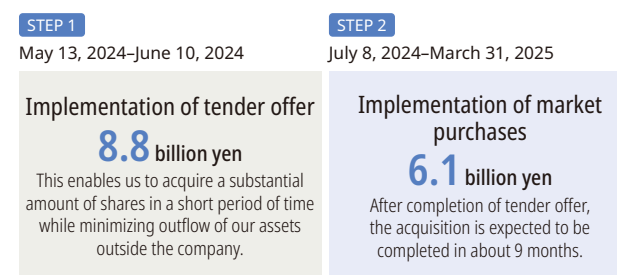


Management guided by the TS TECH Philosophy

I believe it is precisely at times when the future of the market is uncertain and corporate management poses challenges that it is most important to put the **TS TECH Philosophy**⁷ into practice. This philosophy, the foundation on which the Group operates and the embodiment of our existential value, calls for us to be “A company dedicated to realizing people's potential” and “A company sincerely appreciated by all.” These ideas are deeply aligned with the concept of sustainability. Our basic management policy has long been committed to ESG management, and we have undertaken a wide array of initiatives in these areas. We have also **identified material issues**⁸ for building a sustainable society, established relevant KPIs for each, and formulated 2030 targets that quantify our ideal state for TS TECH by that year.

As a company that provides components for vehicles that emit CO₂, and because of the significant impact of extreme weather events and other climate risks to our business, we see addressing climate change as one of our most important management issues. In order to help **achieve carbon neutrality**,⁹ we have set the goal of reducing the Group's CO₂ emissions from business activities to net zero by 2050. We have also conducted scenario analysis of climate-related risks and opportunities for the Group's core automobile business (seats, interior components), classifying them into the two categories of “physical risks” or “transition risks,” and assessing the fiscal impacts using the three levels. Based on the assumed financial impact amount of important risks and opportunities, we have performed quantitative evaluations and disclosed the findings. Building on these results, we will continue to reflect them in our management strategies and risk management framework, and steadily implement measures to achieve sustainable growth.

Acquisition of treasury stock



KPI of shareholder returns policy

Acquiring up to **15 billion yen/20 billion yen** of treasury stock

Although sustainability initiatives are essential for long-term corporate growth, the automotive industry to which we supply components faces changes in the business environment that threaten its very survival. To ride out this massive wave of change, it is crucial that we transform ourselves into a company that remains capable of creating new value. We believe this transformation lies in continuing to take on challenges and that the driving force to do so is the strength of our people. In the current environment, it is our human assets, our employees, who we must value above all else. They are the source of our competitiveness and at the heart of our effort to create sustained value.

While **human capital management**¹⁰ has recently become a buzzword, TS TECH has long been dedicated to realizing people's potential as part of our corporate philosophy. Investing in people is the foundation of our corporate management. We strive to provide a positive working environment and opportunities for employees to upskill, as well as encourage personal growth, so that **every one of our employees can work with enthusiasm**¹¹ and realize their full potential. One indicator by which we measure these efforts is our employee engagement survey. We have set this indicator as a **materiality KPI**¹² to achieve the highest rating of AAA by 2030. We use the results of these surveys to help us determine how to bridge any gaps that may arise between the company's ideas and thoughts and those of our employees in today's increasingly diverse society and develop Group-wide measures to strengthen employee engagement. At the same time, I believe that, while we may expect the simple fulfillment of each individual's wishes to boost the appearance of engagement, this will not lead to corporate growth. It is important that our employees share the ideas set out in the TS TECH Philosophy, which convey the Group's values. This, however, is no simple matter, and forcing a corporate philosophy on employees does not necessarily mean they will manifest the philosophy in their actions.

Whenever I speak to Group employees, I advise them, “Do not think about your work as something to be done for the company. Make your best effort for yourself and for your family.” By no means am I saying that employees should take a selfish approach to their work, but the fact is that people work harder and are more persistent when they are making the effort for themselves. If the company and employees are working toward the same goals, and a supportive environment that accommodates diverse work styles is in place, I believe that working hard for oneself will lead to company growth. This in turn benefits the community in which the



company operates and, by extension, society as a whole. It is therefore my mission to create an environment in which every employee is able to play an active role, and I have asked the other members of our management team to do the same within their respective areas of responsibility.

Remaining “A company sincerely appreciated by all”

We strongly believe that being sincerely appreciated by all is not merely a matter of being appreciated by customers and suppliers. Beyond that, it means being a company where the employees feel happy and fulfilled in their work and experience personal growth. We are committed to achieving sustainable corporate growth by respecting the values of all employees from diverse backgrounds and providing an environment in which every employee can play an active role.

As the market environment is expected to become increasingly challenging, we find ourselves in an era in which it will be difficult for companies that simply rely on conventional methods and past successes to grow. The TS TECH Group will therefore focus on becoming more competitive than ever before by investing in human capital and strengthening collaboration with partners in order to accelerate technological innovation. We will move forward with bold, rapid change without being constrained by conventional ways of doing things.

To remain “A company sincerely appreciated by all” stakeholders, we are committed to fulfilling our Group responsibilities and striving to enhance our corporate value. I look forward to your continued support.

- 6 Performance targets and new basic policy on shareholder returns ▶ p. 17
- 7 TS TECH Philosophy ▶ pp. 2–3
- 8 Identified material issues ▶ pp. 40–41
- 9 Achieve carbon neutrality ▶ pp. 50–57

- 10 Human capital management ▶ pp. 38–39
- 11 Every one of our employees can work with enthusiasm ▶ pp. 42–45
- 12 Materiality KPI ▶ pp. 40–41