



We aim to further grow our company and improve its corporate value while keeping in mind management that satisfies all stakeholders.

Eiji Kagohashi, General Manager of the Profit Optimization Group

Review of FY 2022 and Outlook for FY 2023

In FY 2022, automobile production experienced a temporary adjustment due to the continuing shortage of semiconductor supplies from the previous year and the impact of the COVID-19, but it recovered significantly from the fourth quarter.

In terms of costs, the global inflation trend remains unchanged, with raw material and energy prices remaining high. However, because our customers bore part of the increased costs, we were able to reduce the impact on our profits by that amount.

As a result, our net sales were 553.1 billion yen, an increase of 65.8 billion yen (13.5%) compared to the previous fiscal year, and our operating income was 16.6 billion yen, an increase of 7.4 billion yen (80.8%), partly due to the effect of the weaker yen.

For FY 2023 we will set an aggressive target for cost improvement beyond FY 2022, assuming that production and sales will be at a high level and inflation will continue, and all group companies will work together to promote our activities.

The revenue forecast for FY 2023 is for net sales of 580 billion yen and an operating income of 20 billion yen as of the first quarter results.

(Unit: billion yen)

	Year ended March 2023 full-year results	Year ending March 2024 full-year forecast*
Net sales	553.1	580.0
Operating income	16.6	20.0
Ordinary income	24.0	21.0
Net income	10.9	13.0

*As of first quarter announcement

Mid-term Management Plan

In May 2022, we formulated our mid-term management plan and clarified the activity guidelines for “what we should do” within our company. Additionally, through this plan, we were able to share our vision for the company with our stakeholders. In May 2023 we updated the progress of our initiatives under the plan.

Step 1 FY 2025 target

[Assumption: Exchange rate 115 yen/ USD]

Net sales: 520 billion yen, operating income: 25 billion yen, ROE: 8.0 or higher

Earnings from automobile parts are influenced by the number of automobiles produced by customers. However, this is basically a stable business model based on the cycle listed below, with only 10% to 20% of products changing per year:

- Proposal activities corresponding to vehicle models
- Confirmed order received two years before vehicle launch
- Steady design development and cost planning
- Smooth production preparation and start-up

Through our activities over the past year and the upcoming activities listed below, we will create a path to achieving our 2025 goals while securing investment funds for future growth.

- Thorough cost improvement of existing products
- Cost planning activities for new products
- Fixed costs reduced by 11 billion yen through effective use of resources, etc.
- Production optimization at global level

We will lead each activity by establishing the Profit Optimization Group as an organization for implementation.

An example of this initiative is Tokai Rika Tohoku, which is scheduled to start its operations in FY 2024. It is trying to introduce shared services at its Head Office in order to achieve a leaner organization. In addition, we will close one base in North America in FY 2024 and proceed with rebuilding our production system. Meanwhile, we will establish a new plant of TRMN in the northern part of India, which is experiencing rapid growth, scheduling to begin operations in FY 2025. We will also try to expand our sales in that area.

Step 2 FY 2030 target

[Assumption: Exchange rate 115 yen/ USD]

Net sales: over 600 billion yen

In this mid-term management plan, we have focused on initiatives toward FY 2030 in order to achieve further growth. In setting our targets, we have also factored in the risk of a decline in sales of switches, which have been our specialty, as switch functions are incorporated into panels. To increase our sales, we will (1) expand sales in existing business areas, (2) monetize commercialized digitalkey services and gaming devices, and (3) utilize the know-how we have cultivated to manufacture high-mix low-volume semiconductors, and expand our ECU business regarding new fields and new technologies.

When taking on challenges in new fields such as (2) and (3), we provide solid support with resources to ensure that opportunities are not missed. We also apply the accelerator and brake appropriately on projects while monitoring the progress of commercialization KPIs.

Investing in human resources is essential as a foundation to support a company's growth. We will carry out systematic human resource development measures such as reskilling, taking on challenges outside the company, and creating an environment that is easy for women to work in.

<Reference: Progress of growth investment>

As an investment for our future growth, we have set a strategic investment frame of approximately 30 billion yen starting in 2021, and this amount is also taken into account in our mid-term plan.

Total strategic investment (*total capital expenditure and expenses) fund base (Unit: billion yen)

	Cumulative amount from FY 2021 to FY 2022	Forecast for FY ending Mar. 2024	Cumulative amount for 3 years	5-year plan total	Progress rate
New business	3.8	0.8	4.6	6.1	76%
DX	1.8	2.3	4.1	9.6	42%
Carbon	0.9	2.6	3.5	9.4	38%
Production reorganization	0.9	3.5	4.4	5.5	80%
Total	7.5	9.2	16.6	30.6	54%

Capital Strategy

We received an announcement from the Tokyo Stock Exchange to further improve our capital efficiency and work toward improving our PBR to 1 or higher.

We take seriously the fact that our PBR is low, and we will continue to analyze its causes and consider solutions. First and foremost, as stated in our mid-term management plan, we will focus on steadily increasing net income, aiming for an ROE of 8% or higher.

Regarding cash allocation as our capital strategy, we have set the necessary funds in preparation for unforeseen circumstances at 60-to-70-billion-yen, equivalent to six months of fixed costs. In addition, we will secure approximately 20 billion yen as additional investment funds for further growth in the future. With regard to surplus funds exceeding this amount, we would like to return surplus to our shareholders through dividends and stock buybacks, and other means.

Finally, in implementing these mid-term measures, we keep in mind management that satisfies all stakeholders, including shareholders, business partners, local communities, and employees. The entire company will work together to achieve further growth and improve our corporate value. We appreciate your continued support.

[Assumption: Exchange rate 130 yen/ USD]

(Unit: billion yen)

