



Realizing ESG management by providing new value that delivers excitement to all stakeholders worldwide

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Review of the 14th Medium-Term Management Plan

During the three years of our 14th Medium-Term Management Plan¹ (fiscal 2021–2023), we worked on various measures to drive further business growth and build a strong corporate foundation. We focused on two approaches: “evolution for business growth” from a proactive perspective, and “stronger business operations structure to support evolution” from a protective perspective. The 14th Medium-Term Management Plan played an important role as the first medium-term plan on the road to achieving our 2030 Vision.

We found ourselves in an extremely challenging business environment due to the COVID-19 pandemic, which broke out just before we launched the plan. The resulting parts shortages, along with soaring energy and resource prices, created major profitability issues for us. However, rather than being defeated, we maximized the investment of management resources in areas essential for growth and prepared for further growth. To acquire new customers and new commercial rights, we took various initiatives. These included the establishment of a new car seat production subsidiary in Poland as a key site for expanding sales to European automakers, and the establishment of a new division to oversee all processes from sales to production. These efforts are now leading to steady expansion of commercial rights.

In the next-generation technology field, which will become a future source of earnings for us, we announced “XR Cabin,” which will transform vehicle interiors. What has been mainly a space for sitting during transport is being transformed into a next-generation interior space that can generate excitement. XR Cabin is showing more concretely the value that the TS TECH Group is ready to provide for the future of mobility.

At the same time, we have worked to strengthen our business foundation for sustainable growth. This includes **governance reforms**² such as transitioning to “a company with an Audit and Supervisory Committee” structure, and improving the diversity of our Board of Directors. It also includes efforts to identify the Group’s **material issues**,³ challenges we will give priority attention.

Looking toward 2030 with the 15th Medium-Term Management Plan

Under the 15th Medium-Term Management Plan⁴ (fiscal 2024–2026), we seek to turn our preparations into results, and to further address issues of profitability and achieve a rapid recovery. During the process of drafting this medium-term plan, we started by clarifying the 2030 Vision, which is one of our objectives. We have had many discussions about what needs to be accomplished in three years’ time in order to achieve this vision, and how we can quickly rebuild profitability, which is the main challenge. As important issues for profitability improvement, we have identified ways to increase not only profits but also capital efficiency.

2030 Vision Statement			
Innovative quality company			
—Continued creation of new value—			
Performance targets for fiscal 2030			
Revenue	Operating income	Operating margin	ROE
700 billion yen	68 billion yen	9.7%	10.0%

In order to resolve these issues and solidify the foundation for achieving our growth objectives by 2030, we have established nine priority strategies in the categories of growth, regional, and functional under the 15th Medium-Term Management Plan, which is based on the management policy of realizing ESG management. In order to fully implement all of these priority strategies, we have created the Business Strategy Committee. Comprised of all the company’s directors, including outside directors, it will manage and oversee implementation progress for the nine priority strategies. Leveraging thorough discussion and timely decision-making, we will steadily promote various measures despite an increasingly uncertain business environment, striving to deliver greater business growth and improved capital efficiency.

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
Regional strategies	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
Functional strategies	Priority strategy (7) Supply chain restructuring	Priority strategy (8) Enhancing efforts to develop environmental technologies	Priority strategy (9) Building high efficiency production structures

1 14th Medium-Term Management Plan ▶ pp. 14–15
 2 Governance reforms ▶ pp. 52–59
 3 Material issues ▶ pp. 12–13
 4 15th Medium-Term Management Plan ▶ pp. 16–17

Promoting further business growth and higher corporate value

Among the priority strategies of the 15th Medium-Term Management Plan, our three growth strategies are particularly important. These are “securing cabin coordination capacity,” “further growth in new businesses,” and “a higher share of major customers’ products.”

For the first growth strategy, “securing cabin coordination capacity,” we are working on the **creation of new technologies**⁵ by accelerating research into how people will spend their time in next-generation vehicles, a joint development with other industries and start-up companies, and the training of personnel with software expertise who can prepare complex proposals for vehicle interiors. In order to bring our developed technologies to market as quickly as possible, we will work with our customers in the advanced development procedures, so that our technologies can be adopted for new mass-produced vehicles. At the same time, by working on the **development of highly efficient mass production technology**⁶ adapted to new construction and materials, we will build a manufacturing system that can provide our new product technologies at competitive prices.

For the second growth strategy, “**further growth in new businesses**,”⁷ we are working on sales activities with the goal of ensuring new business sales account for 30% of consolidated revenue by 2030. During the 14th Medium-Term Management Plan period, our seats were adopted in August 2022 for the Spacia Base model released by Suzuki Motor Corporation, and we were also able to steadily increase sales to automobile and motorcycle manufacturers in Europe and the United States. In order to increase this momentum under the 15th Medium-Term Management Plan, we will make the most of technologies that have been well received by customers, and aim to acquire commercial rights for variant models of these products. We will also develop strategic sales activities by strengthening cooperation between each segment and functional division, in an effort led by the New Business Management Division.



Seat production plant in Poland for European automakers

Along with these sales expansion measures, we will also pursue the third growth strategy, “**a higher share of major**

customers’ products,”⁸ with a focus on the Honda Group. Currently, our products are used for approximately 60% of the seats in vehicles sold by Honda, and our goal is to increase this share to over 70% by 2030. To achieve this, we must secure orders for existing commercial rights and expand sales through new commercial rights. We will work to improve customer satisfaction by creating attractive products, create products jointly with customers from the early development stage, and conduct order development activities by ensuring collaboration across our segments and functional divisions and taking advantage of regional characteristics. We will also work to further increase our share of sales by winning more orders for seat components. This will be done by enhancing development of next-generation standard seat frames and other components, and then striving to acquire commercial rights for the seats themselves.

Regional and functional strategies make up the remaining priority strategies. In terms of regional strategies, we will work to improve profitability in North America, China, and Europe to strengthen our corporate competitiveness. With our functional strategies, we will pursue further business growth by working to strengthen the foundations that support our higher-level strategies. These include “supply chain restructuring,” “enhancing efforts to develop environmental technologies,” and “building high efficiency production structures.”

Through proactive growth-related investments based on these priority strategies, we will also address the challenge of improving capital efficiency. In addition to increasing profitability, we will optimize our capital structure through not only growth-related investments but also proactive shareholder returns in order to move to a cash level that is appropriate for our business scale. During the 15th Medium-Term Management Plan period, the shareholder return policy calls for steady distribution of returns regardless of business performance. We plan to return approximately 50 billion yen to shareholders over three years through regular dividend increases and flexible acquisition of treasury stock. The aim is to achieve a dividend on equity ratio (DOE)* of 3.5% or more by the end of the 15th Medium-Term Management Plan period. We aim to enhance corporate value by driving sustainable business growth with growth-related investments, and by **optimizing our capital structure**⁹ based on enhanced shareholder returns, in order to reach a price-to-book ratio (PBR) above 1, as soon as possible.

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

Remaining “A company sincerely appreciated by all”

In recent years, it has become increasingly important for companies to address social issues in order to help build a sustainable world. Under the TS TECH Philosophy, which requires us to be a company dedicated to realizing people’s potential and one that is sincerely appreciated by all, we have been working to

promote growth for both our company and the broader society. Our mission is to engage in corporate activities that also help resolve social issues. Each of the material issues we are addressing is linked to the UN Sustainable Development Goals, and we are accelerating our efforts to help achieve these SDGs.

In particular, as a company that provides components for vehicles that emit CO₂, we see the response to climate change as one of our most important management issues. In order to help **achieve carbon neutrality**,¹⁰ we are working on a variety of measures in each operational area, including production and product development, with the goal of reducing the Group’s CO₂ emissions from business activities to net zero by 2050. Furthermore, in order to further reduce CO₂ emissions going forward, we need to take **initiatives not only internally but across the entire supply chain**,¹¹ which means the cooperation of our business partners is essential. While it would be easy to just issue CO₂ emissions reduction requests to suppliers, we believe that this alone would not lead to significant reductions. Instead, it is important for the Group to demonstrate leadership, and to work together with business partners on efforts such as sharing methods for calculating CO₂ emissions along with specific methods for emissions reduction. Accordingly, we will carry out relevant activities that are both effective and appropriate to the size and capabilities of our individual business partners.

To avoid a situation where initiatives to address these social issues become merely token efforts, we understand that employees and executives must fully understand the importance of these initiatives and be able to implement them independently. We believe that the **TS TECH Philosophy**¹² will be the key to deepening this understanding, as it communicates the fundamental reasons why the Group exists, and its value to society.

One of the principles set out in the TS TECH Philosophy is being “A company dedicated to realizing people’s potential.” This means we must nurture and value employees, who work hard every day for their own sake and for the sake of the company. They are treated not just as human resources, but as valued human beings. Another principle in our philosophy is being “A company sincerely appreciated by all.” This means we must share positive outcomes with employees and all other stakeholders affected by the Group’s corporate activities and build relationships of trust with them.

Accordingly, we must ensure that we remain a company that is valued and appreciated by everyone. With more than 15,000 employees worldwide, the TS TECH Group understands that it can only become stronger if every person fully understands this corporate philosophy and puts it into practice, without exception. We ask every employee to carefully consider and understand the TS TECH Philosophy, and then put it into practice, so the Group can grow as a result. To make this a reality, I will share my thoughts and promote a corporate culture that encourages challenge-taking.

In fiscal 2022, we launched an employee engagement survey to serve as an indicator of progress in the effort to further develop individual employee strengths and to encourage challenge-taking. We have set this indicator as a material issue KPI and are working on various measures with the aim of achieving the highest rating of AAA by 2030. I believe that building a relationship of trust between the company and its employees and ensuring that everyone works with a sense of purpose will increase the productivity of the TS TECH Group and become a driving force for creating new value. To achieve this goal, we will create human resource development programs along with the necessary workplace environments. This means striving to create workplaces where the **human rights of each individual are respected**,¹³ and **every employee can demonstrate their individual personality and play an active role**.¹⁴ This will extend to various areas including personnel evaluation and compensation, employee welfare benefits, training, and workplace environments.

We will remain “A company sincerely appreciated by all,” which includes not only employees but also all other stakeholders. In addition to achieving the targets of the 15th Medium-Term Management Plan and the 2030 Vision, the Group will also strive to achieve sustainable growth together with society in the years that follow.

In closing

Given the increasingly uncertain business environment, continuing to operate our business just as we have in the past would mean losing the ability not only to maintain the status quo but also to create new value, even if we still maintained a solid management foundation. Therefore, it is essential to invest the necessary management resources based on timely decision-making, in order to blaze new trails to future business growth. This means departing from established practices and sometimes moving away from the past. During the period of the 15th Medium-Term Management Plan, we will not relax our reform efforts, but instead strive to become a company sincerely appreciated by all our stakeholders. I hope you are looking forward to this bold future, and I appreciate your continued support.



- 5 Creation of new technologies ▶ pp. 24–27
- 6 Development of highly efficient mass production technology ▶ p. 33
- 7 Further growth in new businesses ▶ p. 31
- 8 A higher share of major customers’ products ▶ p. 30
- 9 Optimizing capital structure ▶ pp. 18–21

- 10 Achieve carbon neutrality ▶ pp. 39–45
- 11 Initiatives across the entire supply chain ▶ pp. 47–49
- 12 TS TECH Philosophy ▶ p. 2
- 13 Human rights are respected ▶ p. 46
- 14 Every employee can demonstrate their individual personality and play an active role ▶ pp. 50–51