



We will deliver sustainable growth in corporate value by improving capital efficiency.

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Remaining issues and the 15th Medium-Term Management Plan

The automobile industry is currently experiencing a once-in-a-century period of major transformation, and the competitive environment that surrounds the TS TECH Group has become even more challenging. In these circumstances, under the 14th Medium-Term Management Plan (fiscal 2021–2023), we steadily promote action for “evolution for business growth,” which we set out as a priority measure, based on the management policy of “corporate evolution through ESG management.” Measures included: developing our production system and reviewing our organizational structure to win new customers and new commercial rights in a way designed for “expansion of strategic commercial rights”; and restructuring from various perspectives including production, development, and logistics designed for “optimization of business operations structure.” However, the challenging business environment has persisted with the impact of COVID-19 and supply chain disruptions. As a result, the issues of profitability and capital efficiency have remained, and ROE is currently at a low level. We recognize that, for the Group to maintain sustainable growth, we must use capital and assets more efficiently than ever before, based on the solid financial foundation we have built so far, and then translate this into business growth and improved profitability.

During the 15th Medium-Term Management Plan (fiscal 2024–2026), we will pursue the sustainable growth of corporate value by carrying out our management policy of “realizing ESG management,” seeking to reach the culmination of our efforts to raise ESG performance, which we have been pursuing since the 13th Medium-Term Management Plan. To achieve this, it is essential to improve capital efficiency, which has been an issue. In addition to the KPIs we used previously such as revenue and profit, we have set ROE as one of the most important indicators. We will allocate cash to assets with high profitability by practicing proactive growth investment based on nine priority strategies, consisting of growth strategies, regional strategies, and functional strategies. In addition, we aim to achieve ROE of 8.5% or more, which is the target for the end of the 15th Medium-Term Management Plan period (end of fiscal 2026) by providing and maintaining shareholder returns, based on sustained, stable dividends unaffected by business results, and flexible acquisition of treasury stock.

Performance targets for the 15 th Medium-Term Management Plan period			
Revenue	Operating income	Operating margin	ROE
480 billion yen	44 billion yen	9.2%	8.5%

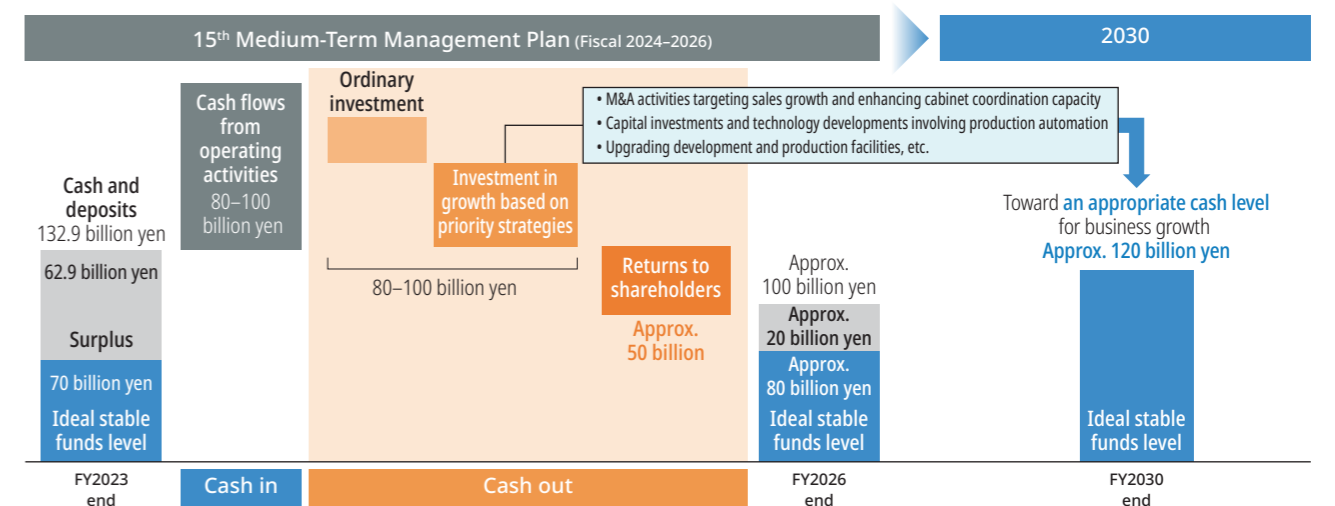
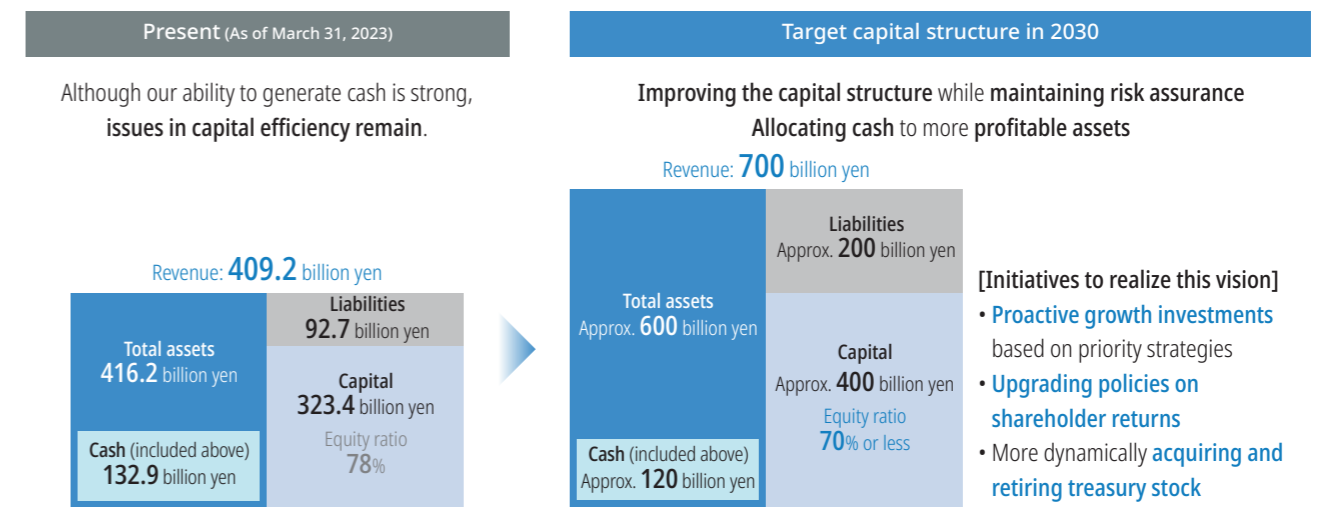
Capital structure looking to 2030

The TS TECH Group has built a profit structure that can steadily generate cash even under challenging business environments such as the global financial crisis, the Great East Japan Earthquake, and the recent COVID-19 pandemic. As a result, as of March 31, 2023, the Group as a whole held 132.9 billion yen in cash with a consolidated equity ratio of 78%, securing a very high level of financial security. However, in order to achieve the 2030 Vision and ensure we remain a company sincerely appreciated by all, we must utilize capital more efficiently than ever before and accelerate the speed of growth.

To improve capital efficiency, we will consider cash flow from the perspective of various risks and opportunities. While ensuring the necessary safe funds for business operations, we will allocate cash in excess of this to investment in growth and shareholder returns, thereby balancing improved capital efficiency with financial security. During the 15th Medium-Term Management Plan period, we will invest funds in the 80–100 billion yen range based on nine priority strategies in order to allocate this excess cash to assets with higher profitability. We aim to achieve a positive cycle of sustainable growth and

increased returns by making these proactive investments to achieve further business growth and improved profitability. This includes M&As done with a view to expanding sales in new businesses and strengthening cabin coordination capacity, capital investment and technological development related to automation of production, and renewal of development and production sites, with the transfer of cash generated to subsequent investments and returns.

In addition to boosting profits through investment, we will further reduce shareholders’ equity and improve capital efficiency by increasing shareholder returns. The TS TECH Group has always regarded shareholder returns as a key management issue. During the 14th Medium-Term Management Plan period, we provided stable dividends in response to the ongoing support of our shareholders, under the basic policy of maintaining stable dividend payments based on a comprehensive consideration of consolidated business results, payout ratios, and other relevant factors. We also worked to enhance shareholder returns even in the challenging business environment, implementing the first acquisition of treasury stock and other measures.



On commencing the 15th Medium-Term Management Plan period, we revised our policy on shareholder returns to set out a basic policy of “implementing sustained, stable returns unaffected by business results.” We also formulated concrete quantitative targets based on consideration of capital structure and cash flows over the medium to long term. In terms of dividends, we plan stable growth in dividends targeting a DOE* of 3.5% or more for the end of the 15th Medium-Term Management Plan period (end of fiscal 2026) by raising the dividend increase rate to a level higher than before. In terms of the acquisition of treasury stock, we plan flexible acquisition of a cumulative total of approximately 20 billion yen in treasury stock during the 15th Medium-Term Management Plan period based on comprehensive consideration of growth investment, the level of dividends, cash on hand, the level of the company's share price, and other relevant factors. During the 15th Medium-Term Management Plan period, we plan to support total shareholder returns of approximately 50 billion yen.

At present, the TS TECH Group's consolidated revenue is around 400 billion yen, but we are aiming to achieve consolidated revenue of 700 billion yen in fiscal 2030. When consider-

Basic policy for shareholder returns

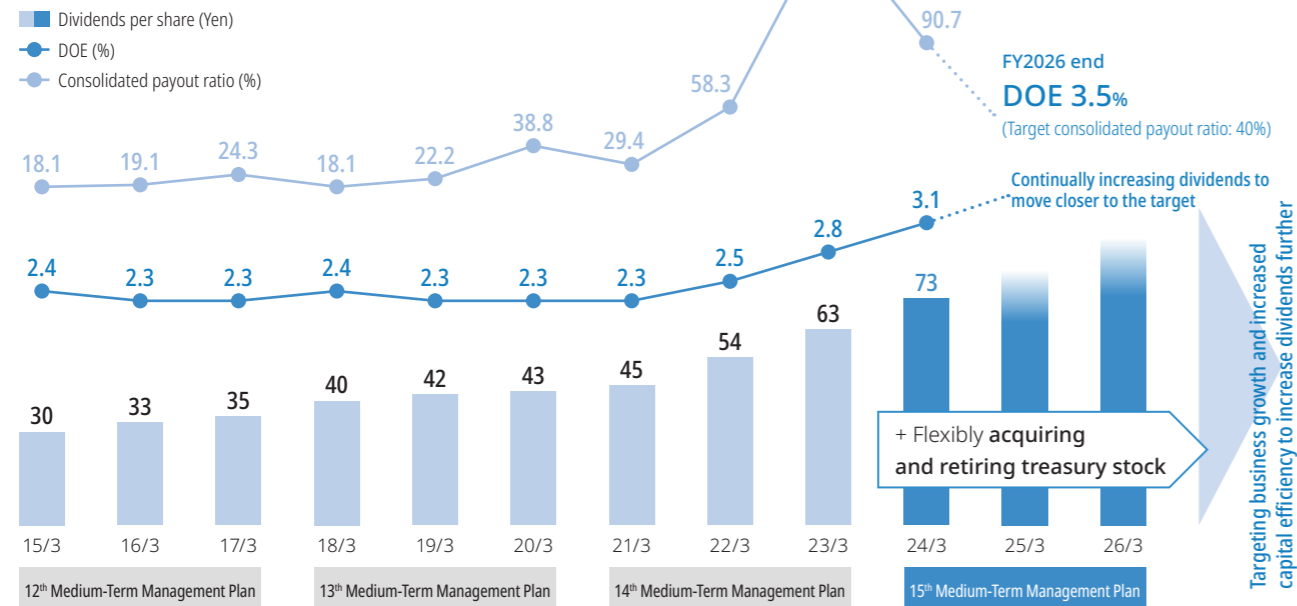
Implementing sustained, stable returns unaffected by business results

Dividends End of 15th Medium-Term Management Plan: Stable increase in dividend payments toward a **DOE of 3.5% or more**

Treasury stock 15th Medium-Term Management Plan—Cumulative: Flexible acquisition and appropriate retirement of cumulative total of **approx. 20 billion yen** in treasury stock

15th Medium-Term Management Plan—Cumulative: Implementing returns to shareholders of **approx. 50 billion yen**

Dividend trend



ing the optimal capital structure, we will not take a short-term perspective looking at the current scale of the company. Under the financial strategy formulated by envisioning the desired capital structure in 2030, we will strive to continuously increase corporate value by achieving further business growth through proactive investment, shifting toward an appropriate cash level in line with such business growth, and streamlining shareholders' equity to improve capital efficiency.

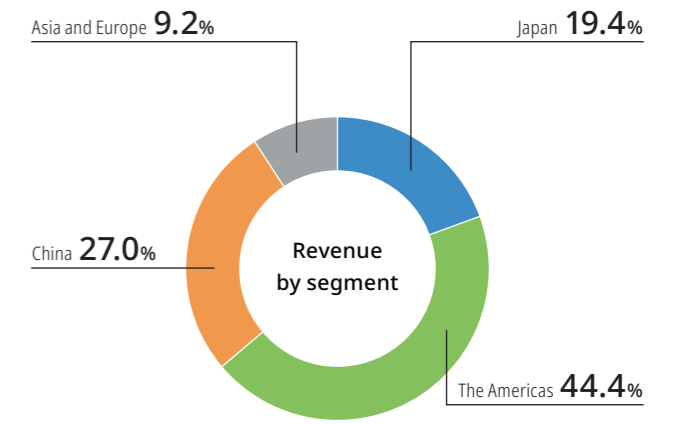
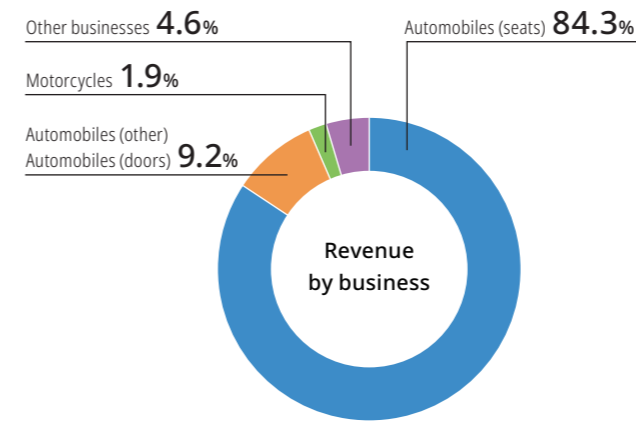
* Dividend on equity ratio (DOE) = Total dividends / Shareholders' equity (Equity attributable to owners of parent)

Aiming for sustainable growth in corporate value

The TS TECH Group's P/B ratio remained at 0.72 (share price 1,679 yen) as of March 31, 2023, and we recognize that we are not adequately meeting expectations at present. We think this is due to the fact that we have not been able to recover to our pre-pandemic high profitability, as well as a decline in capital efficiency.

To address this, we will work to solve the issue by creating a positive circle of “growth” and “returns” by investing in growth based on priority strategies and enhancing shareholder returns utilizing the cash generated. At the same time, we will strive for sustainable growth in corporate value by realizing ESG management through training human resources to support priority strategies as well as strengthening the corporate foundation.

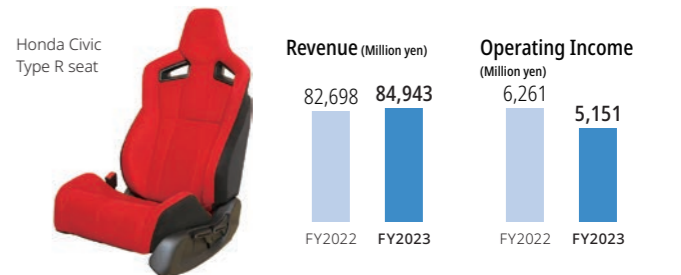
Through these efforts, we will not only aim to achieve a P/B ratio of 1 or more as soon as possible, but will also keep striving to be a company that is relied upon and sincerely appreciated by all stakeholders, not just the capital markets.



Results by segment for fiscal 2023

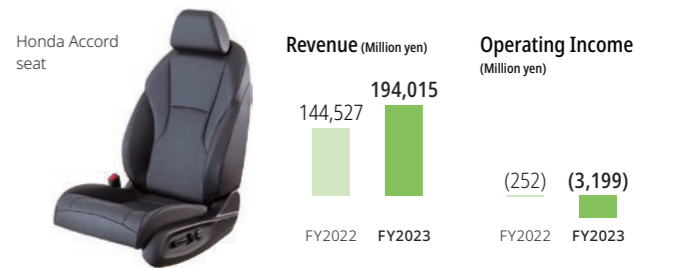
Japan

This fiscal year, we commenced production of seats for Honda's new model Civic Type R and new model STEP WGN. In the Hamamatsu area, a new plant began operations to increase sales. We also worked to expand business and strengthen the competitiveness of components, including our decision to establish a new facility for the manufacture and technical development of molds.



The Americas

This fiscal year, we commenced production of seats for Honda's new model Accord and new model CR-V among others. We have been working on structural reform to ensure profitability even in a challenging business environment, including the introduction of automated equipment for more advanced and highly efficient production in conjunction with the launch of new models.



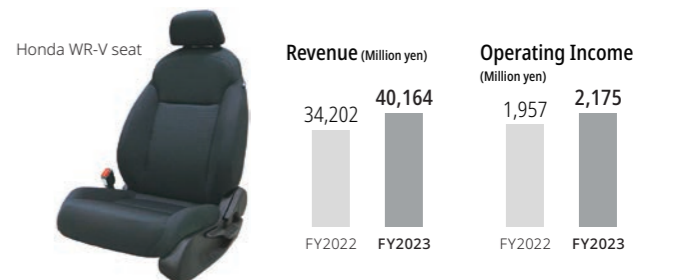
China

This fiscal year, we commenced production of seats for Honda's new model CR-V and the new model BREEZE. In the increasingly competitive Chinese market, we have been working to improve profitability by strengthening sales activities to acquire new customers and expanding procurement of components that help to lower costs.



Asia and Europe

This fiscal year, we commenced production of seats for Honda's new model WR-V and new model CR-V in Asia. We worked to build a cost competitive product supply structure through measures such as restructuring the motorcycle seat business in India and reorganizing production sites in the European region.



TS TECH implemented a two-for-one stock split of its common shares, effective April 1, 2021. Cash dividends were calculated on the assumption that the relevant stock split had been implemented at the beginning of fiscal 2015.