

Top Message

President, Chief Executive Officer
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Message from the President

Focusing on the future of the automobile industry, we will continue to refine our four competitive strengths to win through this transformational period.

Evolving into a vehicle body system supplier (“tier 0.5”)

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. By making further advances in the body in white analysis technology and integral molding technology that we have built up over the years, we are seeking to evolve from an auto body components supplier into an auto body system supplier (tier 0.5) that can win orders for whole-vehicle body development.

The automobile market is currently facing a period of major transformation due to electrification. We are working on the development of new products and technologies with an eye on expanding our market share in electric vehicles still further. We have already completed development of battery housings, which are a part specific to electric vehicles, and established production technology for cell cases and motor cores. For the manufacture of electric vehicle bodies, we are pursuing a growth strategy based on products that utilize body in white analysis technology. In response to “gigacasting,” which integrates the components that make up the vehicle body in order to help reduce the number of parts, we have proposed modularization that reduces parts counts while enabling the use of existing production facilities, which has won positive reactions from automotive OEMs around the world.

Consolidated performance in FY2023 and the outlook for next fiscal year

In the automobile industry in 2023, despite differences between automotive OEMs, the number of vehicles produced was on a recovery trend, reflecting the gradual economic recovery that is currently being seen. In terms of the trend toward electrification, while the industry is in the process of reappraising options other than BEVs, such as hybrid vehicles, the move toward launching full-fledged, next-generation BEVs using EV-specific bodies is gathering pace, mainly in China and Europe. With regard to the EV-related business in such an external environment, in response to the gigacasting concept that is expected to be adopted by automotive OEMs going forward, in which auto body components are integrated into large aluminum castings, G-TEKT has come up with and is promoting its own unique response. The Company will make use of the body in white analysis technology that it has refined over the years to convert some existing parts to large modules, and in addition, will continue to propose and work on initiatives that lead to incoming orders related to an optimal vehicle body structure that features parts replacing gigacasting. Through the promotion of DX (digital transformation), the Company is proceeding with the acquisition and accumulation of data not only in order to realize automation and rationalization, but also to promote improvements in

quality and efficiency through the use of AI. Consolidated results for the fiscal year ended March 31, 2024, during which such initiatives were implemented, were affected by the decline in vehicle model development sales, but both overall sales and profits increased against the background of the recovery trend in manufacturing and stable global production. Net sales were ¥344.6 billion (year-on-year increase of 9.6%), operating profit came to ¥16.2 billion (year-on-year increase of 26.5%), ordinary profit was ¥18.9 billion (year-on-year increase of 32.3%), and profit attributable to owners of parent was ¥13.2 billion (year-on-year increase of 28.9%). Due to such factors as foreign exchange gains caused by the weaker yen and share of profit of entities accounted for using equity method, ordinary profit reached a record high. The impact on operating profit of efforts to strengthen the production structure and of activities designed to reflect higher costs in prices also became apparent.

Because FY2024 marks the stage before a customer launches its BEV into the market, it will also be a year in which the Company proceeds with basic investment. Moreover, because we expect vehicle model development sales to be unchanged, we forecast consolidated net sales of ¥346.0 billion (up 0.4% YoY), operating profit of ¥14.2 billion (down 12.6% YoY), ordinary profit of ¥14.4 billion (down 23.8% YoY), and profit attributable to owners of parent of ¥10.0 billion (down 24.5% YoY).

Refining our four competitive strengths for further growth

G-TEKT is refining the four competitive strengths that support its growth, which are development capabilities, technological capabilities, global presence, and financial strength. Unless we can maintain a balance of these four competitive strengths at a high level, the Company will be unable to run at full strength.

Development and technological capabilities are without doubt the lifeline of manufacturing industry. If we do not possess outstanding technological capabilities, it is unlikely that we will be able to survive and win through this challenging era. In order to generate outstanding technological capabilities, and to actively promote future investment in growth and proactive development capabilities, absolute financial strength is also essential. A global presence is also vital for continuing to manufacture and sell the high-quality products that customers all over the world expect from us.

In terms of our development capabilities, we seek to further strengthen our ability to propose products that address the shift to BEVs, based on the body in white analysis technology that we have developed over the years. In terms of our technological capabilities, we will take an even more proactive approach to pursuing high-quality and efficient manufacturing than in the past. As for our global presence, we operate a network of locations in 12 countries around the world that is unparalleled among vehicle body manufacturers, and have established sales & engineering sites in the important markets of Munich, Detroit, and Shanghai that will allow us to strengthen functions for gathering the latest information on the automobile market. With regard to financial strength, we intend to enhance it by maintaining a healthy financial position while actively investing in growth and developing shareholder returns. By combining these four competitive strengths, we will raise our ability to win through the rapid changes of the automobile industry.

Promoting a development strategy for next-generation BEVs

In recent years the automobile industry has shifted towards BEVs with astonishing rapidity, primarily in China, and the business environment in which the Company operates is changing at dizzying speed. The trend towards BEVs is likely to continue going forward, but even the technology is still in transition,



It is precisely G-TEKT's combination of four competitive strengths that makes it competitive, and that will be the key to opening up the automobile industry going forward

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and while exploring the optimal approach to electric vehicles, automotive OEMs are currently working on developing next-generation BEVs in the 2028-2029 timeframe.

Looking ahead to full-fledged BEVs, the Company is submitting proposals for next-generation vehicle bodies, batteries and motors to automotive OEMs as a response to electrification.

In the vehicle body area, the Company is making proposals based on its proprietary concept of modularization (large-scale integrated components). In terms of techniques for manufacturing vehicle bodies, gigacasting technology using aluminum is currently catching the attention of automotive OEMs, but G-TEKT is using its standpoint as a supplier to achieve the required functionality and reductions in parts count required for future vehicle manufacture through the use of two kinds of modularization, while making effective use of existing facilities. The first is modularization through a blend of aluminum and steel. We are working to apply this to the rear frame, where light weight is required, and develop a prototype. The second kind of modularization uses hot stamping, which is one of G-TEKT's specialties. We are already carrying out mass production of a door ring (a component that integrates the pillars on the side of the body) that achieves a balance of strength and light weight. Through this strategy of modularization to match the different parts of the body we will respond to the need to manufacture next-generation vehicles while controlling investment.

In the area of batteries, we are moving forward with the development of battery housings using a wide range of materials that are tailored to increasingly diverse BEVs. We are conducting experiments to address the optimal joining methods for combinations of the various materials that make up the battery case, thus enhancing our proposal capabilities. Moreover, we are developing products that follow the cell-to-body approach, which promotes more efficient use of space and lower costs by making the battery case part of the vehicle body (floor). For motors, which is an area where further improvements in efficiency are required, we are making further refinements to press processing (lamination) for motor cores. In the caulking lamination approach that currently constitutes the mainstream we have achieved world-class processing speeds of 300 shots per minute (300 SPM). Furthermore, we are establishing mass-production technologies that will lead to increased orders, such as thinner magnetic steel sheets to improve the performance of the motor, and adhesive lamination technologies that help mitigate energy losses arising in iron cores.

Smart factories that contribute to enhanced profitability

G-TEKT is promoting a variety of structural improvements to strengthen the foundation for the growth strategy, which targets the era of electrification. In particular, we are focusing on raising productivity in factories as an important issue that is directly linked to profitability. The Company has for some time been pursuing the factory of the future in the form of the "smart factory that utilizes DX" concept.

New factories that beginning operation in FY2024, namely the Chubu (Gifu Prefecture) and the Nansha (Guangdong Province) plants, faithfully embody parts of the factory of the future as conceived by G-TEKT.

For these factories we plan to shift to completely unmanned logistics processes through the introduction of AGFs (Automatic Guided Forklifts) and AGVs (Automated Guided Vehicles). Furthermore, these factories will also be highly advanced in terms of digitalization of operations, energy generation, and reductions in CO₂. As a company, we are confident that in these facilities we have succeeded in coming up with a new approach to manufacturing. By deploying the logistics reform know-how obtained from the Chubu and Nansha plants to all of the Group's existing factories, we hope to open the way to global improvements in productivity and profitability.

In the future, by fully automating not only logistics but also production and

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inspection processes, and by using AI to analyze big data obtained from these processes, we aim to optimize production activities and realize the smart factory of the future.

Addressing climate change and promotion of human capital management

For G-TEKT, sustainability initiatives are nothing out of the ordinary. Generating economic value through our main business of vehicle body manufacturing, and helping to resolve a variety of issues in society to contribute to its sustainable development, are things that we do as a matter of course. The Company has designated action for the global environment (addressing climate change) and improvement of the diversity of human resources as priority measures in its management strategy, and promotes sustainability initiatives while placing great importance on relationships with all shareholders.

In terms of measures related to action for the global environment (addressing climate change), we switched to purchasing renewable energy for use at the Shiga Plant in FY2023. This resulted in greenhouse gas emissions related to energy usage at all our domestic factories and offices (Scope 2) becoming neutral. We also plan to purchase renewable energy for the Chubu Plant that is currently under construction. We are gradually switching to renewable energy for electricity purchased by overseas locations after taking into account the unique circumstances of each region, and are steadily devising measures to achieve carbon neutrality by FY2050.

I believe that improvement of the diversity of human resources is an issue that is linked directly to sustainable value creation. In order to pioneer the next-generation market that is being brought into being by electrification, it is vital that we actively introduce and develop digital technology even as we carry on with our legacy technology, and that we have human resources able to leverage this technology to drive global transformations. Being responsible for such transformations requires leaders who can transform themselves and who have expertise in establishing diversity of thought within the organization. G-TEKT conducts hiring, development, and posting and reassigning of its personnel in accordance with a basic policy of "Create a workplace where all employees are motivated and can make effective use of their individual strengths; build connections that eliminate barriers between the organization and employees; and provide opportunities for the seeds of innovation to grow." Although there are differences between overseas sites in terms of language, culture, and business customs, the Company will use its strengths in development and technological capabilities as a lever to form one team together with local staff, so that personnel at each location who are deeply familiar with local markets and culture can contribute to the winning of business.

It is also in this context that we will revise our personnel systems to better match the times, including initiatives in which we have been engaged for some time, such as the promotion of opportunities for women, the taking of childcare leave and paid leave by men, the employment of persons with disabilities, and encouraging the effective use of senior employees.

I also want to increase the diversity of management going forward. Despite everything the promotion of women in manufacturing industry lags that of other sectors, so our first goal is to appoint a female Executive Officer.

Corporate governance as the foundation of sustainable value creation

G-TEKT is aiming to establish appropriate corporate governance that enables the continuous performance of business activities under a transparent and healthy organizational structure.

We have worked to streamline the Board of Directors, which constitutes the core of corporate governance, and I think it has achieved the optimal balance

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Practicing highly agile management that responds instantly to changes in the external environment without being held captive by fixed ideas

of size and human resources for the Company. The Board of Directors has six members, including four members from inside the Company, consisting of myself and the persons responsible for technology, sales, and the North America business, respectively. In addition, there are two Outside Board Members, of whom one is an individual with experience as the president of a steel trading company, and the other is a university professor of communication science.

Agenda items submitted to the Board of Directors are deliberated in advance by the Executive Board. However, this process is also rendered transparent by the provision of the information to Outside Board Members to enable them to be fully understood, thus establishing an environment in which meaningful discussion and decisions can be made. My sense is that Outside Board Members express their opinions on agenda items without reserve. As chairperson, I take care to ensure that the proceedings are not conducted one-sidedly, in response to which the others candidly point out problems and express doubts frankly. Going forward I will work to further enhance the effectiveness of the Board of Directors in coordination with the Outside Board Members.

Enhancing distributions of profit to shareholders

The Company considers the increase of shareholder value through shareholder returns to be an important management issue. The Company's basic policy is to maintain a level of shareholders' equity that allows for risk and investment in growth, as well as stable and continuous returns to shareholders. While listening to feedback from shareholders at all times, we aim to further increase their level of satisfaction.

With regard to dividend indicators, in "Notification regarding important management indicators for business strategy and shareholder returns policy," announced in June 2023, we set a target for DOE (dividend on equity ratio) of at least 2.0% for the fiscal year ending March 31, 2026, and 3.0% for the fiscal year ending March 31, 2031. Furthermore, in June 2024, we added the dividend payout ratio as a new indicator from the perspective of linking shareholder returns to earnings, with the objective of enhancing distributions of profit to shareholders. We will work to secure stable sales and profits in order to hit the target payout ratio of at least 30% for the fiscal year ending March 31, 2025, and beyond.

Becoming a highly agile group that can overcome change

In response to the decarbonization of society, the automobile industry is making steady progress toward electrification. However, the process leading up to the goal is unclear, and it is likely that we will see unexpected changes in the business environment and the emergence of issues as yet unknown. It will be impossible for corporations that do not address such changes to achieve sustainable growth. Accordingly, we must become a highly agile group, both as individuals and organizations. By taking action agilely at the instant we see signs of new business opportunities or risks, we will win out over intense competition for the next-generation market.

At the same time as being agile, it is also important that we do not stand still. Because this is an era of uncertainty and complexity, it is possible for any company to make mistakes with their forecasts. For example, even if market and technological trends do not unfold in line with our expectations, the Company should absolutely not come to a standstill, but instead make agile decisions that enable progress towards its goals.

Through the practice of highly agile management, we will strive to overcome this transformational period of the automobile industry, thus enhancing corporate and shareholder value. I would like to sincerely ask all of our stakeholders for their further support.

