

Top Message

In order to survive this period of major transformation and continue growing, we will evolve into an even more valuable supplier and take on the challenge of pioneering the next-generation automobile market.

By treating transformation as a growth opportunity we are taking on the challenge of improving corporate value and raising the stock price

G-TEKT is recognized by automotive OEMs around the world as an auto body components supplier that proposes lightweight, highly rigid frames and transmission parts. The automobile industry is in the middle of what is being considered a once-in-a-century period of major transformation. With the evolution of electric vehicles leading to the disappearance of gasoline engines and their substitution by electric motors, approaches to making automobiles are changing from the ground up, centered on the drivetrain. Going forward, I believe that customers will take an increasingly selective approach to suppliers as a result of modularization, such as the practical application of integral molding technology to allow a vehicle body with multiple constituent parts to be formed as one piece. In other words, we are transitioning to an era in which the value of suppliers is being questioned.

Under such conditions, the Company is seeking to leverage the relationships of trust that we have built with automotive OEMs to survive in the next-generation automobile market, evolving into a vehicle body system supplier ("tier 0.5") that is capable of performing everything from development of a new vehicle to accepting orders for it. Because the environment is becoming more volatile by the day, management must be even swifter and more flexible in its decisions if it wishes to win market share.

For the Company to overcome these changes in its environment and achieve sustainable growth, it must not only expand the business but also make a contribution to the global environment, society, and stakeholders. We are promoting sustainable management based on the G-TEKT vision, which is to "shape a better future for people, automobiles, and the environment through the fusion of passion and innovation." As we approach structural changes in the automobile industry and constant technological innovation as opportunities for our own growth and pursue the creation of unique value, we will further deepen our connections with stakeholders, including shareholders and investors. As well as reporting operating results and indicators in timely fashion, we will consistently communicate our market strategy (including the expansion of the EV business), our initiatives aimed at the manufacturing of the future, and our progress in ESG management, and strive to deepen understanding of G-TEKT's value. I also hope to gain recognition for the view that our corporate value is an asset to you all, by working on appropriate capital policies, implementing dividend measures, and promoting a higher stock price.

President, Chief Executive Officer

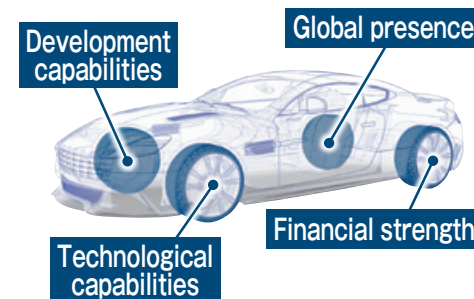
Naohiro Takao

*Message
from the President*

Message from the President

G-TEKT's four strengths

What supports the sustainable growth of G-TEKT are our four strengths, discussed below and shown in the illustration of the automobile (refer to the figure to the right). G-TEKT's four main strengths are development capabilities, technological capabilities, financial strength, and global presence. First of all, development capabilities and technological capabilities are without doubt the lifeline of manufacturing industry. Without having outstanding technological capabilities on hand, a company is unlikely to be able to survive challenging times and win through to the period that follows. Generating these outstanding technological capabilities requires forging ahead with growth investments for the future and making proactive use of development capabilities, for which ample financial strength is required. In order to continue manufacturing and selling high-quality products that meet the expectations of customers around the world, a global presence is indispensable. If even one of these four "wheels" (elements of competitiveness) is missing, a company will not be able to power its way forward. One of the reasons for the strength of the Company is that it has a well-balanced combination of each of these elements, and each is maintained at a high level.



Orders for EV-related parts are increasing

Although the automobile industry experienced fluctuations in production volume during the period under review due to constraints on semiconductor supply and other factors, the trend was one of gradual recovery, albeit with some differences between automotive OEMs. To address this external environment, the Company strengthened its ability to respond to production fluctuations through extensive on-site management, and engaged proactively in automating and rationalizing its production lines. It also continued its efforts to reflect cost increases in electricity, logistics, and other areas in the selling prices of its products.

The EV-related business saw the start of mass production of EV body parts bound for Tesla Inc. and an increase in orders for EV-related parts. A demonstration line for production technology has started operation in the motor core business and is moving into the mass-production/commercialization phase.

As result of these business activities, consolidated net sales for the fiscal year ended March 31, 2023, reached a record high of ¥314.3 billion (year-on-year increase of 32.9%) due to growth in other companies' sales, material unit price revisions and the impact of foreign exchange rates. Ordinary profit was ¥14.3 billion (year-on-year increase of 14.0%), and profit attributable to owners of parent was ¥10.3 billion (year-on-year increase of 15.7%).

The fiscal year ending March 31, 2024 will be a time of preparations for the expansion of the EV business. Because we are expanding investments for the future, such as EV-related research and development expenses and the establishment of the new Chubu Plant (Kaizu City, Gifu Prefecture), fixed costs are expected to increase. In the automobile industry, the normalization of the supply chain is expected to lead to a recovery in production volume. However, the outlook for the external environment remains uncertain and we are taking a cautious view on the risk of production cuts. Accordingly, we forecast consolidated net sales of ¥337.0 billion (year-on-year increase of 7.2%), operating profit of ¥13.5 billion (year-on-year increase of 5.2%), and ordinary profit of ¥14.5 billion (year-on-year increase of 1.5%), with profit attributable to owners of parent of ¥9.3 billion (year-on-year decrease of 9.4%).

Strategy for expanding EV business sales

One of our stated business strategies is "Establishment of EV-related business," and in order to pioneer the next-generation market we are taking on the challenge of transforming our own business model.

Our vision for the business is that of a system supplier in the vehicle body area to which customers can entrust all tasks from development onward (tier 0.5). Automotive OEMs are

accelerating the shift to EVs, mainly in Europe, the United States and China, and they consider the building of new local supply chains for EV-related products and the enhancing of EV-related product performance to be pressing issues. Under these circumstances, we are working to build new business models in each of the areas of body, battery, and motor that together make up the EV. We are moving ahead with vehicle body optimizations that are possible precisely because we are an auto body manufacturer that is deeply familiar with the basic requirements of the vehicle. In cooperation with other suppliers and materials/die manufacturers, we will leverage our strengths in super high tensile strength materials that are strong and light, and pursue the qualities of safety, comfort, and environmental friendliness that are required by EVs.

For batteries, through the use of various materials and processing methods we will provide an extensive range of battery housings that can be used for all classes of vehicle. Our objective is to win business through cooperation with diecast, material, die, and battery manufacturers.

For motors, we will leverage integrated production systems capable of performing everything from press processing to assembly, as well as the global reach of our operations, to provide high-quality motor cores. We will win a position as a development partner for automotive OEMs just as we did in the area of vehicle body frames and precision parts, where we have an extensive track record.

While working on initiatives to build these new business models, our target for FY 2025 will be net sales of ¥350.0 billion, and an operating profit margin of at least 5.1%.

Furthermore, between 2028 and 2030 we will take steps to achieve significant increases in the size of the business and in profitability, with the goal of achieving ¥400.0 billion in net sales and operating profit margin of at least 7.0% in FY 2030.

Towards the creative and efficient smart factory

In order to accomplish business growth in the EV field, we are working to create the production sites of the future based on the concepts of "smart factories," and "flexible production systems capable of responding flexibly to fluctuations in production volume."

We will improve profitability through the implementation of smart factories that achieve advanced, high-quality, low-cost operations by promoting the automation of in-factory logistics, the automation of manufacturing processes, the introduction of automated inspections, and the use of big data for production sites.

For new factories being built in Japan and overseas we are already building efficient automation systems for a range of manufacturing processes from dispensing materials, through production, to delivery to customers. As part of our efforts to automate in-factory logistics, in Japan we have begun introducing AGFs (Automatic Guided Forklifts) in addition to AGVs (Automated Guided Vehicles) for the new Chubu Plant (Kaizu City, Gifu Prefecture), which is under construction and scheduled to begin operation in 2024. From the safety perspective, our basic approach will to designate passages for exclusive use by AGFs, thus completely dividing their routes from areas where people work and achieving a separation between vehicles and pedestrians. By using automated racking for warehouses where finished goods and other items are stored, we will eliminate in-factory logistics processes that require human intervention. Taking into account changes in product specifications arising from the shift to electric vehicles and other factors, we intend to move to fully automated production lines when the time is right. This will be a factory with its eyes fixed firmly on the future in the sense that we will also focus on reducing environmental impacts and on the ease with which employees work.

Automated production processes will also be deployed at the new Chinese factory in Nansha (Guangdong Province). This factory, which was built to address the EV business in the large Chinese market, is equipped not only with large presses but also with innovative new systems such as labor-saving or fully automated lines that are the fruit of G-TEKT initiatives.

Through continual improvements based on the results of verifications at these new factories and horizontal deployment of the ideas to other locations, these initiatives for automating factories will enable us to realize highly profitable smart factories globally.

By transitioning our business model, we will become a key player in the EV supply chain and expand our operations



Message from the President

Shareholder returns policy: introducing DOE as an indicator

The Company's basic policy on shareholder returns is to maintain a level of shareholders' equity that allows for investment in growth and risk, and to provide stable and continuous returns to shareholders, with the aim of achieving sustainable growth and increasing corporate value over the medium to long term. In June 2023 we introduced DOE (dividend on equity ratio) as an indicator for dividends. This was adopted as an initiative to gain wider recognition of the value of the Company's shares. We seek to expand the business and strengthen the financial base with the objective of achieving a DOE of 3.0% for the fiscal year ending March 31, 2031.

Promoting sustainable management with the aim of creating social and corporate value

The Company interprets sustainability as achieving sustainable growth and evolution for itself, while helping to resolve a variety of social issues through the business and contributing to the sustainable development of society. "Action for the global environment" and "Improvement of the diversity of human resources" are also included in the new G-TEKT management strategy as priority measures, and the Company will promote sustainability initiatives with an emphasis on their relevance to all stakeholders.

In terms of "Action for the global environment," we are working to cut greenhouse gas emissions with the goal of achieving carbon neutrality by FY 2050. As a concrete example of such measures, we are promoting the use of electricity derived from renewable energy sources at each of our locations. The Company began switching to renewable energy in its own factories and other locations in the eastern Japan region in April 2021. With the completion of the switch to renewable energy for purchased electricity at the Shiga Plant in May 2023, we achieved net zero for greenhouse gas emissions associated with the use of electricity at all of our own factories and other locations in Japan (Scope 2). For overseas locations owned by the Company, we plan to gradually switch to renewable energy for purchased electricity after taking into account the unique circumstances of each region. Strategies, governance, and risk management related to our initiatives to reduce greenhouse gas emissions are based on, and address, the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).

As a means of reducing greenhouse gases emitted through our business activities, we are also taking steps to switch to steel sheet manufactured using methods with fewer environmental impacts, and working to develop and establish manufacturing technologies for aluminum products with outstanding recyclability.

Human capital management initiatives

Our Credo incorporates "Respect human dignity," and the Company values an environment in which employees can work with vigor and a corporate culture that allows each and every employee to grow and thrive. G-TEKT considers its people to be its most important management resource, and has established a policy of providing all employees with opportunities for growth and assisting in their voluntary upskilling efforts, and of nurturing human resources that generate new value in preparation for the next era in pursuit of the personal development of employees and the growth of the Company.

Recognizing that human resources are the source of the organization's growth potential, the Company works with its employees to actively promote initiatives for mutual growth

In terms of specific strategies, the Company aims to strengthen its development of human resources by assisting each and every employee in their personal growth, supporting the active participation of personnel with diverse backgrounds, nurturing candidates for executive management, and hiring specialist human resources, all of which it is tackling as priority measures. With regard to the empowerment of women, the Company has set KPIs of accomplishing a female recruitment ratio of 25% of the total, increasing the number of female managers by 1.5× the FY 2022 level, ensuring that at least 30% of male employees take childcare leave, and implementing at least one new policy for the support of diverse work styles, and is working steadily to achieve these KPIs by 2028.

There are concerns that it will become difficult to attract high-quality talent in future due to economic fluctuation and the declining birthrate. In order to raise employee engagement at a high level to retain them, we are implementing measures such as establishing personnel systems, enhancing welfare programs, and reducing the physical burden of work through automation.

G-TEKT is promoting healthy management because it believes that the mental and physical health of each employee and their families is its most important asset. We are implementing a variety of measures to address employee lifestyle habits and mental health, which are priority issues. Going forward, we will continue to focus on management that emphasizes the importance of human capital, which is arguably the source of the Company's growth potential.

▶ refer to P.28, P.29

Strengthening the management base and corporate governance

G-TEKT is working to strengthen the corporate governance system that is the foundation for building relationships of trust with all stakeholders, including shareholders. Under the G-TEKT Basic Corporate Governance Policy, formulated based on the Corporate Governance Code (CG Code), we are working to improve the effectiveness of the Board of Directors and ensure the diversity of our core personnel.

G-TEKT is a company that has established an Audit & Supervisory Board as an independent decision-making body to supervise the Board of Directors that lies at the center of the corporate governance system, another notable feature of which is that the Company has also established an Executive Board to which decision-making authority for business execution has been delegated. These systems not only ensure the transparency of the organization but also give it the flexibility to respond promptly to changes in the business environment. Moreover, as an initiative to enhance the effectiveness of the Board of Directors, the Company has invited external experts with a variety of specialist knowledge to serve as Directors in addition to the internal Directors, who are well acquainted with the business and organization of the Company, thus ensuring that the Board of Directors is composed of personnel with diverse backgrounds. With regard to the effectiveness of the Board of Directors, a questionnaire survey of the Directors who constitute its members and Audit & Supervisory Board Members is implemented once a year. The results are shared with the Board of Directors and initiatives are taken to resolve any issues discovered.

Governance of overseas subsidiaries is based on respect for local autonomy, with supervision and control exercised through cooperation between Overseas Operations and Chief Operating Officers of Regional Operations on the one hand, and the Global Executive Board, whose members are drawn from the Executive Board, on the other hand.

The Company works at all times to practice corporate governance and to implement continuous improvements, with the aim of achieving sustainable growth and increasing corporate value over the medium to long term. In order to survive as a valuable supplier in an automobile industry going through a period of transformation, we will continue to work on transitioning our business model and reforming management. We sincerely request the continued warm support of all our stakeholders, including shareholders and investors.

▶ refer to P.34

