

# 2022

TS TECH  
Integrated Report



# Bringing joy to people and society

In the manufacture of its products, TS TECH pursues safety,  
environmental sustainability, and comfort.

The pursuit of comfort in particular is multifaceted and deep, and over the course of time  
this pursuit is subject to an infinite process of evolution.

Whether comfort for people or comfort for society and the global environment, each and every type  
of comfort TS TECH provides helps to generate satisfaction, which in turn leads to joy.

These are the principles that guide our unceasing effort to create value that goes beyond the present  
and bring joy to all of our stakeholders.



TS TECH Philosophy

## Vision Statement

A company dedicated to realizing  
people's potential  
A company sincerely appreciated by all

## Mission Statement

We shall provide comfortable,  
high-quality products at competitive prices  
to our customers worldwide,  
always pursuing the infinite  
possibilities in manufacturing.

## Operational Directives

- We should make our workplace a vibrant one, valuing consensus and communication.
- Work should be done in accordance with the circumstances, with importance placed on time and priorities.
- We must always challenge ourselves to create new value by leveraging our passion and know-how.
- Each of us should always persevere to make our individual vision a reality.

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### Editorial Policy

The TS TECH Group has been issuing the "TS TECH Report," an integrated report that includes both financial and non-financial information, since 2012, and changed its name to the "TS TECH Integrated Report" in fiscal 2021. In this report, we will continue to introduce the Group's stance as an enterprise and the efforts it is making to contribute to sustainability in the course of its business in order to be a company sincerely appreciated by all and whose presence is valued by all of its stakeholders.

### About the Report's Formats

#### Integrated Report



#### TS TECH Website

##### Non-Financial Information

**CSR Activities**  
Provides qualitative and quantitative information on society and the environment

<https://www.tstech.co.jp/english/csr/>

##### Financial Information

**IR Information**  
Provides consolidated financial summaries, results announcements, etc.

<https://www.tstech.co.jp/english/ir/>

### Scope of the Report

While the report is based on the consolidated group (TS TECH Co., Ltd. and its domestic and overseas subsidiaries and affiliates), some data regarding environmental and social initiatives, etc., may pertain to aggregate results for the non-consolidated company in Japan. Cases in which the scope of aggregation differs will be specified in the text.

### About the Report's Designations

"TS TECH Group" (the Group) signifies the consolidated group, while "TS TECH" (the company) signifies the non-consolidated company in Japan.

### Term Covered

Fiscal 2022 (April 1, 2021–March 31, 2022)

Note: Select activities from before or after this term may be included.

### Reference Guidelines

- ISO 26000:2010 standard, International Organization for Standardization (ISO)
- International Integrated Reporting Framework, IFRS Foundation
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry (METI) of Japan
- Global Reporting Initiative (GRI) Sustainability Reporting Standards, etc.

### Disclaimer

This report contains forward-looking statements from TS TECH Co., Ltd. pertaining to plans, forecasts, strategies, and results. These forward-looking statements are based on currently available information.





## Moving forward to create new value driven by transformation

保田真成  
Masanari Yasuda  
President and Representative Director

### Introduction

Already more than two years have passed since the COVID-19 pandemic began. With no signs of it coming to a definitive end, I would like to express my deepest respect and appreciation to all the medical professionals who have worked so hard and for so long fighting COVID-19.

### Our vision for where we want to be in 2030

As part of an automotive industry that is in the midst of various transformative upheavals, including technological innovation and the evolution of mobility, the TS TECH Group has set out its 2030 vision statement: “Innovative quality company—Continued creation of new value.” Right from the outset we have faced major difficulties due to COVID-19, but even now our principles and policies remain on course. We con-

sider it to be our mission to create unprecedented new value by leveraging the technologies that the Group has cultivated over the years in today's changing business environment and to achieve continuous growth hand-in-hand with the broader society.

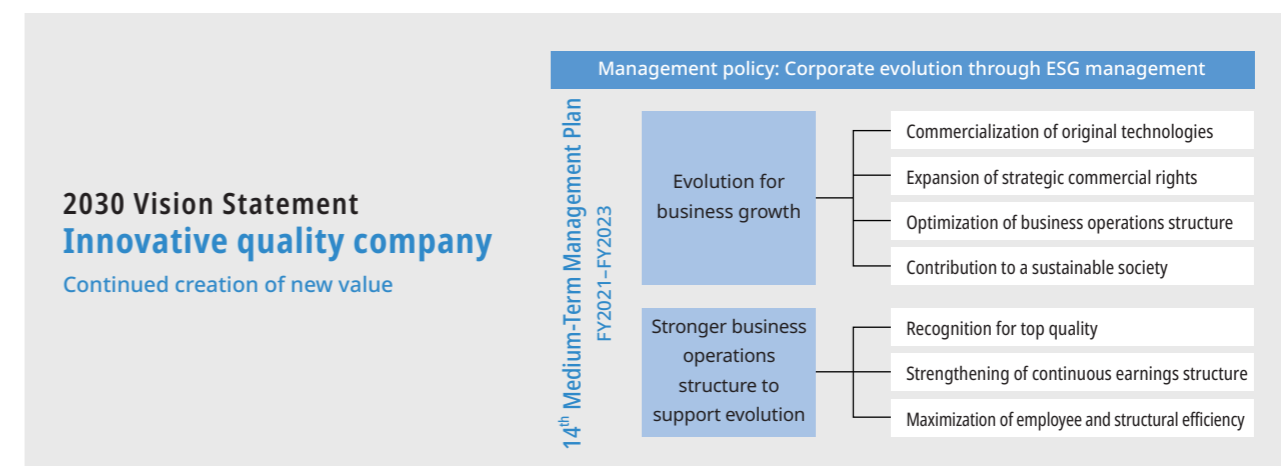
In **the 14<sup>th</sup> Medium-Term Management Plan<sup>1</sup>** (fiscal 2021–fiscal 2023), which marks our first steps toward 2030, under a management policy of “corporate evolution through ESG management,” we are moving forward with seven actions categorized into two priorities from distinct perspectives: “Evolution for business growth” from a proactive perspective and “stronger business operations structure to support evolution” from a protective perspective.

During fiscal 2022, the second year of the plan, the severe situation remained ever-present, including the impact of COVID-19 ongoing from the previous year, which caused turmoil in supply chains that in turn led to reduced production at automobile manufacturers, not to mention further cost increases for raw materials. It was against this backdrop that we devoted generous amounts of **management resources<sup>2</sup>** to business fields that are essential for future growth, and accelerated future-oriented initiatives, including next-generation technology development and the acquisition of new customers and new commercial rights. In addition to proactive measures, we concentrated our efforts on improving profitability across the Group, including by optimizing business structures through the reorganization of the trim cover production structure in the Americas and by pursuing thorough cost reductions in each business domain. Through these and other efforts, we aim to definitively overcome the current situation and lay the foundation for future success.

### Looking toward further business growth

The TS TECH Group's principal customer is Honda Motor Co., Ltd. The Group has achieved steady growth, serving as a global partner to Honda. In order to further enhance business growth as we head to 2030, it will be essential to expand our commercial rights and acquire new customers beyond our business with Honda. In the 14<sup>th</sup> Medium-Term Management Plan, we have set **new commercial order targets<sup>3</sup>** worth 63 billion yen from customers other than our principal clients, and we are accelerating various initiatives to achieve this goal. We have been actively engaging in efforts, including establishing a new seat manufacturing subsidiary in Poland, targeting European automobile manufacturers in fiscal 2022, and starting the **New Business Management Division<sup>3</sup>** to further expand sales functions and manage and oversee European operations from fiscal 2023. The result of these efforts has been that we have been able to steadily receive orders for significant commercial rights in all regions, and we are confident that we will be able to expand sales further in the future.

However, in order to ensure these efforts become growth drivers for business expansion, we recognize that we must work with a greater sense of urgency than ever before. If we are to grow sales, we cannot avoid competing with mega-suppliers around the world, and to do that it is important to have not only our own resources in place but also to forge strong partnerships with new business partners. To that end, our policy is to be the first to grasp the realities of and changes in the business environments in the regions where we do business, and devote generous amounts of resources where necessary. The TS TECH Group will consider how we can efficiently bring any missing elements to our



1 The 14<sup>th</sup> Medium-Term Management Plan ▶ p. 27

2 Management resources ▶ p. 10

3 New commercial order targets / New Business Management Division

▶ p. 23

in-house operations, actively using alliances and other partnerships as we move to expand sales.

### New value creation driven by transformation

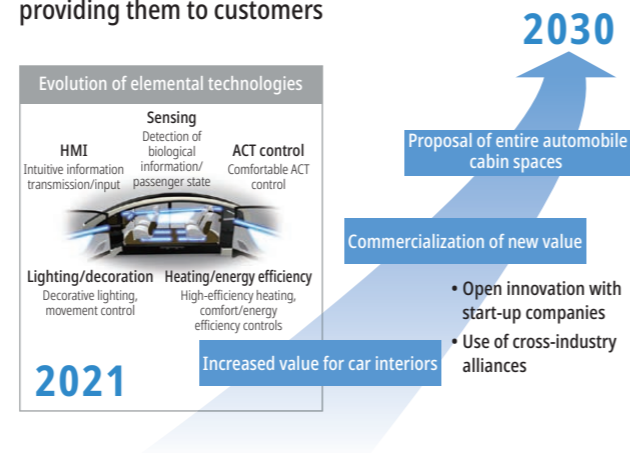
As is well known to everyone, the automotive industry is in the midst of a major period of transformation. The business environment is continually evolving, including changing user needs, intense development competition, the emergence of new competitors, and industry realignments. What is more, technological innovations that look ahead to next-generation mobility, such as the shift to electric vehicles (EVs), connected and automated driving, are significantly changing the perceived value of automobiles, transforming their value as an item that provides private space, enables the utilization of the vehicle itself and its cabin in various scenarios, and even enriches the lives of vehicle users. For automobile manufacturers and interior system suppliers such as the TS TECH Group, it is of critical importance to consider what we can provide to help users enjoy the time they spend inside their vehicles.

In order to achieve further growth in this environment, it is imperative for us to question our established practices and values, and engage not merely in “change” but in “transformation.” To date, the TS TECH Group has focused on seats and doors as our primary business domains, pursuing increased profits through the efficient development and production of safe, reliable, and comfortable products. However, looking to the future, while safety of course remains paramount, we will simply be left standing by the roadside unless we are able to propose novel and original functions and services, such as interior components that function as a human-machine interface (HMI) that connects vehicle occupants and the car. In order to come through this period of transformation successfully, we must change to become a company capable of coordinating the entire automobile cabin and providing new value to our customer companies and end users. We also aim to deliver the value creation that our customer companies around the world say that they want by further advancing our proprietary technologies, collaborating with other industries, and pursuing joint development with start-up companies<sup>4</sup>.

One such activity is the business alliance agreement we concluded with Alps Alpine Co., Ltd. By combining Alps Alpine's software strengths, in areas like systems integration, with the TS TECH Group's in-seat sensing technologies and the various technologies and experience that the Group has amassed in the process of developing and producing seat

and door trim, we aim to create the cabin spaces of the future for next-generation vehicles. In addition, looking ahead to next-generation mobility, we are engaging proactively in investments that aim to develop attractive products with new added value, including a joint development agreement for interior components for use in flying cars produced by teTra aviation corp.<sup>\*1</sup>

### Coordinating entire automobile cabin spaces and providing them to customers



There are many elements of uncertainty about what the future holds for the next-generation automobile industry, including the revision of targets in various countries for increasing EV usage and the speed of progress in automated driving technology. Thus, there is still a good deal of speculation about the ultimate shape the industry will take. However, no matter what the future might bring, it will be important to maintain a firm foundation from which we can consistently propose products optimized to the needs of our customers, and we will consider all possibilities as we engage in forward-looking research and development that seeks to realize such possibilities.

<sup>\*1</sup> A start-up company working on the research, development and sale of a flying car. teTra aviation is one of the leading companies developing flying vehicles in Japan, and it possesses many advanced technological skills. It was the only team to win a prize in the 2020 prize competition GoFly for developers of flying cars around the world that is sponsored by Boeing of the United States.

### Improving corporate value with sustainability-related initiatives

It is precisely at times like these, when the outlook for the future remains uncertain and opaque, that the most

important thing for us to do is to embody the TS TECH Philosophy<sup>5</sup>, the unwavering foundation on which TS TECH is founded and the definition of the value of our existence. Forming the basis for the TS TECH Philosophy are our Vision Statement: “A company dedicated to realizing people's potential” and “A company sincerely appreciated by all.” These are deeply connected to the concepts of sustainability and ESG, and as a group we were already engaged in various initiatives even before the need for corporate sustainability efforts came to be so widely voiced. In particular, in the 13<sup>th</sup> Medium-Term Management Plan that started from 2017, we clearly set out ESG as part of our management policy and further accelerated related measures. In terms of “E” (environment), we have formulated long-term goals to achieve carbon neutrality by 2050 and set out a response to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In the area of “S” (society), we have worked to strengthen supply chain management and improve employee engagement. In the area of “G” (corporate governance), we have made changes to our organizational design, working toward a transition to a “company with an Audit and Supervisory Committee” structure. These ESG initiatives have served to strengthen our corporate structure in various areas.

In fiscal 2022, the Sustainability Committee<sup>6</sup> was established as a body with overall oversight of sustainability across the entire Group. In addition, with regard to the key material issues (materiality)<sup>7</sup> that we identified in the previous fiscal year as issues to be prioritized to help contribute to the creation of a sustainable world, we have formulated KPIs and have also set specific 2030 targets<sup>8</sup> that pinpoint where we aim to be by 2030. We are accelerating our efforts to achieve all these KPIs and targets.

These efforts have been recognized and well-received globally, including by S&P Global, a global socially responsible investment ratings company, which selected TS TECH as a Sustainability Yearbook Member<sup>\*2</sup> and an Industry Mover<sup>\*3</sup> in its Sustainability Awards 2022. Looking ahead, by working with external evaluations and indices<sup>9</sup> like these, we aim to gain a firmer grasp of social requirements. By doing so, we will further enhance the effectiveness of our sustainability initiatives and work to improve corporate value and achieve sustainable growth for the TS TECH Group.

<sup>\*2</sup> A designation granted to companies with an ESG score as evaluated by S&P Global in the top 15% of their specific industry.

<sup>\*3</sup> A commendation given to companies that have most significantly improved their ESG score in their industry among all Sustainability Yearbook Members.

### Specific material issues and main challenges

- 
**Providing attractive, innovative new products and technologies that exceed society's expectations**
  - Developing attractive, innovative technologies
  - Improving product quality
- 
**Reducing impact by practicing environmentally friendly manufacturing to build a sustainable world**
  - Responding to climate change
  - Recycling and effectively using resources
  - Harmonious co-existing with nature
- 
**Respecting diversity and developing structures to maximize individual abilities**
  - Respecting human rights
  - Reforming work styles to make the most of diversity
  - Strengthening governance

### To our stakeholders

In an era when it is difficult to anticipate the future, we believe corporate management must constantly look ahead and always make the utmost effort to do what is needed at the time without automatically adhering to precedent. Looking ahead to the 15<sup>th</sup> Medium-Term Management Plan that will begin from April 2023, we are determined not to slacken the pace of transformation, but rather consider all possible means of driving further transformation and then put the best ones into action. In addition to efforts to expand the scale of our business, we will work unceasingly to further enhance our corporate value by bolstering our corporate foundation to enable sustainable growth, including pursuing the further evolution of our corporate governance structure and reviewing our capital policy<sup>9</sup>.

It is by leveraging change that we will become a company whose presence is appreciated by even more stakeholders. In that light, I humbly ask for your continued support as we move forward.

<sup>4</sup> Collaborating with other industries and pursuing joint development with start-up companies ▶ p. 12

<sup>5</sup> TS TECH Philosophy ▶ p. 1

<sup>6</sup> Sustainability Committee ▶ p. 13

<sup>7</sup> Key material issues (materiality) / 2030 targets ▶ pp. 14–15

<sup>8</sup> External evaluations and indices ▶ p. 122

<sup>9</sup> Capital policy ▶ pp. 18–19



# Value Creation Process

At TS TECH, we are committed to providing new value using a value creation process that makes the most of our strengths and management resources. We believe this is how we can continue to be “a company sincerely appreciated by all” whose presence is valued. Looking to the future, we will work together with the global community to achieve sustainable growth by embracing society’s expectations and demands and continuing to improve our process for delivering value.

## BUSINESS MODEL

### Core competencies

- Technological prowess**  
No. 1 in comprehensive patent strength in Japan in the vehicle seat sector  
\* According to Patent Result Co., Ltd.'s "Patents and Technologies Survey Report" as of December 2021
- Global business development**  
Global network comprising 46 companies in 14 countries
- Sustainable management base**  
Capital adequacy ratio: 71.4%  
Operating margin: 6.6%

### Management resources fostered by implementing the TS TECH Philosophy

<b>Intellectual Capital</b> Technology amassed in the pursuit of better manufacturing	<b>Financial Capital</b> A solid financial foundation to support business activities
<b>Manufactured Capital</b> A product supply structure spanning 14 countries	<b>Social Capital</b> Stakeholder engagement
<b>Human Capital</b> A corporate culture in which diverse human resources thrive	<b>Natural Capital</b> Energy management with environmental consideration

### Vision Statement

- A company dedicated to realizing people's potential
- A company sincerely appreciated by all

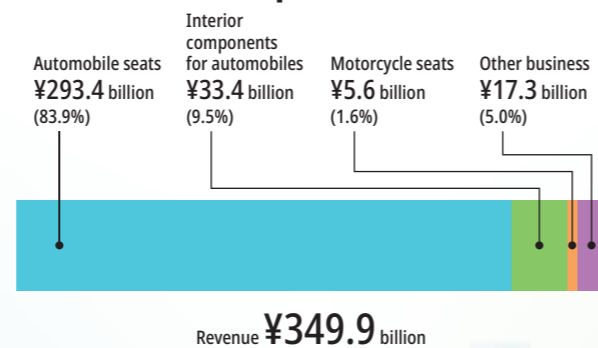
### Social issues

- Changes in value sought for automobile interiors
- Responding to technological innovation (IoT/electrification)
- Climate change
- Effectively utilizing diverse human resources

### Value chain



### Main products



### Outcomes

- Economic value**
  - Revenue: ¥349.9 billion
  - Dividends per share: ¥54
  - Dividends payout ratio: 58.3%
  - 14,308 people employed in 14 countries
- Social value**
  - CO<sub>2</sub> emissions reduction rate: 34.0% (compared to fiscal 2018)
  - Providing nicer cabin spaces with our seats and doors

### Value created through manufacturing



## Materiality

▶ pp. 14-15

### Society

Providing attractive, innovative new products and technologies that exceed society's expectations

▶ p. 12

KPI

- Increasing the expense ratio for R&D of innovative technologies
- Improving ratings in product quality surveys

### Environment

Reducing impact by practicing environmentally friendly manufacturing to build a sustainable world

▶ pp. 42-43

KPI

- CO<sub>2</sub> emissions reduction rate
- Waste reduction rate
- Water intake reduction rate, etc.

### Corporate foundation

Respecting diversity and developing structures to maximize individual abilities

▶ pp. 46-48

KPI

- Engagement rating
- Percentage of management positions held by diverse human resources
- Rate of compliance with Corporate Governance Code, etc.



## 2030 Vision

INNOVATIVE QUALITY COMPANY  
—Continued creation of new value—

## Vision

Being a company with the capacity to provide new value, focusing not simply on seats but on coordinating entire cabin spaces

# Business Foundation That Supports Evolution

Since TS TECH was established in 1960, the company has continued to conduct research on seating for people, particularly automobile seats. The unique technology and expertise we have built up over this period—powered by our global network extending across 14 countries around the world—serve as our strengths as we continue to create new value that always goes beyond the present and keep providing safe, comfortable, and appealing products for people worldwide.

## Intellectual capital

### Technology amassed in the pursuit of better manufacturing

Automobile seats require a balance between safety and comfort as well as appealing added value. The unique technology and research results that we incorporate to provide products that go beyond customers' expectations accumulate in the form of expertise and have become an important form of capital for the Group.

Patents are one such type of capital. We practice a proactive patent strategy that effectively utilizes new technologies we produce around the world. We have been given a high rating in comprehensive patent power, as calculated by Patent Result Co., Ltd.

- Number of patents held

**2,201**

- R&D expenses

**11.9** billion yen

## Manufactured capital

### A product supply structure spanning 14 countries

Starting with its entry into the U.S. market in 1977, TS TECH has actively pursued a global expansion strategy and currently has locations in 14 countries around the world, including Europe, China, and other Asian countries. Along with our ability to supply products to customers around the world, we have strengthened our supplementary production structure globally to ensure business continuity that will enable us to achieve steady growth even in an increasingly uncertain business environment.

Looking ahead, in addition to investment focused on expanding capabilities and boosting efficiency, we will contribute to a sustainable society through investment in environmental equipment and technologies.

- Scope of business

**46** companies in **14** countries

- Capital expenditures

**14.4** billion yen

## Human capital

### A corporate culture in which diverse human resources thrive

Based on our Vision Statement of being "a company dedicated to realizing people's potential" and the belief that people are the decisive factor in a company, the TS TECH Group is working to foster a corporate culture that respects diversity, thereby empowering each and every employee to make the most of their abilities regardless of gender, age, nationality, etc.

As part of this initiative, the Group is promoting work-style reforms tailored to the specific characteristics of each location, including those overseas. In addition to allowing for a variety of work styles, we provide self-improvement tools and various training programs through which we encourage employees to learn and grow according to their individual backgrounds and abilities. By doing so we strengthen our human resources, which represent our human capital.

- Number of Group employees

**14,308**

## Financial capital

### A solid financial foundation to support business activities

The TS TECH Group is proud of the fact that in the course of realizing steady business growth we maintain an operating margin that outperforms industry standards, thanks to thorough efficiency improvements in all areas while investing in areas where necessary. Even in a business environment where halting plant operations is unavoidable, such as at the time of the Great East Japan Earthquake or during the COVID-19 pandemic, the financial base we have built up means that we are able to maintain continuous employment and restart operations smoothly.

The capital we have accumulated to date will be used to invest in growth through M&A and other means, as well as to return profits to our shareholders, so that we can continue to further increase our corporate value.

- Consolidated capital adequacy ratio

**71.4%**

- Operating margin

**6.6%**

## Social capital

### Stakeholder engagement

▶ pp. 16-17

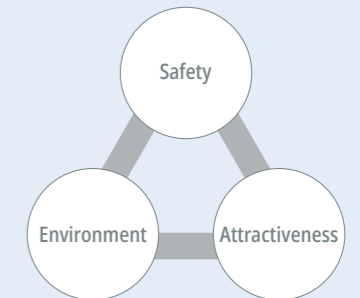
## Natural capital

### Energy management with environmental consideration

▶ p. 44

## Value created through manufacturing

Automobile seats are the part that is closest to the occupant, and they have a major impact on the vehicle's safety and comfort, so high performance and quality are always required. We continue to create unique value by providing high-quality products that are lightweight and deliver diverse functions, at competitive prices.



### Pursuit of safety

When traffic accidents occur, the seat plays a crucial role in protecting the car's occupants. For this reason, various strict standards are set at the development stage, and a seat cannot be sold unless these criteria are satisfied.

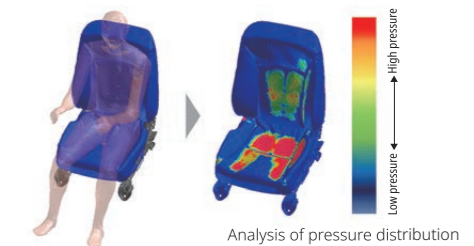
We were the first in Japan to introduce a dynamic sled testing facility, which faithfully recreates the impact of a collision. We carry out tests anticipating all possible scenarios, and vehicle safety assessment organizations confirm that the completed seats meet the highest level of safety.



Pursuing structures that protect the human body

### Reliable comfort based on human engineering

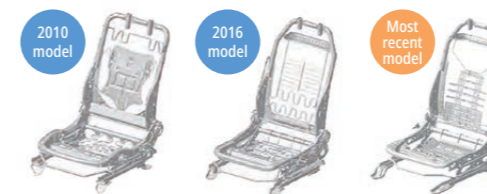
In order to ensure the comfort of the seats that support vehicle occupants' bodies, we seek to create seating that feels comfortable as soon as the occupant sits down while also preventing fatigue when driving for a long time. Judgments about comfort and fatigue differ depending on the person, so we translate these subjective judgments into quantifiable data. These efforts to build up our own theory of comfort by conducting repeated research based on ergonomics guide TS TECH in marketing more comfortable seats.



Analysis of pressure distribution

### Commitment to light weight

Seats are one of the heavier parts of the car, and reducing their weight directly improves fuel efficiency. We exhaustively examine the materials and processing technology starting in the design stage and pursue improvements so that we can keep reducing the weight of our older models and help to reduce environmental impact.



About **35%** lighter in 10 years

### Diverse array of functions to improve convenience

A diverse range of seat arrangements to match different applications is essential in maximizing the use of the limited space in cars. We sensitively identify the needs of users, which can change every day, and deliver on our unique ideas with advanced technical skills, allowing us to continue offering products that surpass customer expectations.



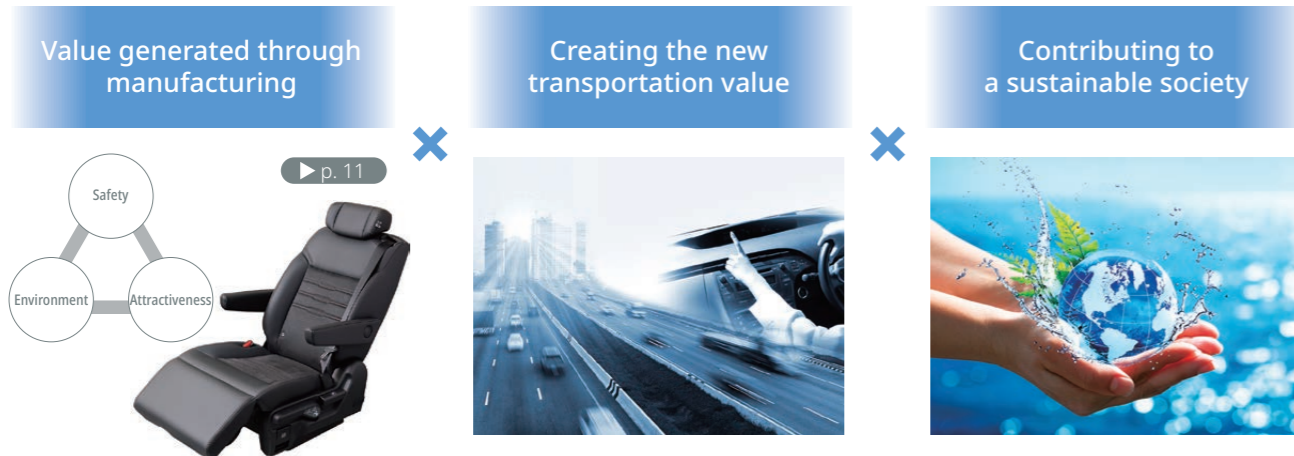
Seats that can be stored with a pull of a cord



# Maximizing Corporate Value in Harmony with Society

In recent years, a wide range of social issues and environmental problems have emerged. This is constantly changing the environment in which companies operate as well as market needs.

The TS TECH Group always offers appealing products and strives to create the new transportation value demanded by the emerging world of next-generation mobility. Meanwhile, by helping to build a sustainable world, we aim to continue being a company sincerely appreciated by all.



## Creating the new transportation value

### Pursuing innovative technology for creating next-generation car interiors

As we get closer to next-generation cars due to rapid advancements in automated driving technology and connected technology, new forms of value are also demanded in car interiors. We engage actively in R&D to develop new car interior components, such as seats that sense the occupant's biometrics to detect the level of fatigue and suggest switching to automated driving mode, and seats that analyze the ideal posture for the occupant and support posture improvements.

We also believe that partnerships that go beyond corporate boundaries and industries are crucial in creating automobile interiors that inspire emotions and go beyond previous automobile conventions. With this in mind, we formed a business affiliation with Alps Alpine Co., Ltd. in January 2022 to develop a next-generation automobile interior. By combining the two companies' strengths, we will be able to accelerate the creation of an automobile interior with high added value that provides a safe, comfortable, and inspiring transportation experience.

### Taking up the challenge of new mobility

We take initiatives in various areas, not limited to our main business, such as our previous collaborations with the University of Tokyo and the Japan Aerospace Exploration Agency (JAXA) to carry out joint research on safety assessment technology. In February 2022, we invested in teTra aviation corp., which carries out R&D on and manufactures and sells flying cars, signing an agreement on joint development of interior parts for flying cars. Through this joint development, we will pursue strength, safety, light weight, and comfort for a different kind of mobility than automobiles. We will then incorporate the knowledge that we gain in this venture into our main operations. This will lead to the development of appealing products with new added value.



INNOVAGE Reference exhibit for Product at the 46th Tokyo Motor Show 2019



Image of next-generation car interiors developed jointly with Alps Alpine Co., Ltd.



teTra aviation corp.'s flying car, Mk-5

## Contributing to a sustainable society

### Basic Policy on Sustainability

The Group has consistently worked to raise corporate value sustainably and foster a corporate culture based on the two elements of our vision statement—being “a company dedicated to realizing people’s potential,” which expresses our belief that people are the decisive factor in a company, and being “a company sincerely appreciated by all” stakeholders and society.

- We will help to resolve social issues by implementing our vision statement, with its twin aims of being “a company dedicated to realizing people’s potential” and being “a company sincerely appreciated by all.”
- We will improve the overall corporate value of the Group.
- We will hold responsible dialogues with all stakeholders and build trusting relationships.

November 2021, Resolution of the Board of Directors

### Sustainability Promotion Framework

TS TECH established the Sustainability Committee as an advisory body to the Executive Committee in December 2021 to accelerate its sustainability initiatives. In the same year, it also established its Corporate Communication Department, consolidating the departments responsible for sustainability and public relations to allow for unified management from planning and promotion to information disclosure. Serving as the secretariat, the Corporate Communication Department manages the Sustainability Committee, which cuts across the Group laterally, and reports to the Board of Directors as necessary once measures are passed at meetings of the Executive Committee. We strive to achieve sustainable growth for the Group and resolve social issues by making decisions on sustainability initiatives at the management level.

### Sustainability Committee

#### • Role

As the advisory body to the Executive Committee, the Sustainability Committee decides on sustainability policies, manages the progress made in achieving related goals, and discusses measures.

- Confirmation of progress made on materiality KPIs
- Initiatives to achieve carbon neutrality by 2050
- Identification of risks and opportunities related to sustainability and related scenario analysis (TCFD requirement)

▶ pp. 40–41

- Sharing of social trends and issues related to sustainability
- Establishment and operation of system aiming to foster awareness of sustainability within the company

#### • Composition of the committee

The committee is chaired by the Corporate Administration Division Executive General Manager and made up of representatives from each business division and segment. The Corporate Communication Department serves as the secretariat.

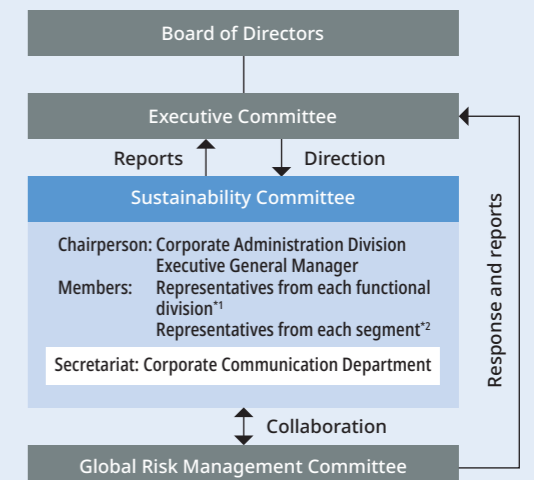
#### • Activity plans

The committee meets three times a year, in principle, and holds ad hoc meetings also when necessary. (Notable activities)

December 2021 Sustainability Committee launched

March 2022 Kickoff meeting

May 2022 First meeting (Deliberations on environmental results, response to TCFD requirements, etc.)



\*1 Corporate Sales and Purchasing Division, New Business Management Division, Corporate Development and Engineering Division, Corporate Manufacturing Division, Corporate Quality Assurance Division, Corporate Administration Division, Corporate Business Administration Division, Corporate Managerial Planning Department

\*2 The Americas Segment, China Segment, Asia Segment



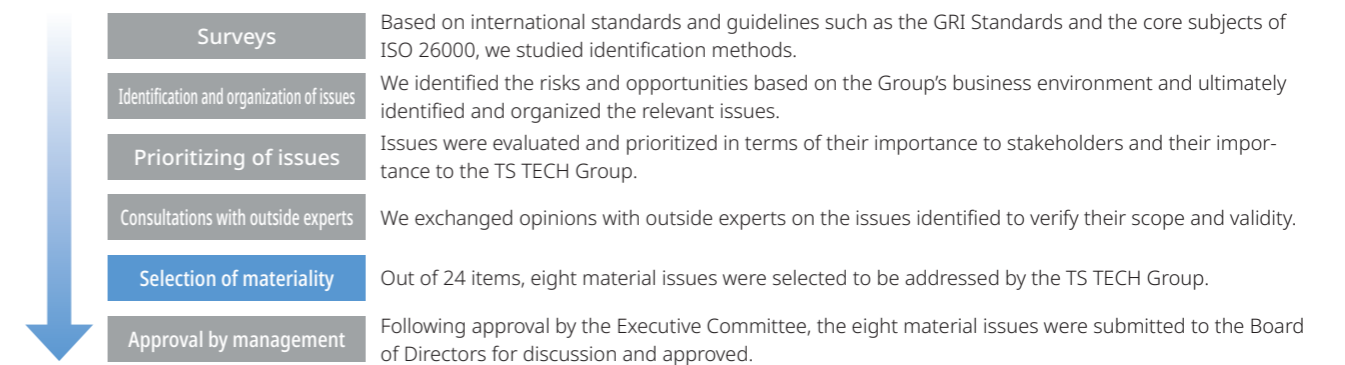
# Identified Material Issues and 2030 Targets

TS TECH has established targets for 2030 with indexes indicating the ideal form the company aims to achieve by that year with regard to key material issues (materiality) the Group will prioritize to help contribute to the realization of a sustainable society. To achieve these targets, we will aggressively promote relevant measures and manage our progress using our Sustainability Promotion Framework, which we revised in fiscal 2022.

## TS TECH Materiality Identification Policy

- Issues that are material to the vision statement under the TS TECH Philosophy: "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all"
- Issues that are highly material to the United Nations Sustainable Development Goals (SDGs)
- Issues that are material to contribute to a sustainable world

## Procedure for Identifying Material issues



Category	Related SDGs	Material issues	Vision	Materiality	Materiality KPIs	2030 targets	Main measures
Society		Providing attractive, innovative new products and technologies that exceed society's expectations	<ul style="list-style-type: none"> <li>• We will create new value that exceeds the expectations of customers and help to build safe, secure, and prosperous societies by providing attractive, high-quality automobile interiors.</li> </ul>	Developing attractive, innovative technologies	Innovative technology development expenses as a percentage of R&D expenses	Up 10% from fiscal 2021	<ul style="list-style-type: none"> <li>• Proactively investing in original technologies, including biosensing and environmental technologies</li> </ul>
				Improving product quality	Seat supplier IQS rating <sup>*1</sup>	2.0P (stable at a high level)	<ul style="list-style-type: none"> <li>• Enhancing product quality with higher-precision verification tools</li> <li>• Constructing a framework enabling ongoing cultivation of quality human resources worldwide</li> </ul>
Environment		Reducing impact by practicing environmentally friendly manufacturing to build a sustainable world	<ul style="list-style-type: none"> <li>• Aiming for a decarbonized society, we will work to contribute to reducing our environmental impact by pursuing energy-savings and effective use of resources, starting with product design and continuing throughout every stage of the product life cycle.</li> <li>• We will strive to ensure that all of our employees have a high level of environmental awareness, while working to protect the environment and conserve ecosystems based on the concept of "giving greenery back to the earth."</li> </ul>	Responding to climate change	CO <sub>2</sub> emissions reduction rate <sup>*2</sup>	Down 50% from fiscal 2020	<ul style="list-style-type: none"> <li>• Analyzing and responding to risks and opportunities based on the recommendations of the TCFD <a href="#">▶ pp. 40-41</a></li> <li>• Conducting energy management based on ISO 14001/ISO 50001</li> <li>• Installing energy-saving and renewable-energy equipment</li> <li>• Developing and promoting products that use plant-based raw materials, etc.</li> <li>• Improving development and manufacturing efficiency <a href="#">▶ pp. 42-43</a></li> </ul>
				Recycling and effectively using resources	Waste reduction rate <sup>*3</sup>	Down 50% from fiscal 2020	
				Harmoniously co-existing with nature	Water intake reduction rate and environmental impact from wastewater <sup>*4</sup>	Down 50% from fiscal 2020 Environmental impact: 0	
				Establishment of the TS TECH Fund (matching gift program)	Establishment of a donation program by the TS TECH Group	Establishment of a donation program by the TS TECH Group	
Corporate foundation		Respecting diversity and developing structures to maximize individual abilities	<ul style="list-style-type: none"> <li>• We will respect the human rights of all stakeholders and offer rewarding working environments in which each and every employee makes the most of their diverse talents.</li> <li>• We will engage in diversity-positive, highly transparent management to fulfill our corporate social responsibility (CSR), achieve sustainable business growth, and enhance corporate value.</li> </ul>	Respecting human rights	Engagement rating <sup>*5</sup>	AAA	<ul style="list-style-type: none"> <li>• Analyzing survey findings individually by department and identifying priority issues <a href="#">▶ p. 47</a></li> <li>• Fostering momentum to make organizational improvements</li> </ul>
					Supplier Sustainability Guidelines compliance rate <sup>*6</sup>	100%	<ul style="list-style-type: none"> <li>• Preparing to expand surveys to verify circumstances of compliance to locations outside Japan <a href="#">▶ p. 49</a></li> </ul>
				Reforming work styles to make the most of diversity	Percentage of management positions held by diverse human resources <sup>*7</sup>	35%	<ul style="list-style-type: none"> <li>• Supporting career development with rank-specific training</li> <li>• Helping personnel balance their work and personal lives (childbirth, childcare, nursing care)</li> </ul>
				Strengthening governance	Corporate Governance Code compliance rate	100%	<ul style="list-style-type: none"> <li>• Pursuing ongoing efforts to prevent corruption</li> </ul>

\*1 Rating awarded in the Initial Quality Study (IQS) conducted by J.D. Power Japan, Inc. The study looks at new car buyers and their experiences with any problems and calculates the number of problems indicated per 100 vehicles. The lower the number, the higher the quality.  
 \*2 CO<sub>2</sub> emissions reduction rate (Scope 1 and 2) resulting from the Group's business activities.  
 \*3 Rate of reduction of waste (excluding residue, sludge, etc.) resulting from the Group's manufacturing activities.

\*4 Reduction rate in water intake (amount used) at the Group's production facilities and environmental impact of wastewater resulting from manufacturing activities  
 \*5 The engagement targets look at the company's employees using Link and Motivation Inc.'s Motivation Cloud. The target "AAA" rating is the highest of the 11 ratings.  
 \*6 Rate of compliance with the Supplier Sustainability Guidelines among the Group's suppliers (including overseas suppliers).  
 \*7 Percentage of women, mid-career hires, non-Japanese citizens, older employees, and persons with disabilities in management positions.

# Stakeholder Engagement

The TS TECH Philosophy calls for the Group to be a company sincerely appreciated by all of its stakeholders—from customers and employees to shareholders and investors, business partners, and local communities. To achieve this goal, we proactively carrying out ongoing dialogue with stakeholders and incorporate the opinions and requests we receive into our management.

	Relationship with stakeholders	Dialogue method
<b>Customers (auto manufacturers, end users)</b>	Based on daily dialogue, we build long-term trusting relationships by identifying customer needs from the very first stage of product development and proposing and creating products that exceed expectations. We also actively seek feedback from end users so that we can develop even better products.	<ul style="list-style-type: none"> <li>• Daily sales activities</li> <li>• Collect opinions from end users through the subsidiary company that sells automobiles</li> <li>• Development and engineering roundtable meetings</li> <li>• Roundtable meetings with business partners hosted by customers</li> <li>• Exhibits such as the Tokyo Motor Show</li> </ul>
<b>Employees</b>	The Group aims to be a company where all employees are motivated and can achieve growth, in line with its twin visions of being “a company dedicated to realizing people’s potential” and “a company sincerely appreciated by all.” To achieve this, we are developing our work environment to create comfortable workplaces and are also accelerating initiatives designed to improve employee engagement. <a href="#">▶ p. 47</a>	<ul style="list-style-type: none"> <li>• Distribution of video of President’s Message (worldwide)</li> <li>• Engagement survey</li> <li>• Various education and training sessions</li> <li>• Internal portal site, in-house newsletter</li> <li>• Whistleblower hotline system, consultation service</li> <li>• Consultation with the labor union</li> </ul>
<b>Shareholders and investors</b>	The Group strives to rapidly, accurately, and equitably disclose information, based on its disclosure policies. In addition, we proactively engage in dialogue with shareholders and investors to improve our medium- and long-term corporate value.	<ul style="list-style-type: none"> <li>• General Meeting of Shareholders</li> <li>• Financial results briefings (interim, full year)</li> <li>• Investor relations (IR) meetings every quarter</li> <li>• Websites (IR information for investors)</li> <li>• Briefings for individual investors</li> </ul>
<b>Business partners</b>	Strong partnerships with business partners are essential for the Group to consistently supply high-quality products. We treat all business partners fairly and equitably and hold dialogues in line with the Four Principles of TS Procurement in order to build trusting relationships on a global basis. <a href="#">▶ p. 50</a>	<ul style="list-style-type: none"> <li>• Daily purchasing activities</li> <li>• Annual conference with major business partners</li> <li>• Initiatives to improve quality with business partners and awards for impressive cases</li> <li>• Supply chain survey</li> <li>• Request to comply with the Supplier Sustainability Guidelines</li> </ul>
<b>Local communities</b>	Our determination to be a company with deep roots in local communities has inspired us to get involved in various philanthropic programs, such as support for childrearing and environmental conservation (155 programs around the world in fiscal 2022). We will continue to carry out initiatives tailored to the needs of each community, so that we can achieve sustainable growth together with the communities where we do business.	<ul style="list-style-type: none"> <li>• Participation in and cosponsorship of local events</li> <li>• Offering classes at local schools, donation of goods</li> <li>• Environmental conservation activities such as tree planting and local cleanups</li> <li>• Donation of goods to public facilities</li> </ul>

## <Specific examples>

### Involvement with customers

#### Product development based on opinions from end users

Accurate predictions of the future based on actual conditions are essential to respond to dramatic changes in the environment for the auto industry, and to social trends both within and outside of the auto industry, and then create new products that have never existed before. We believe that listening directly to the views of the end users driving cars every day is one important way of doing this.

At some stores of consolidated subsidiary Honda Cars SAITAMAKITA, the Aisareru Seat is set up to give visitors a simulation of various sports while sitting down, using sensing technology. Many people have enjoyed using this seat installation. The feedback received from users and the data recorded during the simulation are used to develop new products that make people happy.



Aisareru Seat set up at dealers

### Relationships with shareholders and investors

#### Opinions received through proactive dialogue are reflected in management

We proactively carry out IR activities to ensure that all shareholders and investors understand the Group’s financial results and management approach. We post financial results and corporate information (material fact) promptly on our website, hold financial results briefings every six months, and disclose these materials on our website. We also provide opportunities for securities analysts and institutional investors to meet with us every fiscal quarter, and hold over 250 dialogues each year. The valuable opinions we obtain in these dialogues are reported to the Board of Directors and other meetings and reflected in management. We believe this will raise corporate value in a sustainable way.



IR meeting (Web conference)

### Relationship with the local community

#### Childrearing support for children with deep roots in the local community

In Tochigi, where we have a research and development base, we work with the Future Creating University for Children in Tochigi, hosted by the Tochigi Prefectural Board of Education, to hold experience-based lectures. At the company’s crash-test facility, children intuitively learn what kind of impact occurs in a car accident, and this improves their awareness of traffic safety.

In addition, we support childrearing that aids the healthy growth of children by, for example, giving talks on product development at local middle schools and giving classes on health in developing countries overseas.



Experience-based class at the crash-test facility





## Raising corporate value by generously investing in key areas

**Atsushi Igaki**

Director, Senior Managing Officer  
Corporate Business Administration  
Division Executive General Manager

### Aiming for sustainable improvements to corporate value

The automotive industry is currently facing a once-in-a-century period of transformation. There is fierce competition for orders not only among global manufacturers but also among local manufacturers in each region. Under these circumstances, in order for the TS TECH Group to achieve continued growth, we must make our capital and assets more efficient than ever before and leverage them to expand our business and enhance profitability. All this we will do by leveraging the sound financial foundation we have built with the high profitability we have delivered to date.

Fiscal 2023 is the final year of the 14<sup>th</sup> Medium-Term Management Plan. Due to such issues as continued disruption in the supply chain arising from global semiconductor shortages, the business environment remains uncertain. However, as set out in the priority measures of the plan, we improved our production system and revised our organizational structure in order to acquire new customers and commercial rights from customers other than our main customer to achieve the “expansion of strategic commercial rights.” We have worked on allocation and reorganization by region from various perspectives, including production, development, and distribution, as a means of carrying out “optimization of business operations structure.” In addition, while scrutinizing each and every capital investment, as a result of having proactively invested in growth through rationalization and other means and also focusing on investment in R&D to create new value, we anticipate increasing annual capital investment to approximately 15 billion yen even in the midst of the pandemic. This is approximately double pre-pandemic

levels. We are therefore moving forward with many initiatives to expand sales and bolster the earnings structure.

We are also working to return profits to shareholders by improving capital efficiency and to implement a flexible capital policy through the acquisition of treasury stock. In an environment in which the improvement of corporate value is considered over the medium to long term, in order to respond to the expectations of all stakeholders, we are working to enhance the value of the company from a financial perspective that will act as a compass for the company, including proposals for capital utilization with ROE in mind.

### Looking ahead to the 15<sup>th</sup> Medium-Term Management Plan

Looking ahead to the 15<sup>th</sup> Medium-Term Management Plan that will begin in fiscal 2024, we are now in the process of setting KPIs that will measure not only growth and profitability but also efficiency, and are considering quantitative targets. In specific terms, we plan to prioritize ROE, which has been depressed in recent times due to the impact of COVID-19 and the global semiconductor shortage, and raise it to a level 8–10% or more of pre-pandemic levels. We plan to break down ROE into three elements: (1) expanded revenue (growth); (2) strengthened earnings structure (profitability); and (3) revised policy on returns to shareholders. In so doing, we aim to enhance corporate value by setting, driving synergies among, and achieving various targets in these three areas.

At the end of fiscal 2022, the Group's consolidated capital adequacy ratio was 71.4%, ensuring an extremely high level of security, and the Group has sufficient liquidity on

hand to handle growth investments or M&A using its own funds. We are currently considering strategies for achieving our targets, and as a financial strategy to support that end goal, we believe that in order to allocate funds to growth investments more vigorously than ever before, while also maintaining financial security, it is important to organize cash inflows and outflows, clarify Return of Investment (ROI) and related time frames, and engage in strategy design and management decision-making from a financial perspective.

In the midst of a tumultuous market environment, we aim to leverage our solid financial foundation, which is capable of supporting business growth, to enhance corporate value by improving the efficiency of capital and asset management.

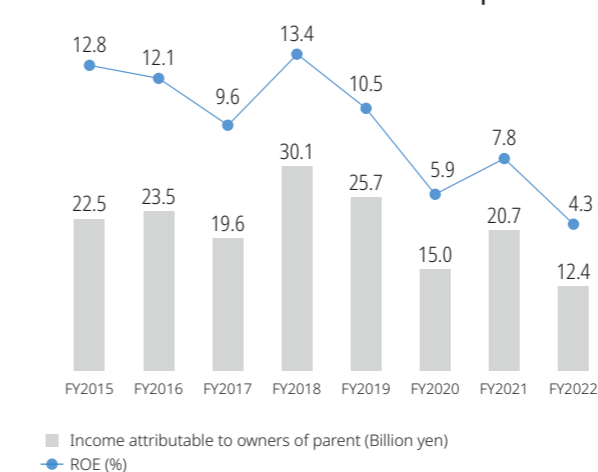
### Policy on shareholder returns

The TS TECH Group considers the return of profits to our shareholders to be a top priority for management. In fiscal 2022, against the backdrop of the major changes being implemented to our organizational layout, and seeking to return more value than ever before with all shareholders, we surpassed all previous dividend increases by raising per

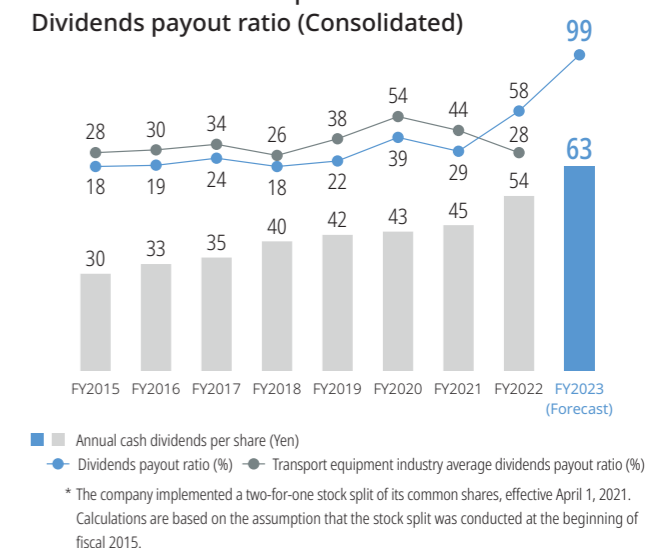
share dividends by 9 yen to 54 yen per share. In fiscal 2023, too, notwithstanding the challenging business environment, in order to respond in commensurate fashion to the continued support we receive from our shareholders, we plan to raise the share dividend once again by 9 yen to 63 yen per share, marking the 11<sup>th</sup> consecutive year of dividend increases since fiscal 2012. With regard to the abovementioned acquisition of treasury stock, as well, we have been endeavoring to enhance shareholder returns by making decisions based on comprehensive consideration of growth investments, dividend levels, cash on hand, and stock price levels.

We are working to revise our shareholder returns policy in time for the start of the 15<sup>th</sup> Medium-Term Management Plan that will launch in fiscal 2024. For our dividend policy in particular, in addition to the current stable and sustainable approach, we will be taking into account capital efficiency and cash flow conditions, and giving thought to using DOE as an indicator, which is based on a longer-term perspective and shareholders' equity. The specific quantitative targets will be announced to our shareholders together with our growth strategy.

### ROE / Income attributable to owners of parent



### Annual cash dividends per share / Dividends payout ratio (Consolidated)



### Column: Initiatives to develop globally oriented human resources in financial departments

The TS TECH Group has established a global network in 14 countries around the world, including Japan, with overseas sales accounting for more than 80% of the total. Against this backdrop, aiming to further improve and advance the financial, accounting/taxation, and management accounting affairs of the entire Group, we regularly hold the Global Accounting Meeting (GAM), a body for heads of financial departments and personnel in charge at each Group company.

In addition to disseminating information about policies among the entire Group, the GAM has been sharing specific action plans about ways in which financial departments can

help to improve corporate value, including drawing up action plans that incorporate a training component and are based on PEST (political, economic, social, technological) analysis.

Going forward, the GAM and other bodies will work to develop human resources on a global level, so that the financial departments in all Group companies can play an advisory role to management. They will do this by, for example, providing the results of accurate and timely high-quality data analysis, submitting financially oriented recommendations from a medium- to long-term perspective, or, as and when necessary, highlighting emerging concerns.

# TS TECH's Value Chain

The TS TECH Group is committed to achieving value creation by maintaining a value chain cycle that ensures that manufacturing yields high-quality products and services. We aim to maximize corporate value by leveraging mutual cooperation and synergies among the functions of each value chain. We do this by making the most of the full range of management resources we have accumulated over the course of more than 60 years in business with the support of all of our stakeholders.



# TS TECH's Value Chain Research and Development

- Basic Policies on Value Creation**
- Create and provide products that exceed global expectations
  - Accelerate development of advanced technologies that cannot be imitated by competitors
  - Create original technologies that contribute to a sustainable society
  - Ensure reliable quality assurance from the outset of development



**Eiji Toba**  
 Director, Managing Officer  
 Corporate Development and  
 Engineering Division Executive General Manager

Internal Environment	
<b>S</b> trengths <ul style="list-style-type: none"> <li>• Wide range of development and technological capabilities for phases from product planning through development and performance evaluation</li> <li>• Business partnerships with other industries and active incorporation of wide-ranging open innovation with start-up companies</li> </ul>	<b>W</b> eaknesses <ul style="list-style-type: none"> <li>• Speed of global development aimed at sales expansion</li> </ul>
<b>O</b> pportunities <ul style="list-style-type: none"> <li>• Provision of advanced technologies targeting the accelerating EV market</li> <li>• Provision of new value for car interiors in line with new visions for automobiles related to the advent of CASE and MaaS</li> </ul>	<b>T</b> hreats <ul style="list-style-type: none"> <li>• Intensifying competition in technological development and changes in product development styles driven by the entry of companies from other industries into the automotive industry</li> </ul>

**External Environment**

**Fiscal 2022 Initiatives**

**Acceleration of advanced technology development and provision of products that exceed global expectations**

<b>Establishment of innovative technological development</b> <ul style="list-style-type: none"> <li>• Establish the development of innovative technologies through collaborative ventures with TS TECH technology seeds* and external resources, and actively propose them to our customers</li> </ul>	<b>Creation of new appeal and value</b> <ul style="list-style-type: none"> <li>• Anticipate future changes at all times and continue to deploy dedicated projects aiming to create appeal and value at levels exceeding customer expectations</li> </ul>
<b>Further improve development efficiency</b> <ul style="list-style-type: none"> <li>• Enhance global development structures</li> <li>• Supplement development resources by collaborating with other industries</li> <li>• Active incorporation of open innovation</li> </ul>	<b>Further enhancement of development quality</b> <ul style="list-style-type: none"> <li>• Ensure that necessary requirements were reflected from the outset of development to prevent defects from occurring in mass production</li> </ul>

\* Technology seeds: Proprietary technologies, know-how, human resources, equipment, etc., required to engage in R&D

**Future Initiatives**

**Provision of new products and technologies as a seat and interior system supplier that is trusted and appreciated worldwide**

<b>Commercialization of original technologies</b> <ul style="list-style-type: none"> <li>• Advance development systems to respond swiftly to changing customer needs</li> <li>• Accelerate creation of technology seeds and maximize utilization of internal and external resources</li> </ul>	<b>Creation of new appeal and value</b> <ul style="list-style-type: none"> <li>• Constantly anticipate the future, continually engage in activities to constantly create the required appeal and value</li> </ul>
<b>Contribution to a sustainable society</b> <ul style="list-style-type: none"> <li>• Accelerate development of technologies with a reduced environmental impact to contribute to the realization of a sustainable society</li> </ul>	<b>Development quality that is trusted worldwide</b> <ul style="list-style-type: none"> <li>• Build technology that wins trust so that customers can use diversified product functions with peace of mind</li> </ul>



TS TECH's Value Chain  
Sales

Basic Policies on Value Creation

- Offer appealing products that exceed customer expectations at competitive prices
- Permanently secure customers' unwavering trust
- Provide added value to customers in line with the changing times, working together with other functional and regional departments

Internal Environment

S trengths	W eaknesses
<ul style="list-style-type: none"> <li>• Maintain production bases throughout the world and offer high-quality products</li> <li>• Sales proposal capabilities based on close cooperation between global information-gathering systems and QCDDM*-related departments</li> <li>• Expand sales channels by leveraging appropriate investment opportunities, based on a strong business foundation</li> </ul>	<ul style="list-style-type: none"> <li>• A high degree of dependence on a specific business model and insufficient independent growth</li> </ul>
O pportunities	T hreats
<ul style="list-style-type: none"> <li>• Expansion of development requests to parts manufacturers in the midst of the transition to next-generation automobiles</li> <li>• Accelerate new business sales promotion activities using the newly established New Business Management Division system</li> </ul>	<ul style="list-style-type: none"> <li>• Changes to the profit-sharing structure in the automotive component industry due to the rise of smart mobility</li> </ul>



Takahiro Kobori

Director, Managing Officer  
Corporate Sales and Purchasing Division  
Executive General Manager

\* QCDDM: Quality, Cost, Delivery, Development, and Management

External Environment

Fiscal 2022 Initiatives

**Construct a foundation to ensure success amid intensifying competition, staying abreast of current trends**

Maximize investment opportunities	<ul style="list-style-type: none"> <li>• Construct a foundation to improve competitiveness and expand sales channels by establishing new plants and subsidiaries</li> </ul>	Identify new user needs through collaborations	<ul style="list-style-type: none"> <li>• Discern new user needs through cross-industry collaborations and create market-anticipating value propositions</li> </ul>
Increase market share of main customers' business	<ul style="list-style-type: none"> <li>• Compile and analyze main customers' long-term strategies and implement further specification and cost improvement proposals to acquire new commercial rights</li> </ul>	Precursor activities and customer proposals aimed at maximizing added value	<ul style="list-style-type: none"> <li>• Expand orders by grasping customer needs through precursor activities and proposing products that incorporate proprietary technologies</li> </ul>

Future Initiatives

**Roll out measures to succeed in the new era, with the goal of delivering lasting corporate growth**

Leverage initiatives in business direction to drive corporate growth	<ul style="list-style-type: none"> <li>• Stay caught up on customers, markets, and future trends and communicate direction for business expansion to lead the whole company</li> </ul>	Identify business opportunities associated with main customers' transformations of business	<ul style="list-style-type: none"> <li>• Promptly grasp the needs arising from main customers' new expansions of business to acquire new business</li> </ul>
Propose new product groups through collaborative activities	<ul style="list-style-type: none"> <li>• Propose new product groups designed to create next-generation cabin spaces through workshops with collaborators</li> </ul>	Structural strengthening aimed at acquiring new customers and commercial rights	<ul style="list-style-type: none"> <li>• Promotion of acquisition of new commercial rights by integrating all processes from planning and development through manufacturing with the new establishment of the New Business Management Division and by further improving customer proposal abilities</li> </ul>

Establishment of the New Business Management Division

In April 2022, we established the New Business Management Division to accelerate sales promotion through the Group's further acquisition of new customers and commercial rights. In the past as well, we have engaged in various sales promotion-oriented efforts. The division will help us perceive ever-changing industry trends accurately and respond to new customers' individual needs with a sense of urgency, thereby driving further business growth. The division will ensure a more flexible response than before, as it is separated from the main customer-oriented sales functions and organizations.

In addition to the sales function, the new division also oversees three European subsidiaries that are involved in everything from product development to manufacturing, in order to further improve our ability to make proposals to customers.



Isao Kawashima

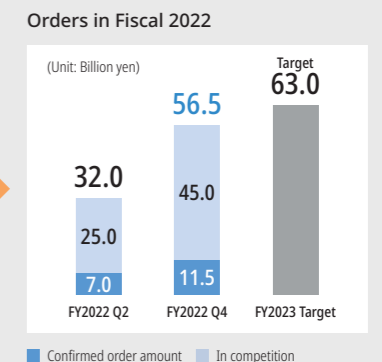
Managing Officer  
New Business Management Division  
Executive General Manager

The New Business Management Division, which we established in the current fiscal year, makes new business-related functions independent. With a stronger structure provided by the integration of processes from planning and development through manufacturing, the division aims to accelerate the acquisition of new commercial rights.

The division will endeavor to conduct ahead-of-schedule development and order development activities to grasp customer demands and projected changes in the future business environment and quickly propose R&D products that anticipate the future. Under the leadership of the New Business Management Division, we aim to grow orders worldwide by coordinating these activities with our overseas business sites and relevant divisions in Japan.



New Commercial Rights Orders



\* Amounts show the target scale of orders. Actual annual revenue will differ due to differences in the timing of the start of mass production.

The Group has set a target of 63.0 billion yen in new commercial rights orders from customers other than our main customer (Honda) in the 14<sup>th</sup> Medium-Term Management Plan. While confirmed orders are still currently at 11.5 billion yen due in part to finished vehicle manufacturers' development delays resulting from the COVID-19 pandemic, inquiries are steadily increasing. We will work aggressively to expand our sales activities under our new organizational structure to achieve our target.

## TS TECH's Value Chain Purchasing

### Basic Policies on Value Creation

- Mutual trust with business partners through fair and equitable transactions
- Work with business partners to strengthen their procurement structures and create a sustainable supply chain
- Joint CSR activities with business partners



**Takahiro Kobori**

Director, Managing Officer  
Corporate Sales and Purchasing Division  
Executive General Manager

### Internal Environment

S trengths	W eaknesses
<ul style="list-style-type: none"> <li>• Development of activities to strengthen structures together with business partners</li> <li>• Global information gathering and analysis capabilities that maximize purchasing resources</li> </ul>	<ul style="list-style-type: none"> <li>• Inflexibility of an aging purchasing structure</li> <li>• Worldwide supply chain designed for new business expansion</li> </ul>
O pportunities	T hreats
<ul style="list-style-type: none"> <li>• Propose and adopt new technology components that respond to technological innovation, with a view to CASE and the realization of a carbon-neutral society</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in the profit distribution structure of the automobile components industry brought about by smart mobility</li> <li>• Supply risks for components and raw materials due to climate change, infectious diseases, conflicts, etc.</li> </ul>

### External Environment

### Fiscal 2022 Initiatives

**Implement global purchasing measures based on a sound procurement structure tailored to each environment**

<p><b>Strengthen and reorganize procurement structures</b></p> <ul style="list-style-type: none"> <li>• Build strategic procurement structures by enhancing partnerships with core manufacturers</li> </ul>	<p><b>Enhance suppliers' risk management</b></p> <ul style="list-style-type: none"> <li>• Build risk management systems with a view to ensuring stable production and supply across the entire supply chain</li> </ul>
<p><b>Strengthen activities aimed at the development of new models</b></p> <ul style="list-style-type: none"> <li>• Create maximum added value by strengthening competitiveness against other manufacturers</li> </ul>	<p><b>Strengthen supply chain management</b></p> <ul style="list-style-type: none"> <li>• Overseas implementation of compliance survey for TS TECH Supplier Sustainability Guidelines</li> </ul>

### Future Initiatives

**Make purchasing functions more resilient to create maximum added value worldwide**

<p><b>Strengthen our global procurement system</b></p> <ul style="list-style-type: none"> <li>• Strengthen our procurement system to respond to changes in the automotive component industry's procurement system and new business expansion</li> </ul>	<p><b>Enhance suppliers' risk management</b></p> <ul style="list-style-type: none"> <li>• Minimize risks by jointly developing risk response measures with suppliers and further managing credit exposure</li> </ul>
<p><b>Advance efforts for new model development</b></p> <ul style="list-style-type: none"> <li>• Optimize our procurement system to respond to trends in diversity and multifunctionality in products and create maximum added value</li> </ul>	<p><b>Implement measures to reduce environmental impact</b></p> <ul style="list-style-type: none"> <li>• Accelerate CO<sub>2</sub> emissions reduction activities throughout the entire supply chain to help build carbon-neutral society</li> </ul>

## TS TECH's Value Chain Manufacturing

### Basic Policies on Value Creation

- Achieve environmentally friendly and highly efficient manufacturing
- Pursue automation and high-efficiency lines through the evolution of molds and equipment
- Share sustainable manufacturing technologies throughout the Group



**Yasushi Suzaki**

Director, Managing Officer  
Corporate Manufacturing Division  
Executive General Manager

### Internal Environment

S trengths	W eaknesses
<ul style="list-style-type: none"> <li>• Advanced technology development and mass production verification capabilities through in-house production of molds and equipment</li> <li>• A structure that ensures an above-average QCD<sup>*1</sup> worldwide</li> <li>• A flexible production system worldwide</li> </ul>	<ul style="list-style-type: none"> <li>• Still in the process of building a resilient manufacturing framework<sup>*2</sup> and advancing environmental initiatives</li> <li>• Shortage of global expert human resources</li> </ul>
O pportunities	T hreats
<ul style="list-style-type: none"> <li>• Acquisition of new customers and commercial rights through effective use of our global production system</li> <li>• Further market expansion in emerging countries</li> </ul>	<ul style="list-style-type: none"> <li>• Further intensifying cost competition</li> <li>• Changes in the production structure associated with technological progress made in conjunction with the advent of CASE, etc.</li> </ul>

### External Environment

### Fiscal 2022 Initiatives

**Enhancement of the global production system by advancing "global mother plant" functions, including environmental responsiveness**

<p><b>Advancement of a competitive production system and functions</b></p> <ul style="list-style-type: none"> <li>• Acceleration of plant automation in Japan and expansion of production control functions and production technology functions</li> <li>• Commencement of efforts to create a diversity-positive production line<sup>*1</sup></li> </ul>	<p><b>Disseminated manufacturing technology through a "global mother plant" in Japan</b></p> <ul style="list-style-type: none"> <li>• Elimination of loss through Japan-based inspection of models produced overseas</li> <li>• Expansion of the scope of our system for sharing in-house improvements globally</li> </ul>
<p><b>Establishment of innovative production technologies</b></p> <ul style="list-style-type: none"> <li>• Development of seat assembly automation technologies</li> <li>• Development of automated inspection technologies using AI</li> </ul>	<p><b>Development of production technicians capable of competing worldwide</b></p> <ul style="list-style-type: none"> <li>• Creation of a program to cultivate production technicians and implementation in Japan</li> </ul>

### Future Initiatives

**Acceleration of the evolution of manufacturing and further enhancement of our global production system**

<p><b>Advancement of a competitive production system and functions</b></p> <ul style="list-style-type: none"> <li>• Implement supply chain management reform for manufacturing processes</li> <li>• Construct sustainable production plants with consciousness of environmental impacts and diversity</li> </ul>	<p><b>Disseminate manufacturing technology through a "global mother plant" in Japan</b></p> <ul style="list-style-type: none"> <li>• Disseminate automation processes with specification and build integration</li> <li>• Boost efficiency of production lines through utilization of DX<sup>*2</sup> technologies</li> </ul>
<p><b>Establishment of innovative production technologies</b></p> <ul style="list-style-type: none"> <li>• Further enhance automation technology development in fields where operators learn through experience</li> <li>• Develop sustainable production technologies</li> </ul>	<p><b>Development of production technicians capable of competing worldwide</b></p> <ul style="list-style-type: none"> <li>• Deploy our program to cultivate production technicians worldwide</li> </ul>

\*1 Diversity-positive production line: Production line where all people can work in comfort, regardless of age or gender

\*2 DX (Digital transformation): Processes that use AI, the IoT, and other advanced technologies and data to transform services and business processes



TS TECH's Value Chain  
Quality

- Basic Policies on Value Creation**
- Provision of safety and security to customers
  - Stable provision of products with the same high level of quality worldwide
  - Earn top quality rating from customers all around the world and establish TS-Q brand

Internal Environment

S trengths	W eaknesses
<ul style="list-style-type: none"> <li>• A globally consistent quality control and assurance system based on international standards</li> <li>• Development of TC Circles (improvement activities undertaken by small groups) worldwide</li> <li>• High ratings in Initial Quality Survey (IQS)</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate mechanisms to respond to changes in manufacturing and maintain stable production</li> <li>• Shortage of human resources with expertise in global quality assurance</li> </ul>
O pportunities	T hreats
<ul style="list-style-type: none"> <li>• Increasingly sophisticated demands for quality assurance accompanying a trend toward multifunctionality in products</li> <li>• Diversification of customer quality requirements due to expansion of sales beyond Honda business</li> <li>• Quality control for automation of production lines</li> </ul>	<ul style="list-style-type: none"> <li>• Increased market problems and delivery defects accompanying globalization</li> <li>• Shrinkage of the workforce due to a declining birthrate and an aging population</li> </ul>

External Environment



**Yoshiaki Kida**  
Operating Officer  
Corporate Quality Assurance Division  
Executive General Manager

Fiscal 2022 Initiatives

**Improve quality globally by balancing development quality and manufacturing quality**

<p><b>Operation of an expert verification system in conjunction with the trend toward multifunctionality in products</b></p> <ul style="list-style-type: none"> <li>• Construction of a verification system carried out from a third-party perspective by experts from individual divisions and application starting from the design stage</li> </ul>	<p><b>Enhance the global quality assurance structure</b></p> <ul style="list-style-type: none"> <li>• Verification and improvement of the status of rule implementation through regular QAV-1<sup>2</sup> inspections</li> <li>• Cultivation of local expert human resources through on-the-job training</li> </ul>
<p><b>Strengthening of process control item verification at manufacturing sites</b></p> <ul style="list-style-type: none"> <li>• Reflection of manufacturing requirements extracted from FTA/FMEA<sup>1</sup> in production sites' and suppliers' processes</li> </ul>	<p><b>Global elimination of quality defects</b></p> <ul style="list-style-type: none"> <li>• Reduction of North American quality issues by strengthening quality management by the location's top leadership</li> <li>• Enhancement of external appearance quality levels through regular monitoring of products from early manufacturing run</li> </ul>

\*1 FTA (Fault Tree Analysis)/FMEA (Failure Mode and Effects Analysis): Analytical tools used to prevent product defects  
\*2 QAV-1 refers to a Quality Assurance Visit.

Future Initiatives

**Construction of a global quality assurance system by maintaining highly stable development quality and manufacturing quality**

<p><b>Strengthening and expansion of the expert verification system</b></p> <ul style="list-style-type: none"> <li>• Conduct verifications of a wide variety of products and enhance development quality through greater FTA/FMEA accuracy</li> </ul>	<p><b>Make quality assurance systems regionally autonomous</b></p> <ul style="list-style-type: none"> <li>• Enhance production locations' quality systems by conducting priority audits of areas of weakness</li> <li>• Construct a framework enabling ongoing cultivation of quality-related human resources worldwide</li> </ul>
<p><b>Formulate quality requirements to provide appropriate response to production line automation</b></p> <ul style="list-style-type: none"> <li>• Expand the reflection of manufacturing requirements extracted from FTA/FMEA in processes to encompass global models</li> <li>• Optimize quality assurance items to provide appropriate response to automation</li> </ul>	<p><b>Stabilize and establish quality at high levels worldwide</b></p> <ul style="list-style-type: none"> <li>• Further enhance locations' quality and strengthen improvements of related subsidiaries' and suppliers' quality defects at the source</li> </ul>

14<sup>th</sup> Medium-Term Management Plan Overview

In the 14<sup>th</sup> Medium-Term Management Plan (fiscal 2021–fiscal 2023), under a management policy of “corporate evolution through ESG management,” the issues that remained outstanding from the 13<sup>th</sup> Medium-Term Management Plan have been reflected in measures and broken down by organization. We are moving forward with seven measures under two priority measures from two distinct angles: “Evolution for business growth” from a proactive angle and “stronger business operations structure to support evolution” from a protective angle.

Management policy	Priority measure	Measure	Notable initiatives		
Corporate evolution through ESG management	Evolution for business growth	Commercialization of original technologies	<ul style="list-style-type: none"> <li>• Acceleration of development of sensing and other technologies that lead to attractive products</li> <li>• Active incorporation of joint development and other types of open innovation</li> <li>• Application of advanced processing technology, such as production line automation projects, in mass production</li> </ul>		
		Expansion of strategic commercial rights	<ul style="list-style-type: none"> <li>• Steady receipt of orders from major customers for target commercial rights through spec proposals that leverage our strengths and enhanced development collaboration</li> <li>• Strategic order development through precise selection of target models for new customers and establishment of a large project leader (LPL) system for key commercial rights</li> </ul>		
		Optimization of business operations structure	<ul style="list-style-type: none"> <li>• Streamlining and increased efficiency through allocation reviews and restructuring of business operations both in Japan and overseas based on reorganization of production</li> </ul>		
	Stronger business operations structure to support evolution	Contribution to a sustainable society		<ul style="list-style-type: none"> <li>• Stronger global CO<sub>2</sub> emission reduction activities and related management to help achieve a low-carbon society</li> <li>• Maintenance of recycling-oriented operations through risk analysis of water resources</li> <li>• Implementation of social contribution activities in line with local needs</li> </ul>	
				Recognition for top quality	<ul style="list-style-type: none"> <li>• Enhanced know-how and support from startup base during global rollout of new models</li> <li>• Prevention of defects by strengthening verification in the beginning stages of development</li> <li>• Stronger quality control systems at Group and business partner locations</li> </ul>
		Strengthening of continuous earnings structure			<ul style="list-style-type: none"> <li>• Establishment of a lowest-cost procurement structure by enhancing our global procurement system</li> <li>• More efficient administrative and indirect operations through active use of IT</li> <li>• Strengthening of our consolidated earnings management system through the continued evolution of financial strategy aimed at medium- to long-term growth</li> <li>• Minimization of global tax risk</li> </ul>
					Maximization of employee and structural efficiency





**Yoshitaka Nakajima**  
Representative Director, Vice President

**Tatsuya Motoda**  
Director, Audit and Supervisory Committee Member  
(Outside Director, Chairperson of Nomination and Compensation Committee)

**Takeshi Ogita**  
Director  
(Outside Director, Chairperson of the Board of Directors)

## Board of Directors' Dialogue Evolution and Challenges Arising from Governance Reforms

The TS TECH Group's stated management policy is "corporate evolution through ESG management." Accordingly, we are moving forward with governance reforms from various perspectives, including organizational layout and diversification of the Board of Directors. We invited three members of the board to discuss the outcomes and challenges that have arisen as we implement new systems and structural changes relating to corporate governance in recent years, and their aspirations for the future.

### Recent governance reforms

- Fiscal 2021
  - Appointed an outside director as chairperson of the Board of Directors
- Fiscal 2022
  - Transitioned from a "Company with a Board of Auditors" to a "Company with an Audit and Supervisory Committee" structure
  - Established the Nomination and Compensation Committee
  - Introduced restricted stock compensation scheme
  - Appointed first woman to the Board of Directors
- Fiscal 2023
  - Moved to Prime Market of the Tokyo Stock Exchange
  - Appointed second woman to the Board of Directors

14<sup>th</sup> Medium-Term Management Plan

### Aims of Corporate Governance Reforms

**Nakajima:** The key to corporate governance is to formulate, manage, and operate internal mechanisms and systems to ensure that people and organizations do not contravene laws and regulations. Such systems would be meaningless if we implemented them in name only, so we must ensure their effectiveness, treating them as initiatives that protect shareholder returns and drive responsible, stakeholder-oriented actions.

In addition, making our corporate governance systems more advanced also serves to promote appropriate risk-taking in management. By so doing, we aim to enhance corporate value by creating a self-sustaining cycle of investment in growth, increased competitiveness, and improved profitability across the Group. We are working to build structures that will support the autonomous growth and evolution of the company. In doing so, we are reviewing past customs and practices and engaging proactively in good practices or new initiatives. This is how we are pursuing reforms with a clear vision for where we want to take the company.

**Motoda:** Yes, I believe that our corporate governance structures are indeed steadily evolving. In terms of organizational layout, by moving to become a "Company with an Audit and Supervisory Committee" as of fiscal 2022, we have ensured even more highly objective organizational auditing. Also, with that shift, the Audit and Supervisory Committee now directly supervises the internal audit department, meaning that closer cooperation than ever before is now possible. This enables us to provide detailed responses in cooperation with the internal audit department, on matters ranging from sudden or unexpected tasks such as additional audits of specific departments or Group companies, to regular tasks such as checking the information security measures put in place by the systems department.

In recent years, although we have faced the challenge of not being able to conduct face-to-face audits due to COVID-19-related constraints, swiftly constructing a remote auditing structure made it possible to conduct organizational audits more efficiently. Whether in or outside Japan, by leveraging the internet to put in place a rapid information disclosure system, we have significantly boosted auditing efficiency.

**Ogita:** My feeling is that governance reforms have strengthened the separation of supervision and execution. Since June 2020, the chairperson of the Board of Directors has been an outside director, and since June 2022, I have been serving in that position. I believe that this initiative is extremely beneficial and is the right direction for the Board of Directors, as an organization that specializes in the supervision of management, rather than merely the execution of business operations. The fact that the proportion of outside directors has increased is another development that serves to advance the separation of supervision and execution. I fully concur that this demonstrates an openness to incorporating objective opinions from outside the company.



**Yoshitaka Nakajima**  
Representative Director, Vice President

- Apr. 1982 Joined the Company
- Apr. 2004 Corporate Administration Division, Administration Department General Manager
- Apr. 2010 Operating Officer, Corporate Administration Division Deputy Executive General Manager
- Apr. 2012 Operating Officer, Corporate Administration Division Executive General Manager
- June 2012 Director, Corporate Administration Division Executive General Manager, Compliance Officer (current)
- Apr. 2015 Director, Corporate Administration Division Executive General Manager, Corporate Business Administration Division Executive General Manager
- June 2015 Managing Director, Corporate Administration Division Executive General Manager, Corporate Business Administration Division Executive General Manager
- Apr. 2016 Managing Director, Corporate Administration Division Executive General Manager
- June 2018 Senior Managing Director, Corporate Administration Division Executive General Manager
- June 2020 Senior Managing Director (Representative Director)
- Apr. 2022 Representative Director, Vice President (current)

The statements made by outside directors in board meetings are extremely valuable. That being said, the internal directors are the ones who, depending on the situation, may have detailed knowledge of the agenda prior to the board meeting, through participation in internal meetings, or discussions with relevant parties. It is no simple matter to present opinions that are objective and contribute to better decision-making because they know the actual situation. On the other hand, it is precisely because outside directors possess only a certain amount of information with regard to agenda items that they can make unexpected observations, or pose questions that capture the essential nature of an issue. Accordingly, these opinions can inspire the board as a whole to arrive at solutions that internal directors alone could not achieve. I have had experience working as an outside director at other companies, and I feel that there is really meaningful and vigorous debate among the internal and external members of the Board of Directors of TS TECH.

### Aiming for Greater Transparency in the Nomination and Compensation System

**Motoda:** One of the important challenges relating to transparency of corporate governance systems is the decision-making processes for nomination and compensation of corporate officers. I head the Nomination and Compensation Committee, which is a voluntary advisory body to the Board of Directors and works to improve the transparency, objectivity, and fairness of various processes by taking responsibility for the selection, dismissal, and compensation of directors and corporate officers. When making nominations, in addition to confirming the career record of each candidate, we also assess their various personal traits by speaking with various related parties, deliberating whether they match the criteria to become a director or corporate officer of the company. With regard to compensation, the committee



also deliberates the appropriateness of remuneration and directors' bonuses, which are determined by a compensation table based on position and individual performance, as well as performance-linked compensation, and we report the results to the Audit and Supervisory Committee and also report information on the subject to the Board of Directors.

**Nakajima:** Officer compensation for TS TECH consists of basic fixed compensation, performance-linked remuneration as a short-term incentive, and non-monetary stock-based compensation. With regard to stock-based compensation, a restricted stock compensation scheme has been in place since 2021 for directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee) and executive officers who do not concurrently serve as directors. The purpose of the system is to further share value with shareholders, and at the same time, by setting incentives for officers, to enhance global competitiveness through management practices that are conscious of medium- to long-term corporate value enhancement from an investor perspective. We are now in the second year since the scheme's implementation and, in that time, discussions in board meetings and in various other forums have dramatically increased from the perspective of market perceptions of the company, and whether initiatives will lead to medium- to long-term corporate growth. We will continue to review executive compensation as appropriate, given that it is an important means of achieving proactive governance designed to maximize corporate value.

### Effectiveness of the Board of Directors and Challenges for Governance Systems

**Nakajima:** Currently TS TECH complies with all principles detailed in Japan's Corporate Governance Code (CG Code). However, no matter how well formulated the CG Code may be, it is meaningless unless the Board of Directors and other organizations function in accordance with its essential aspects. In order to enhance the effectiveness of the Board of Directors, it is essential that our outside directors are encouraged to actively make recommendations from a third-party perspective. In that sense, through changes to the organizational layout, it is of tremendous significance that the ratio of outside directors has increased. Furthermore, in fiscal 2022 we appointed our first woman as director, and now two women are members of the board. We hope to further enhance the board's effectiveness by improving its diversity and hearing opinions from various perspectives.

We implement an annual assessment of the effectiveness of the Board of Directors. Already this assessment has been conducted on four occasions, receiving a relatively high evaluation from all board members, but my own perception is that there is still leeway for us to improve further. For example, take more active debate. It is of critical importance for the Board of Directors to engage in vigorous discussions, not only for the purpose of passing resolutions and making decisions but also for each member to share his or her own opinions and unique perspectives on how the

Group should aim to grow. In particular, I believe that giving the younger board members who represent the future of the company the freedom to say what they want will breathe new life into the board and set the foundations for tomorrow for the entire TS TECH Group. Without pandering to position or experience, I believe that it is my role to create a culture and forum where people can air their views freely and forthrightly.

It is necessary to change the way we operate the Board of Directors according to the vision of the TS TECH Group. We must not simply fall into complacency, but instead constantly seek out and evolve toward our vision.

**Ogita:** Two years have now passed since I was appointed. In that time, I have strongly felt the determination to evolve, as seen in the ambitious strengthening of the corporate governance system. Thanks to these efforts, the format for organizational layout and other structural aspects has been completed. My belief is that the next step is now to further enhance the effectiveness of the content. The automobile industry is in the midst of a period of transformation, buffeted by new trends such as CASE and MaaS. The global situation remains unstable and uncertain, and therefore, in order to overcome this environment of dizzying change and achieve active and continued growth for the TS TECH Group, we must engage in multifaceted discussions, taking advantage of the diversity inherent in the board, including each member's various skills, experiences, and gender perspectives.

**Motoda:** I too think that it is extremely important for the Group's future that we harness our diversity. As you note, we are making steady progress with initiatives to improve the diversity of the board, including raising the percentage of outside directors and appointing women as directors.



**Tatsuya Motoda**  
 Director, Audit and Supervisory Committee Member (Outside Director, Chairperson of the Nomination and Compensation Committee)

- May 1993 Joined Anderson Consulting (now Accenture Japan Ltd.)
- Sept. 1999 Joined Tsuji CPA Accounting Office (now Hongo Tsuji Taxing & Consulting)
- Apr. 2007 International Tax Affairs Department General Manager, Tsuji CPA Accounting Office
- Oct. 2008 Registered as a tax accountant
- Apr. 2014 Representative tax accountant, Motoda Tax & Accounting Office (current)
- June 2014 Auditor, TS TECH
- July 2018 Outside Auditor, Global Information, Inc.
- June 2021 Director, TS TECH (Audit and Supervisory Committee Member) (current)
- Mar. 2022 Outside Director, Global Information, Inc. (Audit and Supervisory Committee Member) (current)
- Apr. 2022 Outside Director, Mitsui High-Tec, Inc. (Audit and Supervisory Committee Member) (current)



**Takeshi Ogita**  
 Director  
 (Outside Director, Chairperson of the Board of Directors)

- Apr. 1980 Joined Sankyo Co., Ltd.
- July 2004 Corporate Officer, Head of New Drug Development Division, Sankyo Co., Ltd.
- Apr. 2007 Executive Officer, Head of Pharmaceutical Technology Division, Daiichi Sankyo Co., Ltd.
- June 2009 Member of the Board, Senior Executive Officer, Daiichi Sankyo Co., Ltd.
- Apr. 2014 Member of the Board, Senior Executive Officer, Head of Vaccine Business Intelligence Division, Daiichi Sankyo Co., Ltd.
- Representative Director and President, Kitasato Daiichi Sankyo Vaccine Co., Ltd.
- Apr. 2017 Guest Professor, Graduate School of Creative Science and Engineering, Waseda University
- June 2018 Outside Director, Japan Hades Co., Ltd. (current)
- June 2020 Director, TS TECH (current)
- June 2022 Chairperson of the Board of Directors, TS TECH (current)

However, in light of the standards required in Europe and the United States, as well as the diversity concepts found in the CG Code, we may be required to ensure that more than one-third of total board membership is comprised of women in the future. In such an event, while it is relatively simple to invite people to become outside directors, our goal must be to create a future in which professional women in our workforce, nurtured by the company's own succession plan, will take leading roles in the company. Given that the proportion of women working at manufacturing companies in Japan such as ours is low, we must overcome the difficulties we face to ensure greater empowerment of women.

### Growth Strategy and Corporate Governance

**Nakajima:** It is also necessary for the Board of Directors to further improve its effectiveness in the future as a forum for discussing growth strategy.

We are currently engaging in discussions to formulate the 15<sup>th</sup> Medium-Term Management Plan, which will start in fiscal 2024, but using an approach that differs from what we have done previously. For previous plans, we identified the management issues at that specific point in time and formulated priority policies and specific initiatives in order to resolve these issues. For the upcoming plan, while ensuring that immediate and pressing management issues are definitely dealt with, we also aim to clarify where we would like the Group to be in five to ten years' time and devise a plan that focuses on the kinds of strategies we will employ to achieve growth in order to realize that future vision. We will also establish quantitative KPIs that will act as milestones along the road to our future vision, delegate authority firmly to the executive side, and, under a Board of Directors equipped with enhanced supervisory functions, execute our plans dynamically to realize our goals.

**Ogita:** I also believe that the board must play a larger role in formulating the Group's growth strategy and Medium-Term

Management Plan. For the company to achieve sustainable growth in a period of historic transformation, it is vital that we devise strategies that take in the big picture from diverse perspectives. The board, comprised of diverse members, each with their own high levels of expertise and insight, is expected to make a significant contribution. I also think that it is important to provide forums where every board member can relax and freely discuss the big picture, outside the confines of formal board meeting discussions. I would like to create such opportunities going forward.

**Motoda:** When you consider the prerequisites for a board that supports growth strategy, members must be possessed of adequate experience and competence. However, we face challenges in terms of the development of our successors, who will lead the company to the next generation. In my capacity as head of the Nomination and Compensation Committee, I intend to make recommendations about how to further improve the level of formulation, operation, and monitoring of development plans. These improvements, in turn, will help to enhance fairness and transparency and construct a system that will drive improvement of corporate value in the medium to long term.

### Aspirations for the Future

**Ogita:** As chairperson of the Board of Directors, my constant task is to invigorate discussions among members. By learning about and gaining a deeper understanding of the management situation of the TS TECH Group, I aim to be a chairperson capable of detecting potential issues and guiding board proceedings with a view to resolving such issues. Also, as an outside director, by stating opinions and making recommendations based on my own experiences, I hope to contribute actively to the formulation of the next Medium-Term Management Plan and guide the further growth of the TS TECH Group.

**Motoda:** As head of the Nomination and Compensation Committee, I will continue to strive to carefully deliberate the background, expertise, and personal qualities of candidates for director and corporate officer positions. By operating the committee in a highly transparent and objective manner, I will contribute to the construction of a corporate governance structure that supports sustainable growth.

**Nakajima:** My position as vice president also requires me to support the president, and there are times when I must inevitably say "no." Always putting the Group's growth first, I am committed to continuing to take a free and just approach to all matters to ensure that top management can make appropriate business decisions.

To ensure that the TS TECH Group can journey confidently into the future, we must continue to improve the effectiveness of the Board of Directors by delegating authority and passing on positions from current members to the next generation of management members, and by working to overcome the various challenges we face. Going forward, both the outside and internal members of the board will combine their efforts to further advance corporate governance at the TS TECH Group.

# Board of Directors



**REPRESENTATIVE DIRECTOR, PRESIDENT**  
**Masanari Yasuda**  
 Director in Charge of Overseas Segments, Quality Assurance, and Development  
 Number of shares of the company held: 66,688 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)



**REPRESENTATIVE DIRECTOR, VICE PRESIDENT**  
**Yoshitaka Nakajima**  
 Director in Charge of Administration, Business Administration, and Corporate Managerial Planning, Compliance Officer  
 Number of shares of the company held: 26,836 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)



**REPRESENTATIVE DIRECTOR, SENIOR MANAGING DIRECTOR**  
**Kenichi Hasegawa**  
 Director in Charge of New Business, Sales, Purchasing, and Manufacturing, Risk Management Officer  
 Number of shares of the company held: 18,468 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)



**DIRECTOR, SENIOR MANAGING OFFICER**  
**Akihiko Hayashi**  
 The Americas Segment Executive General Manager, President, TS TECH AMERICAS, INC.  
 Number of shares of the company held: 14,775 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)



**DIRECTOR, SENIOR MANAGING OFFICER**  
**Yutaka Arai**  
 China Segment Executive General Manager, Chairman and President, TS TECH (HONG KONG) CO., LTD.  
 Number of shares of the company held: 12,333 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)



**DIRECTOR, SENIOR MANAGING OFFICER**  
**Atsushi Igaki**  
 Corporate Business Administration Division Executive General Manager  
 Representative Director, Honda Cars SAITAMAKITA  
 Number of shares of the company held: 8,539 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)



**DIRECTOR, MANAGING OFFICER**  
**Eiji Toba**  
 Corporate Development and Engineering Division Executive General Manager  
 Number of shares of the company held: 5,673 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)



**DIRECTOR, MANAGING OFFICER**  
**Takahiro Kobori**  
 Corporate Sales and Purchasing Division Executive General Manager  
 Number of shares of the company held: 7,422 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)



**DIRECTOR, MANAGING OFFICER**  
**Yasushi Suzuki**  
 Corporate Manufacturing Division Executive General Manager  
 Number of shares of the company held: 5,331 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)



**DIRECTOR (Outside Director)**  
**Takeshi Ogita**  
 Outside Director, Japan Hades Co., Ltd.  
 Number of shares of the company held: 810 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)



**DIRECTOR (Outside Director)**  
**Kaori Matsushita**  
 CEO, K&L Consulting LLC, Outside Director and Audit & Supervisory Committee Member, Taisei Oncho Co., Ltd., Outside Director, Belc CO., LTD.  
 Number of shares of the company held: 0 shares  
 Meetings of the Board of Directors attended: —%

Note: Career and positions and number of shares of the company held: As of June 24, 2022 (As of the date of submission of the Annual Securities Report)  
 Attendance of each meeting: April 1, 2021–March 31, 2022

## Directors, Audit and Supervisory Committee Members



**DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER**  
**Tatsuo Sekine**  
 Number of shares of the company held: 11,034 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)  
 Meetings of the Board of Auditors attended: 100% (3/3 times)  
 Meetings of the Audit and Supervisory Committee attended: 100% (11/11 times)



**DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)**  
**Tatsuya Motoda**  
 Representative tax accountant, Motoda Tax & Accounting Office  
 Outside Director, Audit and Supervisory Committee Member, Global Information, Inc., Outside Director, Audit and Supervisory Committee Member, Mitsui High-tec, Inc.  
 Number of shares of the company held: 3,231 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)  
 Meetings of the Board of Auditors attended: 100% (3/3 times)  
 Meetings of the Audit and Supervisory Committee attended: 100% (11/11 times)



**DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)**  
**Hajime Hayashi**  
 Representative, Sazanka Law Office  
 Number of shares of the company held: 242 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)  
 Meetings of the Board of Auditors attended: 100% (3/3 times)  
 Meetings of the Audit and Supervisory Committee attended: 100% (11/11 times)



**DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)**  
**Tomoko Nakada**  
 Representative, Tokyo Heritage Law Firm  
 Number of shares of the company held: 375 shares  
 Meetings of the Board of Directors attended: 100% (13/13 times)  
 Meetings of the Audit and Supervisory Committee attended: 100% (11/11 times)

## Selection of Directors

The regulations for candidates for director positions stipulate that candidates should have impressive leadership abilities, decision-making skills, vision and planning abilities, and should also have the personal qualities and insight fitting a director, among other qualities. Additionally, current directors who are up for reelection cannot have an attendance rate at Board of Directors' meetings below 85% without a legitimate reason. In addition, when selected as a candidate, a specific skill matrix should be considered for those skills that directors should have, in light of the Group's management strategies and business characteristics. The Board of Directors also strives for a balanced structure that reflects gender, global, cultural, and other types of diversity in order to facilitate appropriate, swift decision-making and promote supervisory functions.

Individuals meeting the requirements who have the skills and who qualify as candidates for director are proposed as official candidates to the Board of Directors after their eligibility and the overall balance of the Board of Directors, among other factors, have been discussed by the Nomination and Compensation Committee. The Board of Directors holds discussions on the candidates for director in light of these reports and the views of the Audit and Supervisory Committee and presents the candidate proposals at the General Meeting of Shareholders.

Name	Position and responsibilities	Experience and expertise									
		Management strategy	Corporate management	Knowledge about international business and overseas conditions	Financial accounting	Technology development	Manufacturing and quality	Environment	Sales and procurement	HR development and diversity	Legal issues and risk management
Masanari Yasuda	Representative Director, President	●	●	●		●	●				
Yoshitaka Nakajima	Representative Director, Vice President	●	●	●	●			●		●	●
Kenichi Hasegawa	Representative Director, Senior Managing Director	●	●	●		●	●		●		●
Akihiko Hayashi	Director, Senior Managing Officer		●	●			●		●	●	
Yutaka Arai	Director, Senior Managing Officer		●	●		●			●		
Atsushi Igaki	Director, Senior Managing Officer		●	●	●						
Eiji Toba	Director, Managing Officer		●	●		●	●		●		
Takahiro Kobori	Director, Managing Officer		●	●		●	●	●		●	
Yasushi Suzuki	Director, Managing Officer		●	●			●	●			
Takeshi Ogita	Director	■	■	■		●					
Kaori Matsushita	Director		●	●						●	
Tatsuo Sekine	Director, Audit And Supervisory Committee Member			●	●						●
Tatsuya Motoda	Director, Audit And Supervisory Committee Member	■	■	■	●						●
Hajime Hayashi	Director, Audit And Supervisory Committee Member	■	■	■							●
Tomoko Nakada	Director, Audit And Supervisory Committee Member		■	■						●	●

■ Nomination and Compensation Committee ■ Outside directors ■ Independent directors



# Efforts to Improve Corporate Governance and Compliance

## Basic Policies

### (1) Securing the Rights and Equal Treatment of Shareholders

We respect the rights of all stockholders, who are important stakeholders, and shall maintain an environment that ensures that all shareholders, including non-controlling interests, are treated equally and can fully exercise their rights.

### (2) Appropriate Cooperation with Stakeholders

We shall cooperate appropriately with all stakeholders while working to achieve sustainable growth and an increase in mid- to long-term corporate value.

### (3) Ensuring Appropriate Information Disclosure and Transparency

We shall actively disclose information in order to be a company sincerely welcomed by all of our stakeholders, and we shall manage our business with transparency and good faith.

### (4) Responsibilities of the Board

The Board shall take appropriate responsibility for the establishment of mid- to long-term management policies and oversight of directors, and it shall work to build systems to enable transparent, fair, and resolute decision-making.

### (5) Dialogue with Shareholders

The company shall engage in constructive dialogue with shareholders and investors through the annual General Meeting of Shareholders and other avenues with respect to management principles and other issues as it works to achieve sustainable growth and an increase in mid- to long-term corporate value.

November 2015, Resolution of the Board of Directors

## Basic Policy on Corporate Governance

The TS TECH Philosophy calls for us to be a company sincerely appreciated by all of our stakeholders—from shareholders and investors to customers, business partners, employees, and local communities. We are working hard to enhance corporate governance as an important step toward fulfilling our social responsibility and achieving sustainable business growth and increasing corporate value over the medium to long term.

TS TECH endorses the Tokyo Stock Exchange's Corporate Governance Code and has set the above basic policies accordingly.

We will continue to work to strengthen our governance system in line with the intent and spirit of the Code.

## Group Governance Structure

The TS TECH Group has established a sound corporate governance system. It includes a Group-wide commitment to the vision statement and mission statement that comprise the TS TECH Philosophy, a basic policy on corporate governance, and a three-year medium-term management plan. Affiliated companies also have their own effective, efficient corporate governance systems that are based on the laws of their respective countries and their respective businesses.

Important management issues at affiliated companies must be reported to and approved by TS TECH in advance based on the standards stipulated by TS TECH. Affiliated companies must also report business plans, sales results, and financial status as well.

Furthermore, affiliated companies participate in routine compliance and risk verification measures known as the TS TECH Corporate Governance (TSCG) self-verification system. This ensures that the entire TS TECH Group acts as one in promoting compliance and reducing risk.

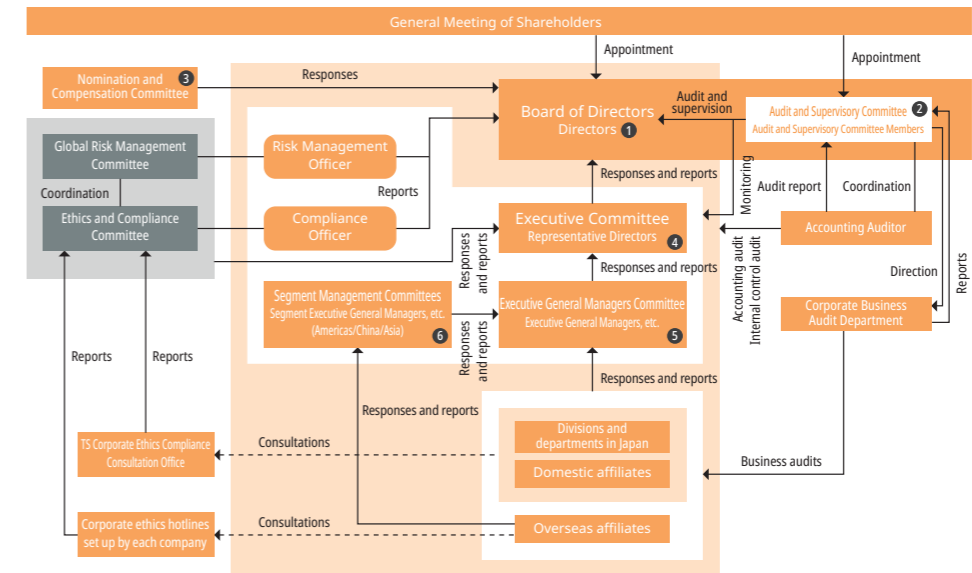
TS TECH's internal audit department conducts audits of affiliated companies and works with internal audit departments set up at the head offices in each region to enhance the internal audit structure of the entire TS TECH Group.

## Appointments of Outside Directors

The company selects persons with extensive experience in corporate management or expertise in various fields as outside directors in order to provide advice and supervision on management from an independent standpoint, taking into account the characteristics of the company's business.

When selecting outside directors, in addition to satisfying the criteria for independence set forth in the Companies Act, the Ordinance for Enforcement of the Companies Act, and by Tokyo Stock Exchange, Inc., the company makes its decisions in accordance with its regulations for candidates for directors and Independence Standards for Outside Directors it has set forth. The regulations stipulate that directors may concurrently serve as officers for up to three listed companies including TS TECH.

## Governance System Diagram



### 1 Board of Directors

The Board of Directors is composed of 11 directors (excluding directors who are Audit and Supervisory Committee members) and four directors who are Audit and Supervisory Committee members. The Board of Directors makes decisions regarding management policies, important management issues, and matters mandated by laws and regulations. It also supervises the execution of business operations.

### 2 Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of four Audit and Supervisory Committee members (three of whom are outside directors). Based on the audit policy established by the Audit and Supervisory Committee, it audits the execution of duties by the directors.

### 3 Nomination and Compensation Committee

The Nomination and Compensation Committee is composed of two internal directors and three outside directors. It deliberates on matters related to the appointment and dismissal of directors and executive officers and their compensation.

### 4 Executive Committee

The Executive Committee comprises the company's three representative directors. It conducts preliminary deliberations on such matters as resolutions to be put to the Board of Directors, and, within the scope of the authority assigned to it by the Board of Directors, discusses important matters relating to the execution of the duties of the directors.

### 5 Executive General Managers Committee

The Executive General Managers Committee is made up of 11 executive general managers and regional general managers. This committee discusses policies, plans, and governance related to operations in each division to maintain efficient operations.

### 6 Segment Management Committees

Segment Management Committees are composed of directors, executive officers, presidents of subsidiaries and affiliated companies, and so on from each segment (the three segments of the Americas, China, and Asia). They deliberate on important matters concerning the execution of business operations for each segment, as well as promoting self-reliance among the segments and companies and strengthening their business execution structures.

## Reasons for Appointments of Outside Directors

### Takeshi Ogita

Mr. Ogita has provided valuable opinions and advice related to our management practices as an outside director based on his abundant experience and broad insight as a corporate manager of a pharmaceutical company. We selected him to serve as an outside director with the expectation that he will continue helping to ensure the soundness of our management by reflecting this abundant experience and insight in our management. As of June 2022, he serves as Chairman of the Board of Directors.

### Kaori Matsushita

Ms. Matsushita has abundant experience and insight acquired by planning and promoting new businesses and corporate alliance strategies on a global scale at a comprehensive IT vendor and providing diversity management assistance at a consulting company, and more. We selected her to serve as an outside director with the expectation that she will contribute to enhancing the diversity of our company and help to ensure the soundness of management.

### Tatsuya Motoda

Mr. Motoda has specialized knowledge and abundant experience and insight as a tax accountant. As a member of our Audit and Supervisory Committee, he has provided appropriate auditing, including sound advice regarding our management. We selected him to serve as an outside director (Audit and Supervisory Committee member) with the expectation that he will continue to ensure the soundness of our management and contribute to auditing and supervision.

### Hajime Hayashi

Mr. Hayashi has broad knowledge and abundant experience as an attorney-at-law, and he has provided appropriate auditing, including sound advice regarding our management, since his appointment as an outside auditor. We selected him to serve as an outside director (Audit and Supervisory Committee member) with the expectation that he will continue to ensure the soundness of our management and contribute to auditing and supervision.

### Tomoko Nakada

Ms. Nakada has extensive experience overseas and broad insight as an attorney-at-law. As a member of our Audit and Supervisory Committee, she has drawn on the global and diversity-minded perspectives she has cultivated to provide appropriate auditing, including sound advice regarding our management. We selected her to serve as an outside director (Audit and Supervisory Committee member) in the expectation that she will continue to enhance the diversity of our Board of Directors, help to ensure the soundness of our management, and contribute to auditing and supervision.

### Analysis and Evaluation of the Board of Directors' Effectiveness

In an effort to maintain and improve the Board of Directors' functions, we evaluate its overall effectiveness yearly. These evaluations of effectiveness have been conducted continuously since fiscal 2019. This is the fourth of these evaluations.

#### Fiscal 2022 Evaluation Process

	Details
1. Each director conducts a questionnaire-based self-evaluation (February–March 2022)	<p>Subjects: All directors</p> <p>Aggregation method: Anonymous questionnaire responses. External organization commissioned to perform aggregation.</p> <p>Evaluation items: (Board of Directors' composition)                      Board of Directors' composition, level of diversity, number of independent directors, etc. (Deliberations and resolutions)                      Strategy monitoring, business portfolio optimization, appropriate allocation of management resources, etc. (Operation of the Board of Directors)                      Number of items for deliberation, frequency of meetings, amount of time spent deliberating and time distribution, the system for providing information necessary for deliberations, etc. (Individual framework evaluations)                      Executive compensation scheme, management appointment and dismissal process, structural process construction for the risk assessment system, etc.</p>
2. Board of Directors conducts discussions and summarization (May 2022)	The overall effectiveness of the Board of Directors is analyzed and evaluated on the basis of the questionnaire results, as well as comparisons with the previous fiscal year's evaluation results, and trends seen in responses to each of the questions. Deliberations are held on policies to be taken to further increase effectiveness.

#### Evaluation Results and Future Initiatives

##### Overall Evaluation Results

- Our Board of Directors was evaluated as making progress in ensuring diversity in its composition, as holding active discussions in which each director makes use of their respective expertise and experience, and as maintaining its effectiveness.
- In particular, it showed an improved evaluation in the "Operation of the Board of Directors" category, achieved by better organizing the board's agenda items based on the previous fiscal year's effectiveness evaluation.

##### Future Initiatives

- Ongoing consideration of steps to take to address anticipated issues regarding the number of directors and ensuring the board's diversity
- Further discussions by the Board of Directors on embodying the growth strategy and setting relevant KPIs in the formulation of the Medium-Term Management Plan
- Sharing of evaluation results with the Corporate Managerial Planning Department and promotion of improvements to the Medium-Term Management Plan formulation process

#### Operation of an Internal Control System

Following the inclusion of regulations on internal controls in Japan's Companies Act in 2006, TS TECH passed a resolution on the basic policies of its internal control system at a Board of Directors' meeting. Since then, the Board of Directors has reviewed the implementation of this system each fiscal year and passed resolutions on changes to these policies as necessary at Board of Directors' meetings. Additionally, in accordance with Japan's Financial Instruments and Exchange Act, the TS TECH Group has established an internal control

system to ensure the reliability of its financial reporting. The effectiveness of this system is maintained and internal control is enhanced through regular evaluations of improvements and operations and corrective actions as needed.

In line with the transition to a "Company with an Audit and Supervisory Committee" structure, the basic policy on the establishment of an internal control system was revised at the Board of Directors' meeting held on June 25, 2021.

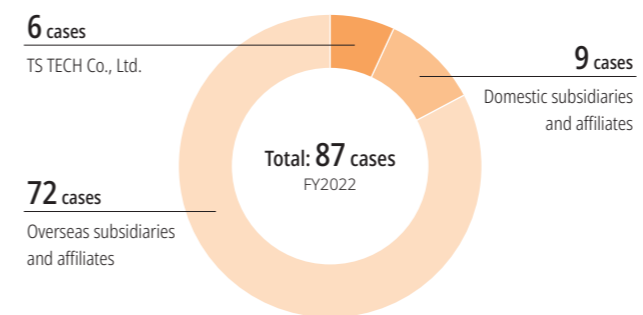
#### Compliance Framework

Based on the TS TECH Philosophy, the Group established the TS Standards for Conduct (TS TECH's norms and ideals as an organization) and TS Guidelines for Conduct (expectations for day-to-day conduct for individual executives, officers, and employees). Regular education is provided to ensure the entire Group is familiar with these concepts.

A director is appointed as a Compliance Officer in order to promote compliance initiatives, and steps are continually taken to prevent legal violations before they occur through regular TSCG self-verifications and deliberations of important ethics and compliance issues by the Ethics and Compliance Committee.

We have established a whistleblower hotline called the TS Corporate Ethics Compliance Consultation Office, which enables employees to bring issues before compliance officers, who respond with rapid, effective investigations and corrective guidance in the event of a problem. Including affiliates in and outside of Japan, the Group receives around 100 ethics and compliance inquiries a year, which includes consultations and other cases handled by the TS Corporate Ethics Compliance Consultation Office. In fiscal 2022, the Group had a total of 87 cases. Continuous operation of this framework promotes internal self-improvement.

#### Ethics and Compliance Issues Number of Issues Recorded (Consolidated)



\* Investigations into each case found no violations of laws or regulations that would have a significant impact on our business activities.

#### Remuneration Policy

TS TECH's basic policy on executive compensation is to ensure that it is transparent and reasonable, with the potential to further motivate sustained business growth.

We established the Nomination and Compensation Committee, chaired by an outside director and composed of three outside directors and two internal directors, as an advisory body to the Board of Directors. When reviewing the level and calculation method of compensation in consideration of the basic policy and social conditions, revising the compensation structure, or determining the individual compensation for directors for each fiscal year, the Board of Directors makes resolutions based on consultations with the Nomination and Compensation Committee and the deliberations of the Audit and Supervisory Committee.

Officer compensation consists of basic fixed compensation, performance-linked remuneration as a short-term incentive, and non-monetary stock-based compensation as a medium- to long-term incentive to enhance the Group's corporate value over the medium to long term and further share value with shareholders. The composition of annual compensation is approximately 60% base compensation, 25% performance-linked compensation, and 15% stock-based compensation.

Outside directors and directors who are Audit and Supervisory Committee Members are paid basic compensation only given that their role is to audit and supervise management from an independent perspective.

#### Risk Management

Important management issues are carefully deliberated upon by TS TECH's Executive Committee as well as various advisory committees. Through these discussions, TS TECH makes every effort to avoid and mitigate business risks.

In addition, a Risk Management Officer is appointed from among the representative directors and placed in charge of risk management. The Global Risk Management Committee, comprising directors and other officers, has been set up to deliberate regularly on the results of TSCG self-verifications and discuss responses to serious risks affecting management based on a risk map, ensuring that efforts are continually made to mitigate potential risks.

Findings obtained through TSCG self-verifications are shared with internal audit departments so that they can be applied in risk approach auditing.

#### Global Risk Management Committee

This committee was formed in September 2014 as an advisory committee to the Executive Committee to help ensure appropriate identification and control of the various risks affecting global business activities and to solidify the sustainability and stability of the business.

The following year, regional risk management committees were formed in each region to manage the risks specific to these geographic segments and promptly advance risk mitigation measures. TS TECH has also worked to conduct emergency response training that anticipates a range of risks, such as the most frequently occurring natural disasters in each geographic region where the Group does business or the outbreak of an infectious disease.

In fiscal 2022, TS TECH identified four major risks and pursued the appropriate corresponding risk mitigation measures.

- Four Major Risks
1. Crisis management in emergencies
  2. Stoppage of parts supply
  3. IT equipment failure
  4. Fires



## Efforts to Improve Corporate Governance and Compliance

### Tax Policy

The TS TECH Group's tax policy aims to fulfill the appropriate tax obligations and social responsibilities, minimize tax risks while maintaining transparency, and contribute to the development of the communities in which the Group operates.

In order to achieve these objectives, the Group has established the TS TECH Group Tax Policy based on the TS TECH Philosophy.

#### TS TECH Group Tax Policy

##### (1) Tax Governance

The Group positions the reinforcement of tax governance as one of the most important management issues. This policy was approved by TS TECH's Board of Directors, and the Board of Directors bears final responsibility for tax governance.

##### (2) Compliance

The Group works to promote and instill awareness of compliance among its employees. This enables the Group to comply with and always ensure the correct understanding of tax laws and regulations, etc., in each country and region in which it operates, and to meet the appropriate tax declaration and tax payment obligations.

##### (3) Tax Planning and Tax Havens

The Group will determine investment and business activities according to its business objectives and economic rationality. The Group will avoid tax planning that is not in line with business purposes or operations, as well as tax activities that use tax havens.

##### (4) Transfer Pricing

The Group will abide by international tax frameworks such as the OECD Transfer Pricing Guidelines and the Base Erosion and Profit Shifting (BEPS) Action Plan, and will strive to ensure tax transparency. International transactions between Group companies will comply with the OECD Transfer Pricing Guidelines, and transaction prices will be determined based on the arm's length principle.

##### (5) Minimal Tax Risk

The Group will conduct the appropriate accounting and tax measures in accordance with the tax systems and tax administrations of each specific country and region. In the event of complicated, unclear tax matters, the Group will consult in advance with external experts and tax authorities to minimize tax risks.

##### (6) Relationship with Tax Authorities

The Group will provide timely, accurate information to tax authorities in each country and region in order to reduce tax risks, and will respond in good faith to maintain trust and good relations.

July 2018, Resolution of the Board of Directors

### Policy and Action against Antisocial Forces

The TS TECH Group's basic policy for internal control requires individual officers and employees to diligently avoid any type of relationship with antisocial groups that can threaten a safe, orderly, and civil society, and to work together as an entire group to demonstrate uncompromising attitudes against such forces. Specific measures include making assessments in advance of the start of new transactions and incorporating provisions for excluding the influence of antisocial forces in preparing agreements.

### Intellectual Property Management

The TS TECH Group respects intellectual property rights. In developing products and technologies, we take the utmost care to ensure that the Group does not infringe on the intellectual property rights of others. At the same time, the Group asks others to respect its intellectual property rights. In cases where an infringement is identified, the Group takes all necessary measures, including demanding that infringing parties immediately discontinue any offending activities and offering such parties an opportunity to negotiate in the signing of license agreements. Through actions such as these, the Group works to maximize intellectual property value and minimize loss.

### Disclosure Policy

The TS TECH Group promptly and fairly discloses accurate corporate information to its stakeholders, individual investors including shareholders, institutional investors, and analysts. In addition to disclosing information in accordance with the Financial Instruments and Exchange Act and the Timely Disclosure Rules, even when these provisions do not apply, we adopt a proactive approach to the disclosure of information deemed useful and appropriate to our stakeholders.

Our primary means of disclosing information include press releases and the Timely Disclosure Network (TDnet) provided by the Tokyo Stock Exchange. This information is also posted on TS TECH's website.

To protect the company and its employees from legal liability under the Financial Instruments and Exchange Act and other legislation, the Corporate Communication Department responds to all inquiries from stakeholders. In addition, this Disclosure Policy is shared and fully enforced throughout the TS TECH Group.

### Basic Environmental Policy

#### Policy

In the interest of protecting the global environment, the TS TECH Group will work to reduce the environmental impact of all aspects of its corporate activities, especially the production of interior components for automobiles, and help create a sustainable society, aiming to be "a company sincerely appreciated by all," which is one of the beliefs enshrined in the Group's philosophy.

#### Environmental Action Plan

##### (1) Compliance with Legal and Other Requirements

Strive to prevent environmental pollution and protect biodiversity and ecosystems primarily through compliance with requirements, such as environmental laws and regulations and environmental standards, and proper chemical management.

##### (2) Reduction of Environmental Impact

Aim to mitigate the impacts of climate change and realize a sustainable recycling-based society by striving to save energy and resources through collaboration across the supply chain, based on life cycle assessments that cover all stages in the product life cycle, from development through sourcing, production, logistics, marketing, disposal, and reuse.

##### (3) Continuous Improvement of Environmental Management

Endeavor to continuously improve environmental and energy performance by setting environmental targets based on environmental and energy management systems, and regularly reviewing them. Provide the information and management resources needed for such improvement and also work toward the utilization of products and equipment that will improve energy efficiency.

October 2018, Resolution of the Board of Directors (Revised)

### Initiatives to Strengthen Environmental Management

Our Group is promoting environmental management system ISO 14001 certification not just in Japan but at all of our facilities around the world. We are united in our efforts to continuously reduce the burden on the environment. Seeking additional measures to efficiently reduce CO<sub>2</sub> emissions, TS TECH adopted the ISO 50001 energy management system at all of its sites in Japan in fiscal 2019 and obtained certification in March 2019. Going forward, we will continue with efforts to bolster our environmental and energy management not only to reduce the burden on the environment but also to decrease costs by using resources more efficiently.

### Internal Environmental Audits

TS TECH has established an environmental and energy audit program that consists of annual audits of each site. The audits take into account the environmental and energy impact of the sites and the results of past audits. These internal audits examine measures to reduce environmental impact and energy consumption, the effect of these measures, compliance with regulations, and the status of the administration of ISO international standards, among other items. We promote swift, proper correction of deficiencies and non-compliance items detected in audits, aiming to improve our environmental management.

### Environmental Education

TS TECH provides employees with a wide array of environment-related education under its ISO management system. Under the ISO 14001 standard, we conduct environmental education with the objectives of reducing environmental impact and preventing pollution. As part of ISO 50001 initiatives, since 2017, we have had The Energy Conservation Center, Japan conduct energy-saving classes tailored to the production facilities at

each site for the teams in charge of energy conservation and management at each of those sites. Since 2019, we have been developing and providing more in-depth education on how to increase worksites' and products' energy efficiency by introducing and regularly implementing our own energy-saving diagnosis system, which focuses on improving facility operations in conjunction with providing relevant training.

Learning not only the basic concepts of energy conservation but also specific management methods for facilities provides an opportunity to shape more effective measures. Going forward, we will develop human resources who will play a central role in the promotion of energy conservation at each of our sites, and we will continue to provide education to improve the environmental awareness and skills of our employees.



Environmental education for facility management

### Compliance with Environment-Related Laws and Regulations

Under our environmental and energy management systems, TS TECH has prepared a list of legal and other requirements at each site and reviews the laws and requirements that we must comply with at the beginning of each fiscal year. We also evaluate the status of compliance every six months. Over the period from fiscal 2019 to fiscal 2022, there were no omissions of notifications under relevant laws and regulations, deviations from legal standards, or submissions of external complaints.

### Information Disclosure Based on TCFD Recommendations

As a company involved with the manufacture of automobiles that directly emit CO<sub>2</sub>, we recognize our response to climate change as a serious management issue. Accordingly, in August 2021 the Group endorsed the recommendations of the TCFD. We will analyze the risks and opportunities climate change presents to the Group's operations, reflect these in our management strategy and risk management, and appropriately disclose progress in order to contribute to a decarbonized society and aim for further growth.



### Governance

We have established a Sustainability Committee that deliberates on issues related to all domains of sustainability, including our response to climate change, and manages sustainability for the Group as a whole. [▶ p. 13](#)

### Strategy

Measures to achieve carbon neutrality are essential to the realization of a sustainable society. It is expected that governments worldwide will implement energy regulations to reduce CO<sub>2</sub> emissions and stronger laws, and it is also anticipated that various regulations related to automobiles will be strengthened. While tighter regulations could be a risk to the Group, addressing them by focusing our efforts on products and services with outstanding environmental performance, one of the Group's strengths, could be an opportunity to expand business operations.

We believe that moving forward, promotion of Group products and services that comply with changing regulations and laws is not only an effective measure to help control global greenhouse emissions such as CO<sub>2</sub> but also an opportunity for business growth, and we have incorporated this belief into our business strategies.

### • Analysis of Risks and Opportunities Based on Climate Change Scenarios

A scenario analysis was conducted using the Group's core automobile business (seats, interior components), and business risks and opportunities were identified. Matters arising from a transition to a decarbonized society, such as tighter regulations and technological developments or market changes, and matters arising from the physical impact of climate change, such as acute extreme weather and chronic temperature rises, are examples of risks and opportunities related to climate change.

The Group classified the causes for various changes in the external environment arising from climate change as "transition risks" or "physical risks" and qualitatively assessed the fiscal impacts using the three levels of large, medium, and small to identify major risks and opportunities. The analysis examined the period up to 2050, and, in line with the Group's long-term environmental targets, set 2030 as the medium term and 2050 as the long term.

### • Scenario Analysis

An analysis was conducted using a "4°C scenario" where the physical impact of intensifying extreme weather caused by climate change is apparent and a "1.5°C scenario" where the effects of a transition to carbon neutrality are evident.

Assumed scenario	Reference scenarios	Assumed state of society
4°C scenario	<ul style="list-style-type: none"> <li>IEA STEPS (Stated Policies Scenario)</li> <li>IPCC RCP8.5</li> </ul>	<ul style="list-style-type: none"> <li>Increased risk of flooding due to rising sea levels caused by rising temperatures, stronger hurricanes and typhoons, frequent torrential rains</li> <li>Increased risk of water shortages due to droughts and the spread of arid regions and desertification</li> <li>Harsher work environments due to rising temperatures</li> </ul>
1.5°C scenario	<ul style="list-style-type: none"> <li>IEA NZE (Net Zero Emissions by 2050 Scenario)</li> <li>IEA SDS (Sustainable Development Scenario)</li> <li>IPCC RCP2.6</li> </ul>	<ul style="list-style-type: none"> <li>Stronger measures and regulations aimed at decarbonization (implementation of a carbon tax, energy conservation/saving measures, ZEV regulations, policies to promote EVs, etc.)</li> <li>Development of decarbonization technologies and a greater range of environmentally friendly products</li> </ul>

### • Risks and Opportunities Related to Climate Change and Related Responses

The risks and opportunities judged as having a large or medium fiscal impact on the Group's operations using a scenario analysis are as follows.

	Major risks and opportunities	Time frame	Level of impact	Response
Physical risks (4°C)	Lower revenue due to shutdowns at Group locations caused by extreme weather such as typhoons, torrential rains, or hurricanes	Long term	Large	<ul style="list-style-type: none"> <li>Stronger BCP measures</li> <li>Swift production responses during disasters through cooperation with other locations</li> </ul>
Transition risks (1.5°C)	Higher operating costs on expanded use of carbon pricing	Medium term	Medium	<ul style="list-style-type: none"> <li>Promotion of CO<sub>2</sub> reduction measures (energy conservation and reuse)</li> <li>More efficient logistics</li> </ul>
	Higher costs related to the implementation of renewable energy and capital investment in line with tighter regulations	Medium term	Large	<ul style="list-style-type: none"> <li>More efficient energy use</li> <li>Effective capital investment</li> </ul>
	Higher operating costs accompanying increased energy use due to automated production processes	Medium term	Medium	<ul style="list-style-type: none"> <li>Continued promotion of energy-saving measures centered on production facilities</li> </ul>
	Higher costs related to R&D and capital investment aimed at low-carbon products and products that support electrification	Medium term	Large	<ul style="list-style-type: none"> <li>Increased revenue through stronger sales initiatives</li> <li>Enhanced development through co-creation with customers</li> </ul>
	Higher material procurement costs in line with environmentally friendly materials and carbon pricing	Medium term	Large	<ul style="list-style-type: none"> <li>Stronger supply chain management</li> <li>Greater reduction of Scope 3 emissions</li> <li>More efficient logistics</li> </ul>
Opportunities (1.5°C)	Lower revenue in line with lower value-added products and lost orders due to delayed support for low-carbon products and products that support electrification	Medium term	Large	<ul style="list-style-type: none"> <li>Expedited development of low-carbon products that use products that support electrification and materials with a low environmental load</li> </ul>
	Lower operational costs accompanying reduced energy use from more efficient production processes	Medium term	Medium	<ul style="list-style-type: none"> <li>Continued promotion of energy-saving measures centered on production facilities</li> </ul>
	Higher revenue from seats that support electrification and interior components that use materials with a low environmental load in line with a greater demand for low-carbon products	Medium term	Large	<ul style="list-style-type: none"> <li>Development of seats that contribute to improved electric mileage and support electrification</li> <li>Promotion of research on products that use plant-based materials</li> <li>Use of recycled materials, implementation of structures that can easily be deconstructed</li> </ul>
	Higher revenue due to coordination of whole automobile cabin interiors that accommodate new potential for automobiles such as CASE	Medium term	Large	<ul style="list-style-type: none"> <li>More joint development and proposals through business alliances with other companies</li> </ul>

### Risk Management

Risks and opportunities related to climate change and other sustainability issues are reviewed annually and deliberated upon by the Sustainability Committee. Major risks and opportunities are identified by classifying risks and opportunities arising from climate change as "transition risks" or "physical risks" and qualitatively assessing their fiscal impacts.

Identified major risks and opportunities that are physical risks (response to natural disasters) are addressed using targeted measures promoted by each functional division and region via the Global Risk Management Committee. Transition risk-related matters directly linked to business activity will be incorporated into medium-term business plans and business strategies and promoted in accordance with enacted policies. Items related to sustainability (long-term environmental targets, materiality KPIs, etc.) will be promoted by each functional division and region via the Sustainability Committee.



### Metrics and Targets

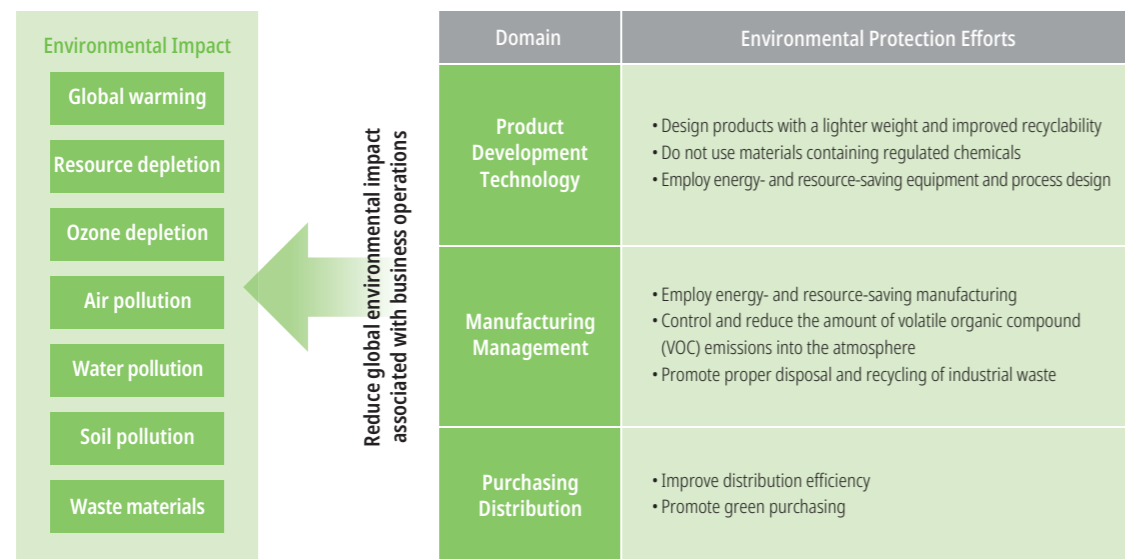
In March 2021, the Group identified the eight material issues (materiality) it will prioritize to help contribute to the creation of a sustainable world, and it set KPIs and targets for 2030 for each material issue. The Group set long-term environmental targets that include a reduction in CO<sub>2</sub> emissions compared to fiscal 2020 by 50% in 2030 and 100% in 2050, and it is working to achieve them through means such as installing energy-conserving equipment and utilizing renewable energy at each location.

[▶ pp. 44-45](#)



### Environmental Impact of Business Activities and Environmental Initiatives

TS TECH identifies and strives to reduce the environmental impact of its business activities in each region of the globe.



### Efforts to Reduce Our Environmental Footprint

#### Development-Focused Measures

The TS TECH Group understands that reducing the weight of our products is one of the most effective ways in which we can reduce our impact on the environment. For example, our seat frames account for a large portion of the weight of our products, so we strive to apply a variety of weight-reducing technologies wherever possible, while further improving safety and comfort in line with evolving specification needs. The next-generation seat frame installed in the 2020 Honda Fit is about 28% lighter than our previous core frame. We accomplished this by using more ultra-high tensile strength steel and thin-plate welding technology. It is now being used in many automobile models worldwide. In addition to reviewing the use of aluminum and other materials, we are also focusing our efforts on technology that fuses different materials. Using the optimal designs for these materials, we will cut out even a single extra gram to develop frames that are the lightest in the world.

In addition to weight-reducing technologies, we are focusing on reducing CO<sub>2</sub> contained in our products through technologies utilizing CNF\* and other plant-derived biomass materials. Compared to conventional door trims made from petroleum-derived materials, we have succeeded in reducing the amount of CO<sub>2</sub> contained in these products by 60% by using plant-derived biomass materials (for resin/synthetic leather coverings), and we are continuing our research with the goal of applying this technology to mass-produced products.

Moreover, with the shift to electric vehicles (EVs) in mind, we are pursuing research and development that will contribute to carbon neutrality from various angles, such as the development of an Electronic Control Unit (ECU) for seat heaters that efficiently heat seats with low power consumption and an energy-saving air-conditioned seat, thereby contributing to improvements in electricity costs (fuel efficiency).

\* CNF: Cellulose nanofiber



Evolution of parts using ultra-high tensile strength steel (shown in blue)

#### Production-Focused Measures

With a policy to “build production plants that are sincerely welcomed by the local community,” our Manufacturing Division, which oversees our production plants, aims to contribute to a recycling-oriented society and promotes efforts to build “people-friendly, environment-friendly production plants.” Through the use of Japan’s traditional *karakuri* mechanisms, we have been able to simultaneously save energy, reduce workloads, and improve production efficiency through the promotion of a plant-wide framework that aims to automate work without consuming energy.

The *karakuri* competition we hold annually welcomed the involvement of domestic affiliates in fiscal 2022, and we will seek to further invigorate related activities. The top three entries in the competition are slated for inclusion in the *Karakuri Kaizen Exhibition\** organized by the Japan Institute of Plant Maintenance. We are committed to motivating our employees and incorporating other companies’ ideas for improvement in our work to accelerate the creation of energy-saving, low-cost processes.

We also plan to hold a cross-departmental Group-wide meeting in fiscal 2023 to share successful cases of energy-saving efforts made in the manufacturing domain. By encouraging horizontal deployment of such energy-saving examples, as well as working to standardize our production equipment worldwide, we will undertake the process of creating simple, slim, compact processes with low energy consumption at all our production sites.

\* The *Karakuri Kaizen Exhibition* is held every year in Japan to showcase improvements using *karakuri* mechanisms.



*Karakuri* activities at the Saitama Plant

#### Purchasing-Focused Measures

Considering the impact of energy consumption throughout the supply chain on the global environment, we are working to reduce our environmental footprint, not only within the Group but throughout the supply chain, with cooperation from our suppliers. In particular, to help build a decarbonized society, it is essential that we know not just the greenhouse gas (GHG) emissions from the Group’s own business activities but also the emissions across the entire supply chain (Scope 3), and work to reduce them.

The TS TECH Group has formulated the TS TECH Supplier Sustainability Guidelines to share its approach to sustainability with its suppliers and promote it together. We ask our suppliers, including overseas suppliers, to comply with the guidelines and work with us to reduce our environmental impact.

Going forward, we will continue working to take stock of our GHG emissions throughout the supply chain and to reduce these emissions from a variety of angles.

### Installing Environmentally Friendly Equipment

The TS TECH Group has installed a variety of equipment to reduce its environmental impact, including energy-saving equipment and solar power generating equipment that produces renewable energy.

In Japan, following achievement of a Nearly ZEB\* (Zero Energy Building) rating with our new Head Office building, which we completed in conjunction with the previous Medium-Term Management Plan, we carried out factory reconstruction work in the Hamamatsu district. We installed environmentally friendly equipment including a rainwater recycling system to reduce our groundwater extraction and CO<sub>2</sub> emissions. In addition, we are actively working to curb distribution loss by consolidating functions including external warehousing at the Hamamatsu Plant in order to reorganize production.

Overseas, TS TECH (THAILAND) CO., LTD. completed the Group’s largest installation of solar panels in fiscal 2021. The 2,600 solar panels made it possible to supply approximately 15% of the electricity consumed at the production site using solar power, thereby helping to reduce CO<sub>2</sub> emissions. In addition, at TS TECH INDIANA, LLC (U.S.), where an expansion project was completed in June 2022, a new solar power generation system with over 4,000 solar panels and electricity storage capabilities has been installed. The company aims to become the first Group plant to cut its CO<sub>2</sub> emissions virtually to zero by generating 50% of the electricity it consumes annually through the system while making active use of energy-saving equipment and renewable energy.

\* Nearly ZEB: A building that comes as close as possible to ZEB by nearing zero annual primary energy consumption



Newly installed solar power generation system at TS TECH INDIANA, LLC

Environmental Targets and Results

Main Environmental Targets and Results in Fiscal 2022 and Targets for Fiscal 2023

Under the 14<sup>th</sup> Medium-Term Management Plan (fiscal 2021–fiscal 2023), we have set targets for the TS TECH Group for CO<sub>2</sub> emissions, waste, and water, and are implementing initiatives to achieve reductions at each site.

Item	FY2022			FY2023
	Targets	Measures	Results	Targets
CO <sub>2</sub> *2	CO <sub>2</sub> emissions reduction 1,870 t-CO <sub>2</sub> lower than FY2020  Basic unit per vehicle*1 2% lower than FY2020  FY2020 performance: 8.3 t-CO <sub>2</sub> /thousand vehicles	<ul style="list-style-type: none"> <li>Shift to energy-saving production equipment</li> <li>Switch to LEDs</li> <li>Shift to energy-saving air conditioning</li> <li>Introduction of renewable energy</li> </ul>	CO <sub>2</sub> emissions reduction 10,538 t-CO <sub>2</sub> lower than FY2020  Basic unit per vehicle 6% higher than FY2020  FY2022 performance: 8.8 t-CO <sub>2</sub> /thousand vehicles	CO <sub>2</sub> emissions reduction 2,805 t-CO <sub>2</sub> lower than FY2020  Basic unit per vehicle 3% lower than FY2020
Waste*2	Recycling rate 1% higher than FY2020	<ul style="list-style-type: none"> <li>Promote recycling</li> <li>Reduce product defect rate</li> <li>Reduce packaging materials</li> </ul>	Recycling rate 1.5% higher than FY2020	Recycling rate 1.5% higher than FY2020
Water*2	FY2020 Maintain water intake level	<ul style="list-style-type: none"> <li>Conserve water at all worksites</li> <li>Inspect and repair water supply equipment for leakage</li> <li>Updating of equipment such as coolers</li> </ul>	Water intake 13% lower than FY2020	FY2020 Maintain water intake level

\*1 "Per unit" figures are calculations performed according to TS TECH's standards and indicate CO<sub>2</sub> emissions, volume of waste generated, and water intake relative to production volume during business activities.  
\*2 We have deployed initiatives to achieve reductions at sites agreed upon under the Group's own criteria. [Target sites] CO<sub>2</sub>: 38 sites/waste and water: 37 sites

Long-Term Environmental Targets

In the interest of protecting the global environment, the Group will work to reduce the environmental impact of all aspects of its corporate activities. Our efforts to build a sustainable world are guided by our vision statement of being "a company dedicated to realizing people's potential" and "a company sincerely appreciated by all." We aim to strike a balance between achieving further business growth and contributing to the resolution of social issues, including the creation of a recycling-oriented society and conservation of water resources, in addition to responding to climate change, which is becoming more serious by the year. Accordingly, we have set long-term targets for such environmental issues. The whole Group will work to achieve these goals by promoting environmental conservation activities.

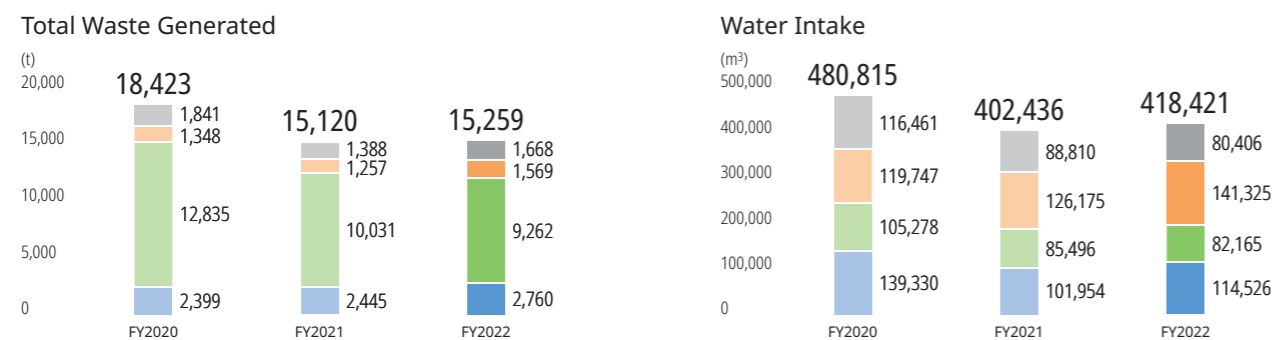
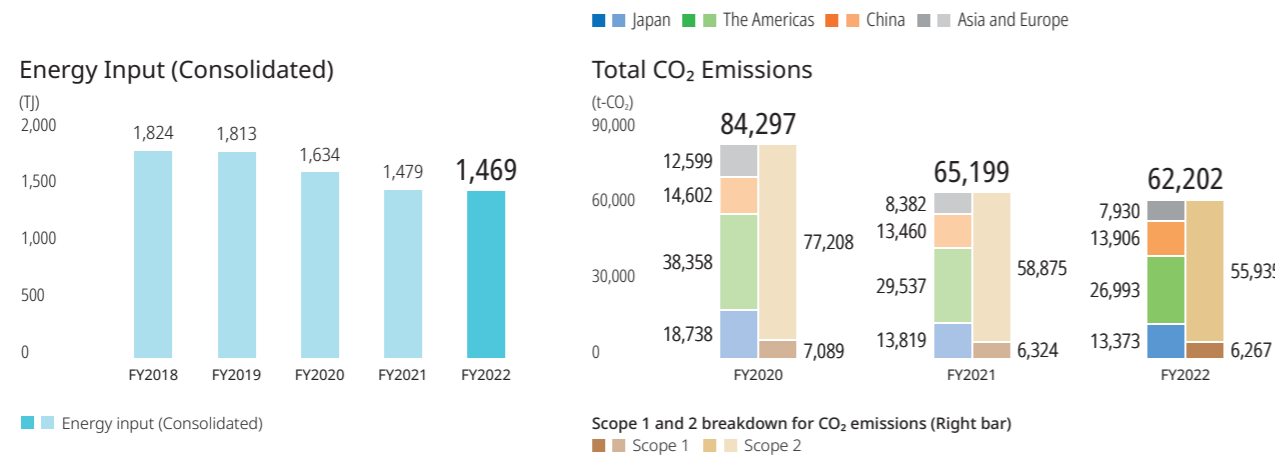
Item	KPI	Term for comparison	2030 target	2050 target
CO <sub>2</sub>	CO <sub>2</sub> emissions reduction rate*1	Comparison with FY2020	-50%	-100%
Waste	Waste reduction rate*2	Comparison with FY2020	-50%	-100%
Water	Water intake and wastewater reduction rates*3	Comparison with FY2020	Water intake reduction rate -50%	Wastewater reduction rate -100%
	Environmental impact from wastewater*4	—	Zero	Zero

\*1 CO<sub>2</sub> emissions reduction rate (Scope 1 and 2) resulting from the Group's business activities  
\*2 Reduction rate for waste resulting from the Group's manufacturing activities (excluding residues, sludge, etc.)  
\*3 Reduction rate of water intake (amount used) at the Group's production facilities and reduction of wastewater resulting from manufacturing activities  
\*4 Environmental impact of wastewater resulting from the Group's manufacturing activities

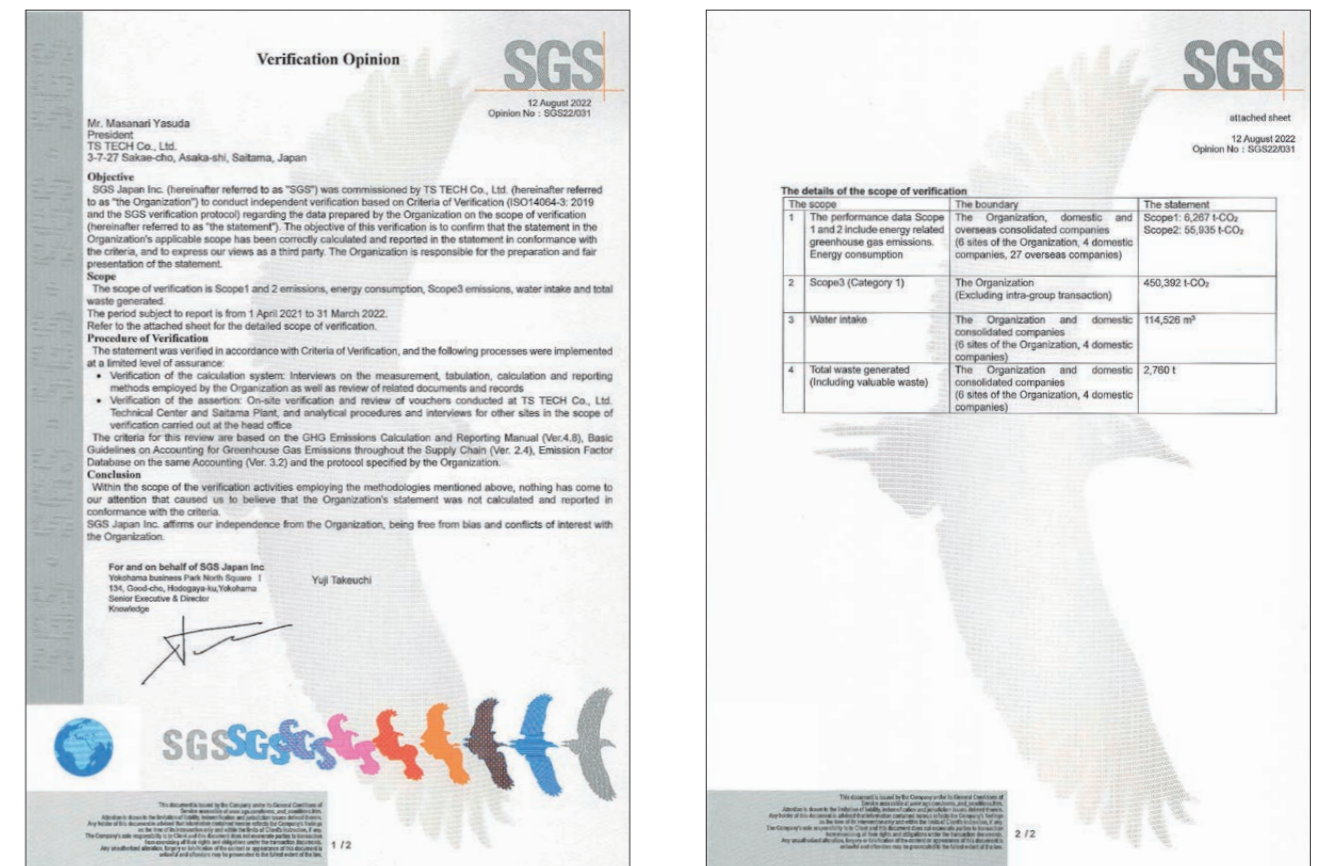
Implementing Third-Party Verification

The TS TECH Group receives third-party verification from SGS Japan Inc. in order to ensure the reliability of environmental data disclosure. As of fiscal 2022, we are working to conduct verifications of greenhouse gas emissions\* at 10 domestic and 28 overseas sites, plus waste output and water intake at 10 domestic sites

\* Scope 1 and 2 (energy-derived CO<sub>2</sub> emissions) and Scope 3, Category 1 (procurement of raw materials and parts) emissions



Note:  
Scope of data: Consolidated sites excluding those listed below  
Total CO<sub>2</sub> Emissions: TSMIL INNOVATIONS, LLC / TS DE SAN PEDRO INDUSTRIES, S. DE R.L. DE C.V. / TS TECH ASIAN CO.,LTD. / TS TECH Poland sp. z o.o.  
Total Waste Generated, Water Intake: TSMIL INNOVATIONS, LLC / TS DE SAN PEDRO INDUSTRIES, S. DE R.L. DE C.V. / TS TECH (HONG KONG) CO.,LTD. / TS TECH ASIAN CO.,LTD. / TS TECH Poland sp. z o.o.





# Creating Employee-Friendly Workplaces

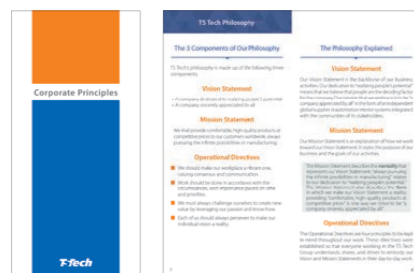
## A Company Dedicated to Realizing People's Potential

As part of the corporate philosophy in which its business activities are rooted, the TS TECH Group is dedicated to realizing people's potential, believing that "people are the decisive factor in a company." This conviction underpins our stance on a diverse range of issues, including human rights, human resources development, evaluation and treatment of personnel, benefits, and the workplace environment. Under our corporate philosophy, we strive to create safe, comfortable environments where every employee can thrive.

## Fostering a Greater Awareness of Human Rights

Based on international standards such as the Universal Declaration of Human Rights, the TS TECH Group has incorporated human rights and work environment standards into its Code of Conduct, which is defined based on the TS TECH Philosophy. The Group respects human rights, does not practice discrimination, strives for equal opportunities in employment, and does not accept any form of child labor or forced labor. We always use fair selection processes when hiring employees.

To foster a greater awareness of human rights, all employees receive educational training and a copy of the Corporate Principles Manual, which includes TS TECH's Code of Conduct. Our Group companies in and outside of Japan base their own manuals on our Corporate Principles Manual, tailoring them to reflect local culture, customs, and laws in each region. All Group employees also receive training to foster a deeper understanding of human rights.



The manual distributed to all employees

### TS TECH's Code of Conduct

1. Providing safe, comfortable, and high-quality products and services
2. Human rights and work environment
3. Protection of the environment
4. Relationship with society
5. Compliance
6. Protection of company assets and information
7. Fair and clean business practices
8. Proper disclosure of information

## Work-Life Balance

TS TECH has built a system that enables employees to balance their work and personal lives and take advantage of a variety of work styles to suit their particular stage of life.

With our introductions of a flextime system with no core time and a work-from-home system, among other approaches, we are working to improve work productivity by ensuring efficient time allocation and supporting employees as they balance work with childcare, nursing care, or other personal obligations. These flexible work styles would also contribute to employee safety and business continuity in the event of an emergency.

In terms of paid leave, we are working to put in place a system offering greater convenience for employees, including allowing paid vacations to be taken in half-day increments. As a result of this and other efforts, TS TECH has maintained a high rate of paid leave use among employees, as exemplified by our placing eighth (with a 98.2% usage rate) among the 1,631 companies surveyed by Toyo Keizai Inc. in its latest ranking of the 200 companies in Japan with the highest rate of paid leave use.

In addition, we are working to diversify work styles and support work-life balance by offering reduced working hours for parents up through their children's completion of elementary school and other programs.

## Diversity Initiatives

The TS TECH Group recognizes the importance of diversity and promotes various initiatives in accordance with TS TECH's Code of Conduct as a means to share this concept with employees. In order to empower our diverse human resources to play an even more active role, we implement medium- to long-term measures to improve hiring and the work environment to ensure that gender, nationality, and other factors are no impediment to advancement. Our long-term goal is to expand these efforts to regions outside Japan as well, tailoring them to suit each specific country.

We have incorporated content designed to deepen understanding of diversity into each training program. In particular, the training for managers includes a full-day diversity workshop by an outside expert so that they can learn in more detail how to work with diverse human resources.

In addition, we collect opinions through various methods, such as an engagement survey and interviews with young employees, and we reflect them in our management in order to create an environment where all employees can use their respective knowledge, experience, and abilities to the fullest to play active roles.



Simple prayer room in Saitama Plant



Tekuteku Kids Day Care, an on-site day care center

## Efforts to Help Our Diverse Workforce Thrive

The TS TECH retirement age has been extended to 65, allowing employees to choose their own retirement age after the age of 60. We are working to enhance business continuity by providing an environment in which employees are able to continue working and a time frame for veteran employees to pass on their skills and knowledge.

Other initiatives included the introduction of maternity uniforms, the establishment of an on-site day care center, and the creation of a childrearing support handbook after hearing from a wide range of employees. In recognition of these efforts, we were certified in 2015 by the Minister of Health, Labour and Welfare (Kurumin Certification) as a company that supports childcare based on the Act on Advancement of Measures to Support Raising Next-Generation Children. In addition, we were certified in 2016 by the Minister of Health, Labour and Welfare (highest-level Eruboshi Certification) as a company with outstanding measures to promote participation by women in the workplace.

In addition to regularly communicating with Hello Work, employment support centers, and so on, we actively recruit persons with disabilities by offering work experience, seeking to match persons with disabilities with our company and further their understanding of work. As part of our employee retention efforts, we regularly conduct interviews with and surveys of employees with disabilities. We also strive to create employee-friendly workplaces by acting on feedback about the issues our employees with disabilities face at work.



### Kurumin Certification (May 2015)

Certified as a company that supports childcare based on the Act on Advancement of Measures to Support Raising Next-Generation Children



### Eruboshi Certification (October 2016)

Certified as a company with the highest rating of 3 stars for outstanding measures to promote participation by women in the workplace

## Fair Assessment of Personnel

TS TECH Group personnel assessments do not take factors such as age, educational background, or gender into account.

In Japan, for example, we have adopted a system for evaluating how well an employee "demonstrates and applies their abilities compared with what is expected of them." With a precise understanding of the skills and accomplishments of our individual employees and compensation provided through salary, rank, and other forms of remuneration, we are able to motivate employees and encourage them to fully

demonstrate their abilities and take on new challenges. We also incorporate elements of the TS TECH Philosophy into our assessments in order to encourage the behavior and practices we expect from our employees. In addition, employees receive feedback from superiors at least twice a year regarding work performance and the acquisition and demonstration of skills in order to make them aware of their performance and encourage growth.

## Communicating with Employees

### Conducting Engagement Surveys

As of fiscal 2022, we have begun conducting an engagement survey after reviewing our existing employee satisfaction survey, in the interest of offering rewarding working environments where employees can make the most of their diverse talents. The survey defines engagement as "mutual understanding between the company and employees" and assesses it by asking employees about their satisfaction level and expectations regarding the content of their work, the organizational climate, systems of employee treatment, and so on from a range of different perspectives. Its objectives are to assess the current situation and identify issues in order to foster better engagement with employees.

Looking forward, we aim to achieve an engagement rating of AAA\*, our 2030 target, and will work to further enhance our assessment system, training, and personnel system to encourage the active participation of diverse human resources. We will also pursue improvement activities appropriate for each of our workplaces and connect these efforts to strengthened and increased work productivity and organizational capability, as well as employee motivation.

\* AAA: The highest of the 11 ratings

### Talking with the Union

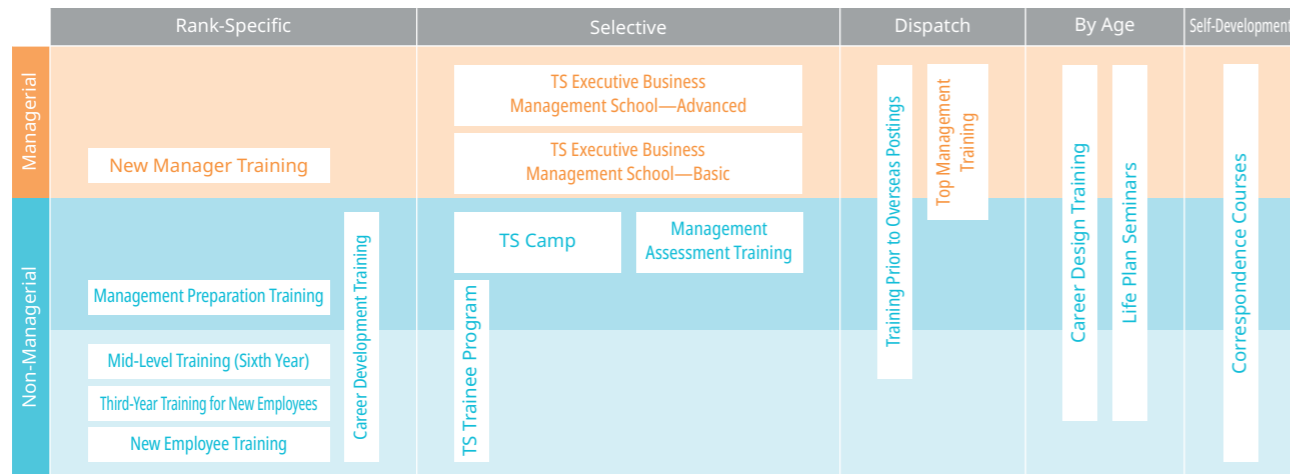
The company respects basic labor rights and regularly communicates and consults with the TS TECH Workers' Union in a mutual effort to improve labor conditions and the workplace environment, and to enhance work-life balance.

## Educating Employees about the TS TECH Philosophy

We continuously conduct TS TECH Philosophy Education so that each and every employee understands the concept that "the existential value of TS TECH can only be found by embodying the 'TS TECH Philosophy'" as a shared value and puts this into practice.

In Japan, while providing education at all training sites, we are also working to expand efforts to share success stories involving employees who put the TS TECH Philosophy into practice. At Group companies outside Japan as well, local employees receive education about the philosophy from selected promoters or managers who have been trained by promoters.

## Creating Employee-Friendly Workplaces



Education and training programs

### Human Resources Development

In order to foster human resources who can drive sustainable corporate growth for our company, we use three main approaches to support the growth of employees: On-the-job training (OJT) provided through the course of daily tasks; off-the-job training (OFF-JT) implemented away from the workplace; and strategically planned job rotations across occupational categories.

For OFF-JT in particular, we conducted a review of our training system in 2020 and put a new framework into operation. The goals are to develop management candidates and further increase the motivation and capabilities of all employees.

Under the new training system, basic management related content such as finance/accounting and marketing was added to each curriculum in rank-specific training, and new selective training was introduced to gradually develop the next generation of managers. In addition, we are working to make training more efficient by using online and other modalities, while expanding educational opportunities for employees to increase their motivation to learn.

We will continue to strive to develop the capabilities of our employees through multifaceted growth support that leverages the advantages of each training method.

### Promoting Occupational Safety and Health

Our basic safety and health policy is based on a dedication to realizing people's potential and prioritizing safety in our business activities. Under a management system led by safety and health officers, TS TECH continually performs a PDCA cycle in accordance with its occupational safety and health management system (OSHMS) to achieve three goals: Injury prevention, better employee health, and a more comfortable workplace environment.

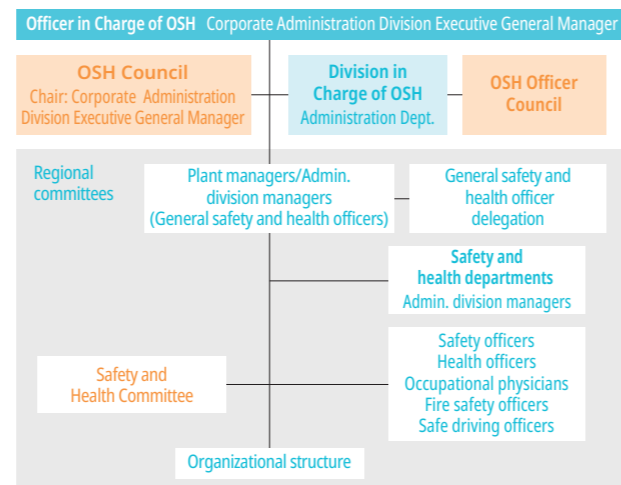
Specific initiatives include risk assessment, *kiken yochi* training (KYT; hazard prediction training), and *hiyari-hatto* (near-miss reporting) activities\*, which we conduct at all business sites. We take countermeasures like these in anticipation of potential workplace risks as part of our

efforts to prevent work-related accidents. We have also held training sessions led by lecturers from the Japan Industrial Safety and Health Association regularly, helping to enhance the skills of risk management advocates (safety officers, production site managers, etc.).

In addition to the stress checks prescribed by Japan's Industrial Safety and Health Act, we focus on employee health through a system that includes affiliations with mental health specialists to ensure that employees who are concerned about mental health issues can work with company staff to promptly receive care from outside specialists. We also regularly conduct internal seminars and other programs to promote a proper understanding of mental health. Since 2019, influenza vaccinations have been provided on-site to interested employees. By subsidizing the cost, we promote individual risk management and help to prevent the spread of infection within the company.

\* *Hiyari-hatto* (near-miss reporting) activities: Safety-minded activities regarding incidents in which no accident actually occurred, but involved parties report the near-misses; from the Japanese *hiyari* (feeling a sudden chill) and *hatto* (having one's breath taken away).

### Group-Wide OSHMS Diagram



### Supply Chain Management Policy

In order to coexist harmoniously with society and be a company sincerely appreciated by all and whose presence is valued by all of its stakeholders, management focused on ESG-related issues, not just the pursuit of profit, is necessary.

Based on the TS TECH Philosophy, the TS TECH Group aims to realize a sustainable society by promoting initiatives that consider the environment, safety, human rights, compliance, and social responsibility not only independently but throughout its supply chain.

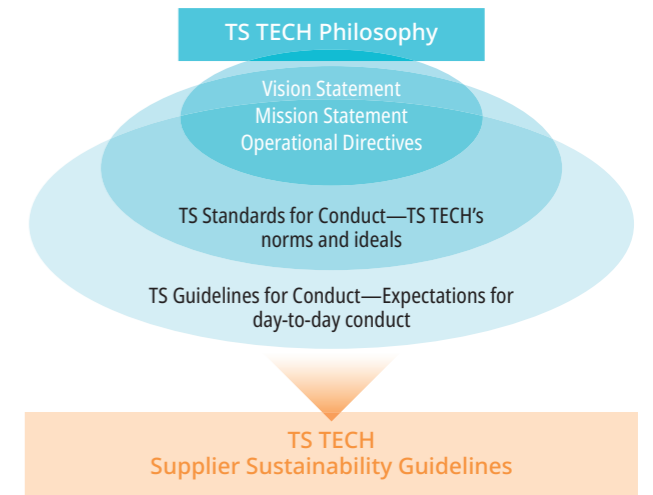
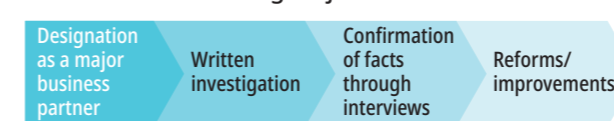
### Application of TS TECH Supplier Sustainability Guidelines

We established the TS TECH Supplier Sustainability Guidelines in May 2019 to share and promote our views on sustainability with our business partners. We ask all business partners to comply with these guidelines in the following five categories: (1) Safety and Quality, (2) Human Rights and Labor, (3) The Environment, (4) Compliance, and (5) Information Disclosure.

These guidelines are posted on our website and shared with all business partners. We also use a survey to verify compliance with these guidelines by our business partners in Japan. We surveyed a total of 109 partners in fiscal 2022. As a result, we were able to confirm that all partner companies maintain the same understanding of these guidelines as the TS TECH Group. For particularly important business partners, we conduct a survey that includes more items on human rights in order to raise their awareness of human rights issues. We will continue to implement this initiative once a year and work to roll it out to business partners outside Japan to ensure that these guidelines are observed throughout the Group's supply chain.



### Workflow for Handling Major Business Partners



Category	Content
1. Safety and Quality	<ul style="list-style-type: none"> <li>Supply of products and services that satisfy consumer and customer needs</li> <li>Provision of appropriate information concerning products and services</li> <li>Guarantee of safe products and services</li> <li>Guarantee of quality products and services</li> </ul>
2. Human Rights and Labor	<ul style="list-style-type: none"> <li>Elimination of discrimination</li> <li>Respect for human rights</li> <li>Prohibition of child labor</li> <li>Prohibition of forced labor</li> <li>Wages</li> <li>Labor hours</li> <li>Communication and negotiation with employees</li> <li>Safe, healthy work environments</li> <li>Handling of conflict minerals</li> </ul>
3. The Environment	<ul style="list-style-type: none"> <li>Environmental management</li> <li>Reduction of greenhouse gas emissions</li> <li>Prevention of air, water, soil, and other forms of environmental pollution</li> <li>Resource conservation and waste reduction</li> <li>Management of chemical substances</li> <li>Protection of ecosystems</li> </ul>
4. Compliance	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Compliance with competition laws</li> <li>Prevention of corruption</li> <li>Management and protection of confidential information</li> <li>Management of export transactions</li> <li>Protection of intellectual property</li> <li>Rejection of antisocial forces</li> </ul>
5. Information Disclosure	<ul style="list-style-type: none"> <li>Disclosure of information to stakeholders</li> </ul>



### Human Rights Due Diligence

In accordance with the UN Guiding Principles on Business and Human Rights, the TS TECH Group has established a risk verification framework in addition to the requests to our business partners based on the TS TECH Supplier Sustainability Guidelines in order to prevent or mitigate negative social impacts on human rights. All affiliates participate in routine compliance and risk verification measures conducted by TS TECH (the TSCG self-verification system). The Group is also involved with initiatives to reduce human rights risks.

### Basic Policy on Procurement

The TS TECH Group's products are made from a wide variety of materials and components provided by its suppliers. In order to reliably offer quality products at competitive prices to our customers, solid partnerships with our suppliers are indispensable.

The Group has established the Four Principles of TS Procurement, explained below, to ensure fair, just transactions as well as to construct and maintain win-win relationships with suppliers globally. By following these principles, we strive to build a supply chain that can be relied upon by all stakeholders.

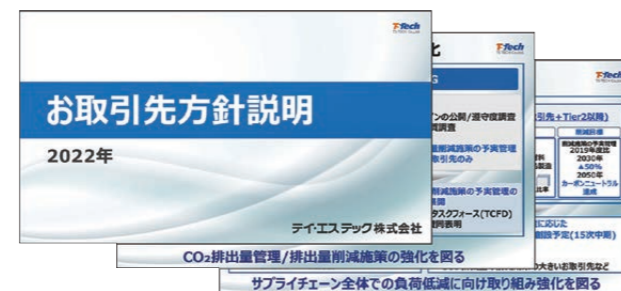
#### Four Principles of TS Procurement

- (1) Fair Trade**  
When selecting a supplier, we offer our business to several candidates irrespective of their nationality, size, or past transactions and finalize our choice in a fair manner by comprehensively evaluating their ability to offer superior quality, expertise, price, delivery, and other elements, as well as competitiveness, rationality, efforts for business security and other relevant matters.
- (2) Mutually Beneficial Transactions**  
We share with our trade partners business challenges such as development and competitive pricing, set goals from a common perspective, and conduct joint efforts to achieve targets. We afford the highest priority to mutually beneficial transactions in terms of results thus obtained and make continuous efforts to strengthen trust as the basis of mutually beneficial relationships.
- (3) Environmental Responsibility**  
In our corporate activities, we attach the greatest importance to global environmental preservation under all circumstances. Accordingly, we practice "green purchasing," granting preference to environmentally responsible products, services, companies, etc.
- (4) Legal Compliance and Confidentiality**  
We respect the principle of legal compliance and thoroughly observe relevant laws and regulations and generally accepted norms. We handle with the greatest care all kinds of information obtained from our customers and trade partners and make the utmost effort to prevent the loss or misuse of such information.

### Other Major Initiatives for Supply Chain Management

#### Annual Conference with Major Business Partners

The TS TECH Group facilitates communication with business partners by providing opportunities to share information regarding purchasing strategies and policies. We hold an annual conference with major business partners to explain the purchasing policies for the period and to exchange information. Since the COVID-19 pandemic began, we have suspended the annual conference with major business partners and explained our policy via online video.



Slides for an annual conference with major business partners

#### Supply Chain Surveys

To address procurement risks, the TS TECH Group works to prevent all "events that impact production," including natural disasters, fires, and financial challenges affecting its business partners. The company considers procured components, etc., for which production is concentrated at a single supplier to be "high-risk components" and is working with business partners to prepare for emergencies (natural disasters, etc.) and secure alternate suppliers.

For business partners who are especially important to us from a production reliability standpoint, we confirm information on risk countermeasures both in writing and through interviews, and we work with partners who are experiencing challenges to implement improvement activities. These steps are effective in strengthening our risk management structure and enhancing business continuity.

#### Business Partner Assessments

In order to continuously supply high-quality products to our customers, we evaluate business partners once a year. We assess each business partner in terms of Quality, Cost, Delivery, Development, and Management (QCDDM) and ESG to evaluate overall capabilities. For business partners that need improvement, we work to improve their overall capabilities with the cooperation of each department.

#### Survey on Conflict Minerals

The Group's procurement activities are founded on a basic policy of not using conflict minerals\* in order to prevent the flow of funds to armed forces and situations that violate human rights. As part of this process, the Group checks whether conflict minerals originating in or near the Democratic Republic of the Congo, as designated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of the United States, are used in our products.

In addition, we have conducted a survey on the origins of conflict minerals annually since 2013 to fulfill our social responsibility in procurement. Through the survey, we implement the appropriate measures with a business partner if a questionable mineral is found during an investigation.

\* Conflict minerals: Tin, tantalum, tungsten, and gold are defined as conflict minerals, and they are collectively abbreviated as "3TG."

#### Promotion of Environmental Initiatives

TS TECH presents its business partners with targets for lowering CO<sub>2</sub> emissions to reduce environmental impact and works with these partners to achieve them.

We are also working with business partners to comply with all laws and regulations concerning all materials and components that comprise products, and to manage chemical substances to reduce impact on the global environment and ecosystems.

#### Compliance with the Antimonopoly Act and Prohibition of Corruption

TS TECH has prepared and put into use its own Antimonopoly Act and Subcontract Act Compliance Manual, which sets

forth the approach and considerations related to Japan's Act on Prohibition of Private Monopolization and Maintenance of Fair Trade ("Antimonopoly Act") and the Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors ("Subcontract Act"). The relevant departments utilize the manual in day-to-day operations in conjunction with an accurate understanding of the two laws and a thorough, close examination into the legality of individual events.

TS TECH has created mechanisms that allow relevant departments to liaise with the department responsible for legal affairs and consult as needed with attorneys on events that cannot be definitively decided based solely on the manual. Moreover, TS TECH provides training on the Antimonopoly Act and the Subcontract Act in accordance with its rank-specific training programs to foster awareness of compliance among employees.

In March 2016, the Group issued new anti-corruption guidelines and anti-cartel guidelines as part of its continuing effort to build a solid framework for ensuring fair, honest business operations across all Group operations.



Compliance education at rank-specific training

### Comment

#### Addressing Social Issues Together to Enhance Corporate Value

Our company has been doing business with TS TECH for over 20 years now in and outside of Japan, with a focus on bearings and dampers for automobile seats.

As we have worked to fulfill our role in the supply chain in accordance with the TS TECH Supplier Sustainability Guidelines, we have now been honored with the TS TECH Quality Award for three straight years. Going forward, we will work to raise our level of effectiveness even higher and ensure our business activities contribute to sustainability.

In March 2022, we marked the 70th anniversary of our company. Guided by our management concept, to "serve society through technology," we have considered it our mission to continuously resolve our customers' issues with innovative technologies and products. It is my hope that we might join this concept together with TS TECH's vision statement of being "a company sincerely appreciated by all" to resolve social issues, and, in so doing, continue to grow together with the aim of enhancing the corporate value of both our companies.



Masami Iida  
President  
OILES CORPORATION

### Financial Reporting

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### 1. Analysis of Financial Condition

Total assets at the end of fiscal 2022 stood at 415,985 million yen, increasing 25,506 million yen from the end of fiscal 2021. This change is primarily the result of an increase in other current assets led by a rise in deposits for purchase of treasury stock, as well as an increase in property, plant and equipment driven by higher capital expenditures and the impact of foreign currency translation.

Total liabilities at the end of fiscal 2022 amounted to 90,401 million yen, up 1,374 million yen from the end of fiscal 2021. This change resulted mainly from an increase in trade and other payables stemming from the impact of foreign currency translation, offsetting a decrease in provisions largely comprised of payment of provisions at our U.K. subsidiary.

Total equity at the end of fiscal 2022 was 325,583 million yen, increasing 24,132 million yen from the end of fiscal 2021. This change is primarily the result of an increase in retained earnings stemming from the allocation of net income and a rise in other components of equity driven by an increase in differences on translation from foreign operations.

### 2. Overview of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of fiscal 2022 amounted to 139,585 million yen, down 13,449 million yen from the end of the previous fiscal year.

Cash flows from operating activities amounted to 20,018 million yen, showing a year-on-year decrease of 5,133 million yen. This is primarily the result of a decrease of 10,408 million yen in income before income tax, a change in trade and other payables from an increase of 6,192 million yen in the previous fiscal year to a decrease of 3,422 million yen in fiscal 2022, and a change in inventories from an increase of 3,262 million yen in the previous fiscal year to an increase of 6,339 million yen in fiscal 2022. This offset a change in trade and other receivables from an increase of 15,863 million yen in the previous fiscal year to a decrease of 4,301 million yen in fiscal 2022.

Cash flows from investing activities came to 17,196 million yen, an increase of 5,487 million yen year on year. This primarily reflects an 8,321 million yen increase in purchase of property, plant and equipment and a total change in payments into and proceeds from withdrawal of time deposits from 4,025 million yen in proceeds in the previous fiscal year to 3,053 million yen in payments in fiscal 2022. This offset a 7,199 million yen decrease in purchase of investments accounted for using the equity method.

Cash flows from financing activities totaled 23,638 million yen, an increase of 8,990 million yen year on year. This primarily reflects an increase of 7,870 million yen in deposits for purchase of treasury stock.

### 3. Analysis of Operating Performance

The operating climate for fiscal 2022 was a difficult one in which insufficient supplies of semiconductors and raw materials impacted automobile manufacturers' production activities, resulting in lower order volume for the Group. Moreover, the situation remains uncertain given factors such as soaring raw materials costs and rising labor costs in select regions, as well as the recent lockdown in China.

Despite this backdrop, the Group steadily promoted an array of measures aimed at future growth, such as the establishment of a new European subsidiary aimed at acquiring new customers and production rights, aggressive development of sales initiatives designed to increase shares of major customers' business, and the development of next-generation technologies with an eye to the future as well as the construction of a production structure with even higher quality and efficiency. Additionally, we are moving ahead with cross-industrial collaborations and joint research with start-up companies to transform into a company that can coordinate an entire automobile cabin and propose new value to customers and users.

Revenue for the fiscal year under review amounted to 349,958 million yen on a consolidated basis, up 3,809 million yen (1.1%) from the previous fiscal year. This was due to an improved model mix and the impact of foreign currency translation, offsetting lower production by customers amid disruptions in the automobile industry supply chain. Looking at profits, operating income stood at 22,998 million yen, down 3,743 million yen (14.0%) year on year. This reflected the impact of lower production, offsetting cost-cutting measures, including various lower expenses achieved via thorough streamlining. Additionally, income attributable to owners of parent totaled 12,416 million yen, a decrease of 8,324 million yen (40.1%) year on year, on the elimination of negative goodwill incurred in the previous fiscal period.

The Group's consolidated forecasts for fiscal 2023 are as follows:

<b>Revenue</b>	380.0 billion yen (Up 8.6% year on year)
<b>Operating income</b>	17.5 billion yen (Down 23.9% year on year)
<b>Income before income tax</b>	18.8 billion yen (Down 27.2% year on year)
<b>Net income</b>	12.5 billion yen (Down 33.5% year on year)
<b>Income attributable to owners of parent</b>	8.2 billion yen (Up 34.0% year on year)



## Consolidated Statement of Financial Position

(Unit: Million yen)

	Note	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	¥153,034	¥139,585
Trade and other receivables	8	62,984	65,430
Other financial assets	9	5,361	9,700
Inventories	10	33,607	43,532
Income taxes receivable		1,719	2,340
Other current assets		6,202	16,448
Total current assets		262,909	277,037
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	69,053	76,860
Intangible assets	12	10,911	10,580
Investments accounted for using the equity method	29	16,575	17,257
Other financial assets	9	25,258	27,097
Net defined benefit asset	17	3,575	4,311
Deferred tax assets	15	1,748	2,454
Other non-current assets		445	386
Total non-current assets		127,568	138,947
<b>TOTAL ASSETS</b>		¥390,478	¥415,985

See notes to consolidated financial statements.

(Unit: Million yen)

	Note	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	¥ 62,943	¥ 67,024
Other financial liabilities	14	1,357	1,718
Income taxes payable		2,021	1,776
Provisions	16	2,851	217
Other current liabilities		7,139	6,830
Total current liabilities		76,313	77,567
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	14	3,952	4,420
Net defined benefit liability	17	1,648	1,466
Provisions	16	85	157
Deferred tax liabilities	15	5,808	5,470
Other non-current liabilities		1,219	1,319
Total non-current liabilities		12,714	12,834
Total liabilities		89,027	90,401
<b>EQUITY</b>			
Common stock	18	4,700	4,700
Capital surplus	18	4,975	5,150
Treasury stock	18	(2,657)	(4,737)
Retained earnings	18	264,261	270,031
Other components of equity	18	5,738	21,710
Total equity attributable to owners of parent		277,017	296,855
Non-controlling interests	29	24,433	28,727
Total equity		301,450	325,583
<b>TOTAL LIABILITIES AND EQUITY</b>		¥390,478	¥415,985

## Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of profit or loss

(Unit: Million yen)			
	Note	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Revenue	5, 19	¥ 346,149	¥ 349,958
Cost of sales	20	(288,671)	(295,716)
Gross profit		57,478	54,242
Selling, general and administrative expenses	20	(32,581)	(33,896)
Other income	21	3,072	3,240
Other expenses	21	(1,227)	(587)
Operating income	5	26,742	22,998
Finance income	23	1,983	2,367
Finance costs	23	(136)	(117)
Share of profit of investments accounted for using the equity method	29	7,658	590
Income before income tax		36,247	25,839
Income tax expense	15	(8,164)	(7,035)
Net income		28,082	18,803
Income attributable to:			
Owners of parent		20,741	12,416
Non-controlling interests	29	7,341	6,386
Net income		¥ 28,082	¥ 18,803
Earnings per share:			
Basic earnings per share (Yen)	24	¥ 152.89	¥ 92.56
Diluted earnings per share (Yen)	24	—	—

See notes to consolidated financial statements.

## Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of comprehensive income

(Unit: Million yen)			
	Note	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Net income		¥28,082	¥18,803
Other comprehensive income			
Components that will not be reclassified subsequently to net profit or loss:			
Remeasurements of net defined benefit plans	25	1,221	864
Equity financial assets measured at fair value through other comprehensive income	25	2,754	564
Share of other comprehensive income of affiliates accounted for using the equity method	25	323	73
Total components that will not be reclassified subsequently to net profit or loss		4,299	1,501
Components that may be reclassified subsequently to net profit or loss:			
Differences on translation from foreign operations	25	7,742	16,463
Share of other comprehensive income of affiliates accounted for using the equity method	25	48	895
Total components that may be reclassified subsequently to net profit or loss		7,791	17,359
Other comprehensive income, net of tax		12,091	18,860
Comprehensive income for the period		40,174	37,664
Comprehensive income for the period attributable to:			
Owners of parent		30,968	28,388
Non-controlling interests		9,206	9,275
Total comprehensive income for the period		¥40,174	¥37,664

See notes to consolidated financial statements.



## Consolidated Statement of Changes in Equity

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

	Note	Equity attributable to owners of parent					Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
<b>BALANCE AT THE END OF THE PREVIOUS FISCAL YEAR</b>		¥4,700	¥5,171	¥ (5)	¥249,367	¥ (4,487)	¥254,745	¥19,806	¥274,552
Comprehensive income:									
Net income					20,741		20,741	7,341	28,082
Other comprehensive income	18					10,226	10,226	1,864	12,091
Total comprehensive income		—	—	—	20,741	10,226	30,968	9,206	40,174
Transactions with owners, etc.:									
Dividends	26				(5,847)		(5,847)	(4,463)	(10,311)
Acquisition of treasury stock	18			(2,943)			(2,943)		(2,943)
Disposal of treasury stock	18		(291)	291			—		—
Share-based remuneration transactions	30		34				34		34
Changes in ownership interests in subsidiaries			60				60	(115)	(55)
Establishment of subsidiaries with non-controlling interests							—		—
Total transactions with owners, etc.		—	(196)	(2,652)	(5,847)	—	(8,696)	(4,579)	(13,275)
<b>BALANCE AT THE END OF THE FISCAL YEAR</b>		¥4,700	¥4,975	¥(2,657)	¥264,261	¥ 5,738	¥277,017	¥24,433	¥301,450

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

	Note	Equity attributable to owners of parent					Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
<b>BALANCE AT THE END OF THE PREVIOUS FISCAL YEAR</b>		¥4,700	¥4,975	¥(2,657)	¥264,261	¥ 5,738	¥277,017	¥24,433	¥301,450
Comprehensive income:									
Net income					12,416		12,416	6,386	18,803
Other comprehensive income	18					15,971	15,971	2,888	18,860
Total comprehensive income		—	—	—	12,416	15,971	28,388	9,275	37,664
Transactions with owners, etc.:									
Dividends	26				(6,646)		(6,646)	(6,028)	(12,675)
Acquisition of treasury stock	18			(2,152)			(2,152)		(2,152)
Disposal of treasury stock	18			73			73		73
Share-based remuneration transactions	30		175				175		175
Changes in ownership interests in subsidiaries							—		—
Establishment of subsidiaries with non-controlling interests							—	1,047	1,047
Total transactions with owners, etc.		—	175	(2,079)	(6,646)	—	(8,550)	(4,981)	(13,531)
<b>BALANCE AT THE END OF THE FISCAL YEAR</b>		¥4,700	¥5,150	¥(4,737)	¥270,031	¥21,710	¥296,855	¥28,727	¥325,583

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

(Unit: Million yen)

	Note	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		¥ 36,247	¥ 25,839
Depreciation and amortization		11,440	11,033
Impairment loss		142	143
Loss (gain) on disposal of non-current assets		(166)	(1,393)
Finance costs (income)		(1,083)	(1,398)
Share of loss (profit) of investments accounted for using the equity method		(7,658)	(590)
Decrease (increase) in trade and other receivables		(15,863)	4,301
Decrease (increase) in leased receivables and leased investment property		1,997	712
Decrease (increase) in inventories		(3,262)	(6,339)
Increase (decrease) in trade and other payables		6,192	(3,422)
Increase (decrease) in net defined benefit asset and net defined benefit liability		(1,505)	(1,036)
Increase (decrease) in provisions		402	(2,566)
Other		3,117	988
Subtotal		30,002	26,272
Interest income received		892	1,011
Dividend income received		894	1,531
Interest expenses paid		(133)	(117)
Income taxes paid		(6,503)	(8,681)
Net cash provided by operating activities		25,151	20,018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments into time deposits		¥ (7,495)	¥(10,026)
Proceeds from withdrawal of time deposits		11,521	6,972
Purchase of property, plant and equipment		(5,455)	(13,777)
Proceeds from sales of property, plant and equipment		698	2,736
Purchase of intangible assets		(2,206)	(1,858)
Purchase of equity instruments		(56)	(1,196)
Proceeds from sales of equity instruments		0	0
Payments of loans receivable		(121)	(747)
Collection of loans receivable		214	710
Purchase of shares of subsidiaries	6	(1,564)	—
Purchase of investments accounted for using the equity method		(7,199)	—
Other		(43)	(9)
Net cash used in investing activities		(11,709)	(17,196)

## Consolidated Statement of Cash Flows (Continued)

(Unit: Million yen)			
	Note	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of long-term loans payable	27	¥ (75)	¥ —
Repayments of lease liabilities	27	(1,754)	(1,435)
Capital contribution from non-controlling interests		—	623
Purchase of treasury stock		(2,597)	(2,152)
Decrease (increase) in deposits for purchase of treasury stock		—	(7,870)
Cash dividends paid	26	(5,847)	(6,657)
Cash dividends paid to non-controlling interests	29	(4,316)	(6,145)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(55)	—
Net cash used in financing activities		(14,647)	(23,638)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		4,611	7,367
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		3,406	(13,449)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	7	149,628	153,034
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	7	¥153,034	¥139,585

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

### 1. REPORTING ENTITY

TS TECH Co., Ltd. (hereinafter “the Company”) is a company domiciled in Japan.

The consolidated financial statements of the Company as of and for the year ended March 31, 2022 comprise the Company, its subsidiaries (hereinafter “the Group”), and the Group’s interests in its affiliates.

### 2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### (1) Compliance with International Financial Reporting Standards (IFRS)

The Company meets the criteria of a “specified company” defined under Article 1-2 of the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.” Accordingly, the consolidated financial statements are prepared according to IFRS pursuant to the provisions of Article 93 of said Ordinance.

The consolidated financial statements were approved by the Board of Directors on June 24, 2022.

#### (2) Basis for measurement

The consolidated financial statements, with the exception of the financial instruments, etc., measured at fair value stated in Note 3 “Important Accounting Policies,” have been prepared on a historical cost basis.

#### (3) Functional currency and presentation currency

The presentation currency used in the consolidated financial statements is Japanese yen, which is the Company’s functional currency. Any fractions below one (1) million yen are omitted.

#### (4) Important accounting judgments, estimates, and assumptions

In the preparation of the consolidated financial statements, management exercised certain judgments, estimates, and assumptions in the process of applying the accounting policies and in determining the reported amounts of assets, liabilities, income, and expenses. As such, actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis, and the impact of the review is recognized in the period in which the review was conducted and in future periods.

Among the items which were subject to estimates and judgments, the following are considered to have significant impact on the amounts of the consolidated financial statements for the fiscal year under review and the following fiscal years.

- Scope of consolidation: Note 3 “Important Accounting Policies (1) Basis of consolidation”
- Estimated useful lives of intangible assets: Note 3 “Important Accounting Policies (8) Intangible assets”
- Scope of contracts including leases: Note 3 “Important Accounting Policies (9) Leases”
- Impairment of non-financial assets: Note 3 “Important Accounting Policies (10) Impairment of non-financial assets”
- Measurement of defined benefit obligations: Note 3 “Important Accounting Policies (12) Employee benefits”
- Recognition and measurement of provisions: Note 3 “Important Accounting Policies (13) Provisions”
- Revenue recognition: Note 3 “Important Accounting Policies (16) Revenues”
- Recoverability of deferred tax assets: Note 3 “Important Accounting Policies (19) Income taxes”

Estimates and assumptions that may have a material impact on the Company’s consolidated financial statements for the following fiscal years primarily include:

#### (i) Impairment of non-financial assets (Property, plant and equipment, and Intangible assets)

The Group estimates the recoverable amount if non-financial assets show indicators of impairment. The recoverable amount is calculated as the higher of fair value less costs of disposal and value in use. In the event the estimated recoverable amount falls below the carrying amount, a difference between the carrying amount and the recoverable amount is recognized in net profit or loss as an impairment loss.

Information regarding the material impact of impairment of non-financial assets on the following fiscal year is as follows.



#### (a) Amount recognized in the consolidated financial statements

	(Unit: Million yen)
	<b>FY2022</b>
	<b>(As of March 31, 2022)</b>
Property, plant and equipment	<b>¥76,860</b>
Intangible assets	<b>10,580</b>
Total	<b>¥87,440</b>

In principle, the Group considers a company or plant to be the cash-generating unit for its business assets. At the Company's Hamamatsu Plant, operating income declined due to temporary expenses incurred in connection with the construction of the new plant building, the mix of car models sold, the production status of customers, and so forth, resulting in two consecutive periods of operating loss after allocating of Head Office expenses, etc., and because an indicator of impairment were recognized, a determination was made as to whether an impairment loss should be recognized or not. Consequently, it was determined that because the recoverable amount of the Hamamatsu Plant exceeded the carrying amount of property, plant and equipment (¥2,872 million), no impairment loss was required to be recognized.

#### (b) Major assumptions used for the estimate

Estimates of future cash flows for the fiscal year under review are based on a gradual recovery, although the future outlook remains unpredictable due to the renewed spread of COVID-19 infections and supply chain disruptions in the automobile market, such as semiconductor supply shortages.

With respect to the Hamamatsu Plant, the recoverable amount used to determine whether an impairment loss should be recognized is measured at its value in use. Value in use is calculated by discounting future cash flows calculated on the basis of the Medium-Term Management Plan using a discount rate based on the weighted average cost of capital. Estimates of future cash flows incorporate assumptions such as customer order forecasts.

In addition, the fair value of land at the end of the useful life of machinery and equipment, which constitute major assets, is based on valuations obtained from outside experts and the like.

#### (c) Material impact on the following fiscal year

During the fiscal year under review, the Company did not recognize material impairment losses. However, should demand in the automobile market be less than expected, and the recoverable amount declines as a result, a material impairment loss may arise in the following fiscal year.

#### (ii) Recoverability of deferred tax assets

Deferred tax assets are recognized for items that may be deducted from future taxable income, such as deductible temporary difference and unused tax losses, to the extent that it is probable that taxable income will be available against which these items can be utilized (hereinafter "recoverability").

Recoverability will be reviewed each fiscal year. In the event recoverability declines, the amount of deferred tax assets will be reduced and the reduced amount will be recognized as net profit or loss.

Information regarding the material impact of the recoverability of deferred tax assets on the following fiscal year is as shown below.

#### (a) Amount recognized in the consolidated financial statements

	(Unit: Million yen)
	<b>FY2022</b>
	<b>(As of March 31, 2022)</b>
Deferred tax assets	<b>¥8,750</b>

Note: The relation between the deferred tax assets recognized in the consolidated statement of financial position and the amount above is described in Note 15 "Income Taxes."

#### (b) Major assumptions used for the estimate

Future cash flows that constitute the basis for the recoverability could vary significantly depending on trends in the automobile market and changes in customers' production plans.

Estimates of future cash flows for the fiscal year under review are based on a gradual recovery, although the future outlook remains unpredictable due to the renewed spread of COVID-19 infections and supply chain disruptions in the automobile market, such as semiconductor supply shortages.

#### (c) Material impact on the following fiscal year

During the fiscal year under review, the Company did not recognize a material reduction in deferred tax assets. However, should demand in the automobile market be less than expected, and the recoverability declines as a result, a material reduction in deferred tax assets may occur in the following fiscal year.

#### (iii) Post-employment benefits

To prepare for the payment of retirement benefits to its employees, the Company and certain consolidated subsidiaries have adopted funded and unfunded defined benefit plans. Defined benefit plan obligations for defined benefit plans are calculated using the projected unit credit method based on actuarial assumptions such as discount rate.

Information concerning the significant effects on the calculation of defined benefit plan obligations in the following fiscal year is as follows.

#### (a) Amount recognized in the consolidated financial statements

	(Unit: Million yen)
	<b>FY2022</b>
	<b>(As of March 31, 2022)</b>
Net defined benefit asset	<b>¥4,311</b>
Net defined benefit liability	<b>1,466</b>

#### (b) Major assumptions used for the estimate

The discount rate, which is the primary actuarial assumption, is calculated using the yield of high-quality corporate bonds with approximately the same maturity date as the defined benefit obligations.

#### (c) Material impact on the following fiscal year

Changes in the discount rate and other factors used to calculate the defined benefit obligations may have a significant impact on the net defined benefit assets, liabilities and retirement benefit expenses in the consolidated financial statements for the following fiscal year.

### 3. IMPORTANT ACCOUNTING POLICIES

#### (1) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group gains control to the date that the Group loses control.

When the accounting policies applied by a subsidiary are different from those applied by the Group, the financial statements of said subsidiary are revised as necessary.

The balance of accounts receivable and payable and transactions within the Group and the unrealized gain and loss on transactions within the Group are deducted under the consolidated financial statements.

Any change in the Company's interest in subsidiaries not involving the loss of control is processed as a capital transaction.

The carrying amounts of the Group's ownership interest and non-controlling interests are adjusted according to the changes in the ownership interest, and any difference between the adjustment to the non-controlling interests and the fair value of the consideration transferred or received is recognized directly in equity and allocated to owners of the parent.

##### (ii) Affiliates

Affiliates are entities over which the Group has significant influence but does not have control over the financial and operating policies of such entities, and they are accounted for using the equity method from the date that significant influence commences until the date the significant influence ceases.

Under the equity method, investments in affiliates are initially recorded at cost and subsequently increased (or decreased) to reflect the Group's post-acquisition changes in ownership interest in the affiliate's equity. In such cases, the amount of net profit or loss of the affiliate corresponding to the ownership interest of the Group is recognized in net profit or loss, while the amount of other comprehensive income of the affiliate corresponding to the ownership interest of the Group is recognized in other comprehensive income.

Profits from important internal transactions are eliminated proportionately to the ownership share in the affiliate.

## (2) Business combinations

Business combinations are accounted for using the acquisition method.

Consideration for the acquisition is measured as the total fair value of the assets transferred, liabilities assumed, and equity instruments issued by the Group.

Costs related to the acquisition are recognized in net profit or loss when incurred.

The identifiable assets and liabilities acquired from the merged company are measured at fair values unless stipulated otherwise by the IFRS.

Goodwill is recognized if the consideration for the acquisition exceeds the fair values of the identifiable assets and liabilities acquired from the merged company; it is recognized in net profit or loss if the consideration for the acquisition is less.

Goodwill is not amortized but is instead tested for impairment and carried at cost less accumulated impairment losses.

## (3) Foreign currency translations

The financial statements of each Group company are prepared in the currency of the primary economic environment in which each Group company conducts business (hereinafter "functional currency").

Additionally, the financial statements of foreign operations are translated into Japanese yen, the functional currency of the Company, when preparing the consolidated financial statements.

### (i) Foreign currency transactions

Transactions in currencies other than the functional currency are translated into the functional currency using the spot exchange rate at the date of the transaction or an exchange rate that approximates the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the end of the fiscal year are translated using the spot exchange rate at the end of the fiscal year. Exchange differences arising from translation or settlement of foreign currency-denominated monetary assets and liabilities are recognized in net profit or loss.

### (ii) Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the spot exchange rate at the end of the fiscal year, while income and expenses are translated into Japanese yen at the average exchange rates for the period, provided, however, that there have been no significant fluctuations in the exchange rates.

Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income, and cumulative exchange differences are presented in other components of equity.

When a foreign operation is disposed of and control or significant influence is lost, the cumulative exchange differences related to the foreign operation are reclassified to net income or loss.

## (4) Financial instruments

### (i) Financial assets

#### (a) Initial recognition and measurement

The Group recognizes trade and other receivables when they occur, and other financial assets on the transaction date on which the Group becomes a contractual party of the financial asset.

The Group, at initial recognition, measures all financial assets (excluding trade receivables that do not contain significant financial components) at fair value. However, if an asset is not classified as a financial asset measured at fair value through net profit or loss, it is measured at fair value to which the transaction costs directly attributable to the acquisition of the financial asset are added. Trade receivables that do not contain significant financial components are measured at the transaction price at initial recognition. Note that transaction costs of financial assets measured at fair value through net profit or loss are recognized in net profit or loss.

#### (b) Classification and subsequent measurement

The Group classifies the financial assets that it holds as (a) financial assets measured at amortized cost, (b) equity financial assets measured at fair value through other comprehensive income, or (c) financial assets measured at fair value through net profit or loss. These classifications are determined at the time of initial recognition, and the financial assets after initial recognition are measured in the following manner according to each classification.

#### (A) Financial assets measured at amortized cost

The Group classifies the financial assets that it holds as those measured at amortized cost if it meets both of the following conditions:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets measured at amortized cost are measured using the effective interest method less any impairment loss, as necessary. Amortization using the effective interest method and any gains or losses due to derecognition are recognized in net profit or loss for the period.

#### (B) Equity financial assets measured at fair value through other comprehensive income

For certain equity financial assets, the Group has made the irrevocable election to measure fair value changes after initial recognition in other comprehensive income and classifies such financial assets as equity financial assets measured at fair value through other comprehensive income.

After initial recognition, such financial assets are measured at fair value, and fair value changes are recognized in other comprehensive income. In the event that the investment is disposed, or if the fair value has declined significantly, the cumulative gains or losses recognized through other comprehensive income are reclassified from other components of equity to retained earnings.

Dividends from equity financial assets measured at fair value through other comprehensive income are recognized as financial income in net profit or loss.

#### (C) Financial assets measured at fair value through net profit or loss

The Group classifies financial assets other than those measured at amortized cost and financial assets other than equity financial assets measured at fair value through other comprehensive income, described above, as financial assets measured at fair value through net profit or loss. Derivative assets fall under the Group's financial assets measured at fair value through net profit or loss.

After initial recognition, such financial assets are measured at fair value, and fair value changes are recognized in net profit or loss. Any gains or losses relating to the financial asset measured at fair value through net profit or loss are recognized in net profit or loss.

#### (c) Impairment of financial assets

With regard to impairment loss on financial assets, including financial assets measured at amortized cost, the Group recognizes an allowance for doubtful accounts for the expected credit loss associated with the financial asset.

On each reporting date, the Group assesses whether the credit risk associated with the financial asset has increased significantly since initial recognition.

If the credit risk associated with a financial asset has not increased significantly since initial recognition, the Group recognizes an amount equivalent to a 12-month expected credit loss as allowance on the financial asset. If the credit risk associated with a financial asset has increased significantly since the initial recognition, the Group recognizes an amount equal to the lifetime expected credit loss as allowance on the financial asset.

However, for trade receivables, the Group always recognizes an amount equal to the lifetime expected credit loss as allowance for doubtful accounts.

The expected credit loss of financial assets is estimated using a method that reflects the following factors:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions that is available without undue cost or effort at the reporting date.

The amounts associated with such measurements are recognized in net profit or loss.

If, after the recognition of an impairment loss, an event occurs which could reduce the amount of the impairment loss, the decrease in impairment loss is reversed and recognized in net profit or loss.

#### (d) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to cash flows from the financial asset expire, or when the Group transfers the financial asset, or when substantially all the risks and rewards of ownership of the financial asset have been transferred in a transaction.



## **(ii) Financial liabilities**

### **(a) Initial recognition and measurement**

The Group initially recognizes financial liabilities on the transaction date.

The Group, at initial recognition, measures all financial assets at fair value. However, financial liabilities measured at amortized cost are measured at fair value less the transaction costs directly attributable to the financial liability.

Transaction costs of financial liabilities measured at fair value through net profit or loss are recognized in net profit or loss.

### **(b) Classification and subsequent measurement**

The Group classifies financial liabilities as either financial liabilities measured at fair value through net profit or loss or financial liabilities measured at amortized cost. These classifications are determined at the time of initial recognition. Financial liabilities after initial recognition are measured in the following manner according to each classification.

Derivative liabilities fall under the Group's financial liabilities measured at fair value through net profit or loss. The Group has not made any irrevocable elections to measure financial liabilities as financial liabilities measured at fair value through net profit or loss, at initial recognition. After initial recognition, financial liabilities measured at fair value through net profit or loss are measured at fair value, and fair value changes are recognized in net profit or loss for the period.

After initial recognition, financial liabilities measured at amortized cost are measured using the effective interest method. Amortization using the effective interest method and any gains or losses due to derecognition are recognized in net profit or loss for the period.

### **(c) Derecognition of financial liabilities**

The Group derecognizes financial liabilities when they are extinguished (i.e., when the contractual obligation is fulfilled), or when a specific contractual obligation is discharged, canceled, or expires.

### **(iii) Offsetting a financial asset and a financial liability**

Financial assets and financial liabilities are offset and presented in the consolidated statement of financial position as a net amount, if and only if the Group has a legal right to offset financial assets with financial liabilities and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **(5) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits withdrawable as necessary, and short-term investments which are easily converted into cash, with original maturities of three months or less and minimal risk of changes in value.

## **(6) Inventories**

Inventories are measured at the lower of cost and net realizable value.

Cost of inventories includes purchase costs, processing costs, and all other costs incurred in bringing inventory to its existing location and condition.

Cost of inventories is calculated primarily using the first-in, first-out method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## **(7) Property, plant and equipment**

The cost model has been applied, and all property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses.

Cost includes costs directly attributable to the acquisition of the assets, the cost of restoring the site, and other costs.

Depreciation of assets other than land and construction in progress is calculated using the straight-line method based on the estimated useful life of each asset. The estimated useful lives of major assets are as follows:

- Buildings and structures: 2 to 50 years
- Machinery, equipment and vehicles: 2 to 20 years
- Tools, furniture and fixtures: 2 to 20 years

The estimated useful lives, residual values, and depreciation methods are reviewed each year and revised as necessary.

## **(8) Intangible assets**

The cost model has been applied, and all intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets comprise mainly development expenses, and expenses incurred in development activities are capitalized if and only if they meet all of the requirements listed below:

- It is technically feasible to complete their developments to use or sell them;
- The Group has the intent to complete their developments and to use or sell them;
- The Group is capable of using or selling them;
- It is highly probable that they will generate future economic benefits;
- The Group has the adequate technical, financial, and other resources to complete their developments and to use or sell them; and
- The Group is capable of reliably measuring the expenditures associated with the intangible assets during the development process.

Capitalized development expenses are amortized using the straight-line method over the estimated useful life (mainly five years) commencing from the time the product subject to development commences mass production. The estimated useful lives and amortization methods are reviewed each year and revised as necessary.

## **(9) Leases**

The Group determines whether a contract is or contains a lease at the commencement of the contract. If the right to control the use of an asset for a specified period of time is transferred in exchange for consideration, the contract is deemed to be or contain a lease.

### **(i) Lease as lessee**

At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability. At the commencement date, the right-of-use asset is recognized at cost. After the commencement date, the right-of-use asset will be measured at cost less accumulated depreciation and accumulated impairment losses by applying the cost model.

Right-of-use assets will be depreciated using the straight-line method over either the estimated useful life of an asset or its lease term, whichever is shorter.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that time. After the commencement date, the carrying amount of a lease liability is increased or decreased in a manner to reflect the interest rate on the lease liability and the lease payments already paid. If a lease liability is reassessed or the terms and conditions of a lease contract are modified, the lessee shall remeasure the lease liability and recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

For leases that expire within 12 months or of which underlying assets are of low value, lease payments are recognized as net profit or loss primarily on a straight-line basis over the period of the lease.

### **(ii) Leases as lessor**

Each lease is classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

#### **(a) Finance lease**

At the commencement date of a lease, assets held under a finance lease are presented as a receivable at an amount equal to the net investment in the lease.

#### **(b) Operating lease**

Lease payments from operating leases are recognized as net profit or loss primarily on a straight-line basis.

#### **(c) Sublease**

In classifying a sublease, an intermediate lessor shall classify the sublease as an operating lease if the head lease is a short-term lease; otherwise, the intermediate lessor shall classify the sublease by reference to the right-of-use asset arising from the head lease.

#### **(10) Impairment of non-financial assets**

During each reporting period, the Group assesses each asset or cash-generating unit for any indications of impairment, and if any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit.

The recoverable amount is calculated at the higher of the fair value of the asset or cash-generating unit less costs to sell and the value in use.

Value in use is calculated by discounting the estimated future cash flows to the present value using the pre-tax discount rate that reflects the current market assessments of the time value of money.

If the recoverable amount is less than the carrying amount of the asset or cash-generating unit, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss in net profit or loss.

In terms of impairment losses recognized in the past, assessment is conducted for any indications of the possibility of decrease in impairment, including cases in which the assumptions used to determine the recoverable amount have changed. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment loss is reversed up to the lower of the recoverable amount determined and the carrying amount net of depreciation that would have been determined if no impairment loss had been recognized in prior years.

#### **(11) Non-current assets held for sale**

Among assets or asset groups whose carrying amounts are expected to be recovered through a sale transaction rather than continuing use, assets for which sale within one year is highly probable, assets which are available for immediate sale in their present condition, and assets for which the Group's management is committed to a plan to sell, the assets are classified as non-current assets held for sale.

Non-current assets held for sale are not depreciated or amortized and are measured at the lower of the carrying amount and fair value less costs to sell.

#### **(12) Employee benefits**

##### **(i) Post-employment benefits**

The Group has adopted defined benefit plans and defined contribution plans.

Defined benefit plans are recognized in the consolidated statement of financial position in the amount of defined benefit plan obligations, which has been calculated at the discounted present value of the amount of estimated future benefits earned by the employee as consideration for services rendered in the past and in the current period under each plan, less the fair value of the plan assets.

The present value of defined benefit plan obligations and related service costs is calculated using the projected unit credit method. The discount rate is determined by reference to market yields on high-quality corporate bonds with similar maturities to the obligations under the plans.

Increases/decreases through remeasurements of defined benefit plan obligations and plan assets are recognized in other comprehensive income.

Prior service costs resulting from plan amendments or curtailment are recognized in net profit or loss at the earlier of the time of amendment or the time at which the related restructuring costs or severance benefits are recognized.

The obligation to make contributions under the defined contribution plans is recognized in net profit or loss in the period in which the employee renders the related service.

##### **(ii) Short-term employee benefits**

Short-term employee benefits including wages are recognized in net profit or loss in the period in which the employee renders the related service.

Bonus payments are recognized as liabilities if the Group has a legal or constructive obligation to pay and the obligation can be estimated reliably.

The cost of paid leave is recognized as a liability in the period in which the employee renders the service which will increase the employee's entitlement to future paid leave.

##### **(iii) Other long-term employee benefits**

Other long-term employee benefits, including a long-service award system, are recognized as liabilities by estimating the amount of future benefit that employees have earned in consideration for services rendered in the current and prior periods and discounting that amount to the present value.

#### **(13) Provisions**

Provisions are recognized if a present legal or constructive obligation exists as a result of a past event that can be estimated reliably and if it is probable that an outflow of economic resources will be required to settle the obligation.

When the time value of money is material, a provision is measured at the present value to which estimated cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the obligation. Increases in the amount of provisions associated with the passage of time are recognized in net profit or loss.

#### **(14) Government-imposed levies**

Government-imposed levies are recognized as a liability in the estimated amount to be paid when an event obligating payment to the government has occurred.

#### **(15) Equity**

##### **(i) Common shares**

The amount of equity instruments issued by the Company is recognized in common stock and capital surplus, and direct issue costs (after consideration of tax effects) are deducted from capital surplus.

##### **(ii) Treasury stock**

When the Company acquires treasury stock, the consideration paid, including direct transaction costs (after consideration of tax effects), is recognized as a deduction from equity. When the Company disposes of treasury stock, gains or losses on sales of treasury stock are recognized in capital surplus.

#### **(16) Revenues**

##### **(i) Revenue from contracts with customers**

The Group recognizes revenue based on the following five-step approach.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract(s).

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group's primary line of business involves the manufacture and sale of seats for automobiles. Revenue pertaining to the sale of these products will be recognized when a product and control of said product are transferred to the customer and the performance obligation is deemed satisfied according to the contract with the customer.

Revenue will be measured as amounts net of discounts and other deductions from compensation agreed upon in the contract with the customer.

##### **(ii) Interest income**

Interest income is recognized based on the effective interest method.

##### **(iii) Dividend income**

Dividend income is recognized when the right to receive payment of the dividend is established.

#### **(17) Government grants**

Government grants are recognized at fair value when and only when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received.

Government grants relating to revenues are recognized in net profit or loss over the period in which the expenses are compensated by the grants.

Government grants relating to assets are recognized as deferred revenue and reclassified to net profit or loss on a systematic basis over the useful life of the asset.

#### **(18) Share-based remuneration**

The Company has adopted a restricted stock compensation scheme, which is accounted for as an equity-settled share-based remuneration plan. As to the restricted stock compensation, the restricted shares as of the allotment date are measured at fair value and recognized as an expense, along with a corresponding increase in equity, over the vesting period.



### (19) Income taxes

Income taxes comprise current taxes and deferred taxes, and they are recognized in net profit or loss, excluding items related to business combinations, items that are directly recognized in equity, and items recognized in other comprehensive income.

Current taxes are calculated based on the estimated payment to or refunds from the tax authorities. Current tax liabilities are calculated based on tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax bases at the end of the fiscal year, unused tax losses, and unused tax credits (hereinafter "temporary differences").

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized for deductible temporary differences, unused tax losses, and unused tax credits only to the extent that it is probable that there will be taxable profits against which the temporary differences may be utilized.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the temporary difference is reversed based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority.

### (20) Basic earnings per share

Basic earnings per share is calculated by dividing profit or loss for the year attributable to ordinary shareholders of the parent by the weighted-average number of ordinary shares outstanding during the year adjusted for the weighted-average number of treasury shares purchased in the year.

## 4. NEW STANDARDS NOT YET ADOPTED BY THE GROUP

None of the new or revised standards and interpretations that were issued by the date of approval of the consolidated financial statements have a material impact on the Group.

## 5. SEGMENT INFORMATION

### (1) Overview of reportable segments

The reportable segments are components of the Company for which separate financial information is available. These segments file monthly reports which the Board of Directors uses for deciding the allocation of management recourse and evaluating results.

Positioning Japan as its global base, the Company has a segment-based control and management system for the three operating regions: The Americas (the United States, Canada, Mexico, and Brazil), China (China and Hong Kong), and Asia and Europe (Thailand, the Philippines, India, Indonesia, the United Kingdom, Hungary, and Poland). The Company appoints a Segment Executive General Manager who is responsible for control and management in each region. Policies and plans for business execution, controls, and other matters concerning general operations are discussed at regional management meetings attended by directors and the like in these regions for executing business activities.

Accordingly, the Company positions "Japan," "The Americas," "China," and "Asia and Europe" as its four reportable segments. In the reportable segments of Japan, The Americas, and Asia and Europe, the Company manufactures and sells products that mainly consist of automobile seats, automobile interiors, motorcycle seats, and resin-based products for motorcycles. In the reportable segment of China, the Company engages primarily in the manufacture and sale of automobile seats and automobile interiors.

### (2) Accounting method for revenue, profits or losses, assets, liabilities, and other items according to reportable segment

Accounting methods for reportable business segments are the same as those presented in Note 3 "Important Accounting Policies."

The Company decides the price of transactions carried out among segments by considering market prices and gross costs, and through price negotiations.

Profits for reportable segments are operating income (loss) figures based on the consolidated statements of profit or loss and comprehensive income.

### (3) Information on revenue, profits or losses, and other items according to reportable segment

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

	Reportable segments					Adjustments	Consolidated
	Japan	The Americas	China	Asia and Europe	Total		
Revenue:							
External revenue	¥58,396	¥141,425	¥113,784	¥32,543	¥346,149	¥ —	¥346,149
Inter-segment revenue	20,470	498	3,867	1,478	26,315	(26,315)	—
Total	¥78,866	¥141,924	¥117,652	¥34,021	¥372,465	¥(26,315)	¥346,149
Segment profits (losses)	¥ 7,140	¥ 3,368	¥ 23,199	¥ (2,344)	¥ 31,362	¥ (4,620)	¥ 26,742
Finance income and finance costs	—	—	—	—	—	—	1,846
Share of profit of investments accounted for using the equity method	—	—	—	—	—	—	7,658
Income before income tax	—	—	—	—	—	—	36,247

Note: Adjustments of -¥4,620 million for segment profits included an inter-segment elimination of ¥68 million and operating expenses of -¥4,688 million associated with the administration division of the headquarters of the parent, which could not be allocated.

### Other important items

(Unit: Million yen)

	Reportable segments					Adjustments	Consolidated
	Japan	The Americas	China	Asia and Europe	Total		
Depreciation and amortization	¥3,275	¥4,407	¥2,063	¥1,702	¥11,448	¥(8)	¥11,440
Impairment loss	1	—	57	84	142	—	142
Capital expenditures	3,211	1,887	922	664	6,686	—	6,686

Note: The adjustment for depreciation and amortization is an inter-segment elimination.

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

	Reportable segments					Adjustments	Consolidated
	Japan	The Americas	China	Asia and Europe	Total		
Revenue:							
External revenue	¥61,515	¥144,192	¥111,177	¥33,074	¥349,958	¥ —	¥349,958
Inter-segment revenue	21,183	335	4,059	1,128	26,707	(26,707)	—
Total	¥82,698	¥144,527	¥115,236	¥34,202	¥376,666	¥(26,707)	¥349,958
Segment profits (losses)	¥ 6,261	¥ (252)	¥ 20,000	¥ 1,957	¥ 27,966	¥ (4,967)	¥ 22,998
Finance income and finance costs	—	—	—	—	—	—	2,249
Share of profit of investments accounted for using the equity method	—	—	—	—	—	—	590
Income before income tax	—	—	—	—	—	—	25,839

Note: Adjustments of -¥4,967 million for segment profits included an inter-segment elimination of ¥191 million and operating expenses of -¥5,159 million associated with the administration division of the headquarters of the parent, which could not be allocated.

Other important items

(Unit: Million yen)

	Reportable segments					Adjustments	Consolidated
	Japan	The Americas	China	Asia and Europe	Total		
Depreciation and amortization	¥3,268	¥4,252	¥2,085	¥1,440	¥11,046	¥(12)	¥11,033
Impairment loss	137	—	6	—	143	—	143
Capital expenditures	4,528	6,213	1,392	2,332	14,466	—	14,466

Note: The adjustment for depreciation and amortization is an inter-segment elimination.

#### (4) Information related to products and services

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Segment information according to products and services is omitted as revenue from external customers in a single product/service category accounts for the majority of revenue in the consolidated statement of profit or loss.

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Segment information according to products and services is omitted as revenue from external customers in a single product/service category accounts for the majority of revenue in the consolidated statement of profit or loss.

#### (5) Information according to region

##### (i) Revenue

(Unit: Million yen)

	FY2021	FY2022
	(April 1, 2020–March 31, 2021)	(April 1, 2021–March 31, 2022)
Japan	¥ 57,846	¥ 60,298
The United States	100,021	103,735
China	114,174	111,600
Other	74,106	74,324
Total	¥346,149	¥349,958

Note: Revenue is based on customers' locations and is categorized into countries and regions.

##### (ii) Non-current assets (excluding financial instruments, deferred tax assets, net defined benefit asset, and rights arising from insurance contracts)

(Unit: Million yen)

	FY2021	FY2022
	(As of March 31, 2021)	(As of March 31, 2022)
Japan	¥37,564	¥37,614
The United States	16,823	18,854
China	10,123	11,190
Other	15,453	19,781
Total	¥79,965	¥87,440

#### (6) Information according to major customers

(Unit: Million yen)

	FY2021	FY2022
	(April 1, 2020–March 31, 2021)	(April 1, 2021–March 31, 2022)
Honda Motor Co., Ltd. Group	¥314,429	¥313,659

Note: Revenue is recorded for the Japan, The Americas, China, and Asia and Europe segments.

## 6. BUSINESS COMBINATION

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

### (1) Outline of business combination

Name of acquired company	Honda Cars SAITAMAKITA
Business description	New and used car sales; lease; car rental; car safety inspection, inspection, maintenance, and repair; non-life insurance agency business; life insurance agency business; sales of parts and accessories
Acquisition date	May 15, 2020
Percentage of equity interest with voting rights acquired	100%
Method of acquiring control of the acquired company	Acquisition of shares for cash consideration



## (2) Main reasons for business combination

By acquiring Honda Cars SAITAMAKITA, whose business has been stable underpinned by its community-based business activities, the Company aims to bring the Group and its end users closer together, accelerate the creation of new values, expand the scope of its business, and stabilize revenue in Japan.

## (3) Assets acquired and liabilities assumed

(Unit: Million yen)	
Item	Amount
Current assets	¥2,103
Non-current assets	3,551
Total assets	5,655
Current liabilities	2,326
Non-current liabilities	1,154
Total liabilities	3,481
Net assets	2,174

## (4) Goodwill arising from the acquisition

(Unit: Million yen)	
Item	Amount
Consideration for the acquisition	¥2,637
Fair value of the identifiable net assets acquired by the Group	2,174
Goodwill arising from the acquisition	463

Notes: 1. Goodwill arising from the excess earnings power which is expected from business development in the future.  
2. None of the goodwill is deductible for tax purposes.

## (5) Cash flow information

(Unit: Million yen)	
Item	Amount
Cash consideration for the acquisition	¥2,637
Cash and cash equivalents held by the acquired company	1,073
Purchase of shares of subsidiaries	1,564

## (6) Other

After the acquisition date, the acquired company has recognized ¥8,632 million as revenue and ¥273 million as net income in the Company's consolidated statement of profit or loss.

Based on the assumption that the acquisition was made at the beginning of the fiscal year under review, the presentations of the acquired company's revenue, net income, and costs related to the business combination are omitted as their impact was considered immaterial.

## For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Not applicable

## 7. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows.

(Unit: Million yen)		
	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Cash and cash equivalents	¥153,034	¥139,585

Note: The balance of "Cash and cash equivalents" in the consolidated statement of financial position and the balance of "Cash and cash equivalents at end of period" in the consolidated statement of cash flows coincide.

## 8. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows.

(Unit: Million yen)		
	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Trade receivable	¥57,895	¥60,222
Others	5,090	5,208
Allowance for doubtful accounts	(0)	(1)
Total	¥62,984	¥65,430

Note: Financial assets among "Trade and other receivables" are classified as financial assets measured at amortized cost.

## 9. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows.

(Unit: Million yen)		
	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Deposits with maturities of three months or more	¥ 4,557	¥ 8,600
Short-term loans receivable	3	2
Long-term loans receivable	497	549
Lease receivables	4,288	4,403
Equity instruments	16,441	18,411
Derivative financial assets	0	0
Others	4,860	4,846
Allowance for doubtful accounts	(29)	(17)
Total	¥30,619	¥36,797
Current assets	¥ 5,361	¥ 9,700
Non-current assets	25,258	27,097
Total	¥30,619	¥36,797

Notes: 1. Deposits with maturities of three months or more, short-term loans receivable, and long-term loans receivable, are classified as financial assets measured at amortized cost.  
2. Equity instruments are classified as financial assets measured at fair value through other comprehensive income.  
3. Derivative financial assets are classified as financial assets measured at fair value through net profit or loss.

Major securities and fair values designated as equity instruments measured at fair value through other comprehensive income are as follows.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Honda Motor Co., Ltd.	¥12,790	¥13,496
Isuzu Motors Ltd.	349	482
PIOLAX, Inc.	—	480
OILES CORPORATION	—	444
Suzuki Motor Corporation	448	376
Other	2,853	3,131
<b>Total</b>	<b>¥16,441</b>	<b>¥18,411</b>

The Group has elected to present subsequent changes in the fair value of the equity instruments held by the Group in other comprehensive income, since those equity instruments are held to maintain or strengthen the business relationship with business partners.

Amounts recognized as dividends received from equity instruments measured at fair value through other comprehensive income are as follows.

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Dividends received on investments held at the end of the period	¥408	¥532

## 10. INVENTORIES

The breakdown of inventories is as follows.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Merchandise and finished goods	¥ 3,458	¥ 4,576
Work in progress	1,812	3,273
Raw materials and supplies	28,336	35,681
<b>Total</b>	<b>¥33,607</b>	<b>¥43,532</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

The following are the changes in the cost, accumulated depreciation and impairment loss, and carrying amounts of property, plant and equipment.

### Cost

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2020	¥63,426	¥69,117	¥33,015	¥12,619	¥2,027	¥180,206
Acquisition cost	853	940	348	—	4,377	6,520
Acquisition through business combination	802	371	18	989	134	2,317
Sales or disposal	(321)	(1,797)	(1,361)	(18)	(2)	(3,501)
Reclassification to other account	877	2,037	1,140	—	(4,357)	(300)
Effects of foreign currency translation	1,678	2,151	1,003	299	66	5,199
Other	198	(11)	2	—	251	440
Balance as of March 31, 2021	¥67,516	¥72,809	¥34,167	¥13,889	¥2,498	¥190,881
Acquisition cost	<b>2,724</b>	<b>1,752</b>	<b>382</b>	<b>513</b>	<b>8,865</b>	<b>14,238</b>
Acquisition through business combination	—	—	—	—	—	—
Sales or disposal	<b>(2,409)</b>	<b>(4,553)</b>	<b>(2,146)</b>	<b>(862)</b>	<b>(33)</b>	<b>(10,005)</b>
Reclassification to other account	<b>147</b>	<b>2,822</b>	<b>1,288</b>	<b>12</b>	<b>(5,108)</b>	<b>(837)</b>
Effects of foreign currency translation	<b>4,182</b>	<b>5,746</b>	<b>2,377</b>	<b>535</b>	<b>374</b>	<b>13,216</b>
Other	<b>(565)</b>	<b>(50)</b>	<b>(114)</b>	<b>(16)</b>	<b>14</b>	<b>(731)</b>
Balance as of March 31, 2022	<b>¥71,595</b>	<b>¥78,528</b>	<b>¥35,954</b>	<b>¥14,072</b>	<b>¥6,611</b>	<b>¥206,762</b>

## Accumulated depreciation and impairment loss

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2020	¥30,166	¥52,395	¥28,782	¥332	¥—	¥111,676
Depreciation	2,803	4,563	1,786	55	—	9,209
Impairment loss	0	115	26	—	—	141
Sales or disposal	(251)	(1,594)	(951)	(5)	—	(2,803)
Reclassification to other account	163	(10)	17	(0)	—	170
Effects of foreign currency translation	779	1,626	913	35	—	3,355
Other	51	18	(17)	26	—	77
Balance as of March 31, 2021	¥33,714	¥57,112	¥30,556	¥444	¥—	¥121,827
Depreciation	<b>2,759</b>	<b>4,202</b>	<b>1,715</b>	<b>74</b>	—	<b>8,751</b>
Impairment loss	—	<b>5</b>	<b>1</b>	<b>137</b>	—	<b>143</b>
Sales or disposal	<b>(2,339)</b>	<b>(4,261)</b>	<b>(2,049)</b>	<b>(13)</b>	—	<b>(8,663)</b>
Reclassification to other account	<b>(53)</b>	<b>(96)</b>	<b>(51)</b>	<b>(5)</b>	—	<b>(207)</b>
Effects of foreign currency translation	<b>1,813</b>	<b>4,440</b>	<b>2,154</b>	<b>45</b>	—	<b>8,455</b>
Other	<b>(35)</b>	<b>(4)</b>	<b>(271)</b>	<b>(93)</b>	—	<b>(405)</b>
Balance as of March 31, 2022	<b>¥35,858</b>	<b>¥61,397</b>	<b>¥32,056</b>	<b>¥590</b>	<b>¥—</b>	<b>¥129,902</b>

Notes: 1. Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

2. Depreciation of right-of-use assets included in property, plant and equipment are outlined in Note 32 "Leases."

## Carrying amounts

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2020	¥33,259	¥16,722	¥4,233	¥12,287	¥2,027	¥68,530
Balance as of March 31, 2021	33,802	15,697	3,610	13,445	2,498	69,053
Balance as of March 31, 2022	<b>35,737</b>	<b>17,130</b>	<b>3,898</b>	<b>13,482</b>	<b>6,611</b>	<b>76,860</b>

Note: The carrying amounts of right-of-use assets included in property, plant and equipment are outlined in Note 32 "Leases."

## 12. INTANGIBLE ASSETS

### (1) Schedule of intangible assets

The following are changes in the cost, accumulated amortization and impairment loss, and carrying amounts of intangible assets.

#### Cost

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 2020	¥5,773	¥16,810	¥—	¥140	¥22,725
Acquisition cost	104	—	—	61	165
Increase due to internal development	—	2,039	—	—	2,039
Acquisition through business combination	—	—	463	1,058	1,521
Disposal	(64)	(356)	—	(45)	(466)
Effects of foreign currency translation	91	25	—	14	130
Other	39	—	—	0	39
Balance as of March 31, 2021	¥5,943	¥18,518	¥463	¥1,228	¥26,154
Acquisition cost	<b>111</b>	—	—	<b>116</b>	<b>228</b>
Increase due to internal development	—	<b>1,632</b>	—	—	<b>1,632</b>
Acquisition through business combination	—	—	—	—	—
Disposal	<b>(175)</b>	<b>(3,787)</b>	—	—	<b>(3,962)</b>
Effects of foreign currency translation	<b>117</b>	<b>156</b>	—	<b>9</b>	<b>283</b>
Other	<b>129</b>	—	—	<b>(145)</b>	<b>(16)</b>
Balance as of March 31, 2022	<b>¥6,125</b>	<b>¥16,520</b>	<b>¥463</b>	<b>¥1,209</b>	<b>¥24,319</b>

#### Accumulated amortization and impairment loss

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 2020	¥5,006	¥8,252	¥—	¥100	¥13,358
Amortization	339	1,820	—	78	2,239
Impairment loss	—	—	—	1	1
Disposal	(64)	(356)	—	(10)	(431)
Effects of foreign currency translation	79	27	—	12	119
Other	1	0	—	(45)	(43)
Balance as of March 31, 2021	¥5,361	¥9,743	¥—	¥136	¥15,242
Amortization	<b>307</b>	<b>1,837</b>	—	<b>136</b>	<b>2,281</b>
Impairment loss	—	—	—	—	—
Disposal	<b>(173)</b>	<b>(3,787)</b>	—	—	<b>(3,960)</b>
Effects of foreign currency translation	<b>104</b>	<b>148</b>	—	<b>8</b>	<b>261</b>
Other	<b>(10)</b>	—	—	<b>(76)</b>	<b>(86)</b>
Balance as of March 31, 2022	<b>¥5,589</b>	<b>¥7,942</b>	<b>¥—</b>	<b>¥206</b>	<b>¥13,738</b>

Note: Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.



## Carrying amounts

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 2020	¥767	¥8,558	¥ —	¥ 40	¥ 9,366
Balance as of March 31, 2021	581	8,774	463	1,092	10,911
Balance as of March 31, 2022	<b>536</b>	<b>8,577</b>	<b>463</b>	<b>1,003</b>	<b>10,580</b>

### (2) Development expenses

The breakdown of development expenses is as follows.

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
R&D expenditures incurred during the period	¥12,533	<b>¥11,930</b>
Reclassification to capitalized development expenses	(2,039)	<b>(1,632)</b>
Amortization of capitalized development expenses	1,820	<b>1,837</b>
Total	¥12,315	<b>¥12,136</b>

## 13. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Notes and accounts payable – trade	¥44,903	<b>¥47,588</b>
Other	18,039	<b>19,436</b>
Total	¥62,943	<b>¥67,024</b>

Note: Financial liabilities related to “Trade and other payables” are classified as financial liabilities measured at amortized cost.

## 14. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Lease obligations	¥5,228	<b>¥6,030</b>
Derivative financial liabilities	81	<b>108</b>
Total	¥5,309	<b>¥6,138</b>
Current liabilities	¥1,357	<b>¥1,718</b>
Non-current liabilities	3,952	<b>4,420</b>
Total	¥5,309	<b>¥6,138</b>

Note: Derivative financial liabilities are classified as financial liabilities measured at a fair value through net profit or loss.

## 15. INCOME TAXES

### (1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities is as follows.

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

	Balance at the beginning of the fiscal year	Recognized through net profit or loss	Recognized through other comprehensive income	Acquisition through business combination	Balance at the end of the fiscal year
Deferred tax assets:					
Inventories	¥ 2,524	¥ (41)	¥ —	¥ —	¥ 2,483
Property, plant and equipment	821	199	—	—	1,021
Intangible assets	117	0	—	—	117
Investments in equity instruments	0	—	(1)	0	—
Accrued expenses and provisions	1,086	403	—	79	1,568
Net defined benefit liability	207	93	(0)	—	301
Unused tax losses	110	(86)	—	—	23
Other	1,016	161	—	7	1,185
Total deferred tax assets	¥ 5,884	¥730	¥ (1)	¥ 87	¥ 6,701

### Deferred tax liabilities:

Property, plant and equipment	¥ 901	¥ 68	¥ —	¥ 34	¥ 1,003
Intangible assets	2,092	45	—	317	2,455
Investments in equity instruments	2,502	—	1,238	—	3,740
Net defined benefit asset	558	(57)	548	18	1,067
Undistributed earnings of foreign subsidiaries	1,529	140	50	—	1,720
Other	843	(71)	—	2	774
Total deferred tax liabilities	¥ 8,427	¥124	¥ 1,836	¥ 372	¥10,762
Net deferred tax liabilities	¥(2,542)	¥605	¥(1,838)	¥(285)	¥ (4,060)

Note: The difference between the total amount recognized through net profit or loss and total deferred tax expenses is due to fluctuations in foreign exchange rates.

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

	Balance at the beginning of the fiscal year	Recognized through net profit or loss	Recognized through other comprehensive income	Acquisition through business combination	Balance at the end of the fiscal year
Deferred tax assets:					
Inventories	¥ 2,483	¥ (250)	¥ —	¥ —	¥ 2,232
Property, plant and equipment	1,021	106	—	—	1,128
Intangible assets	117	(19)	—	—	98
Investments in equity instruments	—	—	—	—	—
Accrued expenses and provisions	1,568	68	—	—	1,636
Net defined benefit liability	301	(14)	(19)	—	266
Unused tax losses	23	972	—	—	995
Other	1,185	1,096	110	—	2,392
Total deferred tax assets	¥ 6,701	¥ 1,958	¥ 90	¥ —	¥ 8,750
Deferred tax liabilities:					
Property, plant and equipment	¥ 1,003	¥ 631	¥ —	¥ —	¥ 1,635
Intangible assets	2,455	(226)	—	—	2,229
Investments in equity instruments	3,740	—	207	—	3,947
Net defined benefit asset	1,067	(75)	294	—	1,285
Undistributed earnings of foreign subsidiaries	1,720	(521)	—	—	1,198
Other	774	695	—	—	1,470
Total deferred tax liabilities	¥ 10,762	¥ 503	¥ 501	¥ —	¥ 11,766
Net deferred tax liabilities	¥ (4,060)	¥ 1,455	¥ (410)	¥ —	¥ (3,016)

Note: The difference between the total amount recognized through net profit or loss and total deferred tax expenses is due to fluctuations in foreign exchange rates.

Deferred tax assets and deferred tax liabilities in the consolidated statement of financial position are as follows.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Deferred tax assets	¥ 1,748	¥ 2,454
Deferred tax liabilities	5,808	5,470
Net deferred tax liabilities	¥(4,060)	¥(3,016)

Deductible temporary differences for which deferred tax assets have not been recognized are as follows. Amounts are presented on a taxable amount basis.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Deductible temporary differences	¥1,125	¥851

The breakdown by expiration date of unused tax losses and tax credits for which deferred tax assets have not been recognized is as follows. Amounts are presented on a taxable amount basis.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Within 1 year	¥ —	¥ 224
Between 1 and 2 years	296	569
Between 2 and 3 years	552	664
Between 3 and 4 years	11	7
Between 4 and 5 years	—	—
More than 5 years	32	57
Total	¥893	¥1,524

Taxable temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognized are as follows.

Deferred tax liabilities were not recognized as the timing of the reversal of the temporary differences could be controlled by the Group and it was probable that the temporary differences would not reverse in the foreseeable future.

Amounts are presented on an income basis.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Taxable temporary differences	¥116,933	¥139,312

(2) Income tax expenses

The breakdown of income tax expenses is as follows.

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Current tax expense:		
Taxable amount for the fiscal year	¥8,844	¥ 8,146
Adjustment for prior years	(203)	60
Total current tax expense	¥8,641	¥ 8,207
Deferred tax expense:		
Accrual and reversal of temporary differences	¥ (737)	¥(1,525)
Changes in tax rates	49	—
Changes in unrecognized temporary differences, etc.	211	354
Total deferred tax expense	¥ (477)	¥(1,171)
Total income tax expense	¥8,164	¥ 7,035

Reconciliation of the effective statutory tax rates with the average actual tax rates in the consolidated statement of profit or loss is as follows.

(Unit: %)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Effective statutory tax rate	29.9%	<b>29.9%</b>
Differences with tax rates applied to foreign subsidiaries	(5.2)	<b>(6.1)</b>
Undistributed earnings of foreign subsidiaries	0.3	<b>(1.9)</b>
Permanent differences including dividend income	(12.4)	<b>(19.1)</b>
Differences due to factors including elimination of intra-group transactions	15.5	<b>24.2</b>
Share of loss (profit) of entities accounted for using the equity method	(6.3)	<b>(0.7)</b>
Tax credits	(1.2)	<b>(2.1)</b>
Changes in unrecognized deferred taxes	0.6	<b>1.4</b>
Other	1.3	<b>1.6</b>
Average actual tax rate	22.5%	<b>27.2%</b>

## 16. PROVISIONS

Changes in the amounts of provisions are as follows.

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

	Provision for product warranties	Provision for severance charges	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	¥156	¥2,290	¥85	¥ 2	¥2,534
Increase during the period	14	—	12	382	408
Decrease during the period (provision used)	(87)	(248)	(0)	(2)	(337)
Decrease during the period (reversal)	(5)	—	—	—	(5)
Effects of foreign currency translation	(0)	300	—	36	337
Balance at the end of the fiscal year	¥ 76	¥2,343	¥97	¥419	¥2,936
Current liabilities	¥ 76	¥2,343	¥12	¥419	¥2,851
Non-current liabilities	—	—	85	—	85
Total	¥ 76	¥2,343	¥97	¥419	¥2,936

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

	Provision for product warranties	Provision for severance charges	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	¥ 76	¥ 2,343	¥ 97	¥ 419	¥ 2,936
Increase during the period	163	—	—	80	243
Decrease during the period (provision used)	(205)	(2,188)	(12)	(195)	(2,602)
Decrease during the period (reversal)	—	(53)	—	(190)	(243)
Effects of foreign currency translation	4	26	—	10	41
Balance at the end of the fiscal year	¥ 39	¥ 127	¥ 84	¥ 123	¥ 375
Current liabilities	¥ 39	¥ 127	¥ 12	¥ 38	¥ 217
Non-current liabilities	—	—	72	85	157
Total	¥ 39	¥ 127	¥ 84	¥ 123	¥ 375

## 17. POST-EMPLOYMENT BENEFITS

### (1) Overview of the post-employment benefit plan adopted by the Group

To prepare for the payment of retirement benefits to its employees, the Company and certain consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans.

The defined benefit plans consist mainly of a contract-type corporate pension plan which pays out lump-sum payments and annuities based on a points system.

The contract-type corporate pension plan is managed, pursuant to a defined benefit corporate pension contract entered into by both labor and management, through the entrustment of the management and administration of plan assets to an investment institution.

In addition, the contract sets forth mandatory recalculation of premiums every five years, pursuant to the Defined Benefit Corporate Pension Act, in order to maintain balanced finances into the future.

### (2) Defined benefit plan

#### (i) Reconciliation of defined benefit obligations (assets) with the net defined benefit liability (asset) recorded in the consolidated statement of financial position

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Ending balance of defined benefit obligations	¥ 17,370	¥ 17,561
Ending balance of plan assets	(19,297)	(20,406)
Net amount of defined benefit obligations and assets	(1,926)	(2,845)
Net defined benefit liability	1,648	1,466
Net defined benefit asset	(3,575)	(4,311)
Net amount of liabilities and assets recorded in the consolidated statement of financial position	¥ (1,926)	¥ (2,845)



**(ii) Reconciliation of present value of defined benefit obligations**

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Beginning balance of defined benefit obligations	¥16,237	¥17,370
Service cost	1,148	1,089
Interest cost	151	162
Prior service cost	—	(218)
Actuarial differences (due to changes in financial assumptions)	(74)	(382)
Actuarial differences (due to adjustments)	(42)	(73)
Benefits paid	(428)	(503)
Effects of foreign currency translation	147	116
Increase (decrease) by business combination	230	—
Ending balance of defined benefit obligations	¥17,370	¥17,561

Notes: 1. Service cost, interest cost, and prior service cost are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

2. Actuarial differences are included in “Remeasurements of net defined benefit plans” in the consolidated statement of comprehensive income.

**(iii) Reconciliation of the fair values of plan assets**

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Beginning balance of plan assets	¥16,744	¥19,297
Interest income	214	142
Return on plan assets other than interest	1,791	751
Contributions from the employer	637	643
Benefits paid	(386)	(430)
Effects of foreign currency translation	3	2
Increase (decrease) by business combination	292	—
Ending balance of plan assets	¥19,297	¥20,406

Notes: 1. Interest income is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

2. Return on plan assets other than interest is included in “Remeasurements of net defined benefit plans” in the consolidated statement of comprehensive income.

**(iv) Major breakdown of fair values of plan assets**

(Unit: Million yen)

	FY2021 (As of March 31, 2021)		FY2022 (As of March 31, 2022)	
	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets
Equity instruments	¥8,852	¥ —	¥9,807	¥ —
Debt instruments	—	7,385	—	6,906
General accounts	—	2,321	—	2,401
Other	11	727	2	1,288
Total	¥8,863	¥10,433	¥9,810	¥10,596

**(v) Investment policy of plan assets**

With respect to its plan assets, the Group upholds the investment policy of maintaining a well-balanced, diversified portfolio comprised mainly of conventional assets within the acceptable boundaries of risk and of aiming for long-term, stable revenue levels that will ensure the performance of its payment obligations.

The Group reviews its investment policy as necessary depending on the financial conditions and the investment environment of the defined benefit plans.

**(vi) Significant actuarial assumptions and analysis of sensitivity thereto**

Significant actuarial assumptions are as follows.

(Unit: %)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Discount rate	0.6%	0.8%

The estimated effects of changes in actuarial assumptions on defined benefit obligations are as follows.

(Unit: Million yen)

	Changes in assumptions	Effects on defined benefit obligations	
		FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Discount rate	Rise by 0.5%	¥(1,078)	¥(1,042)
	Fall by 0.5%	1,197	1,154

Note: This analysis assumes that all variables other than the discount rate remain fixed.

**(vii) Contribution to plan assets in the following fiscal year**

The Company plans to contribute ¥645 million to plan assets in the year ending March 31, 2023 (April 1, 2022 to March 31, 2023).

**(viii) Maturity analysis of defined benefit plans**

Maturity analysis of defined benefit plans is as follows.

(Unit: Years)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Weighted-average duration	14.1	13.5

**(3) Defined contribution plans**

Amounts recognized as expenses of the defined contribution plans are as follows.

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Amounts recognized as expenses	¥612	¥626

## 18. NET ASSETS AND OTHER COMPONENTS OF EQUITY

### (1) Management of shareholders' equity

The Group manages its shareholders' equity in order to ensure the stable, continuous payout of dividends while at the same time utilizing it in investments for the development of new technology and the expansion of its business.

The Group uses the equity ratio as the primary indicator in the management of shareholders' equity, which is calculated by dividing "Total equity attributable to owners of parent" by "Total liabilities and equity."

	(Unit: Million yen)	
	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Shareholders' equity:		
Total equity attributable to owners of parent	¥277,017	¥296,855
Total liabilities and equity	390,478	415,985
Equity ratio (%)	70.9%	71.4%

Note: The Group is not subject to any material restrictions from third parties regarding its shareholders' equity.

### (2) Details of capital surplus

Details of capital surplus are as follows.

#### (i) Legal capital surplus

The Companies Act of Japan (hereinafter "the Companies Act") requires that in the issue of shares, 50% or more of the amount of payment for shares and assets delivered be incorporated into common stock and the remaining amount be incorporated into legal capital surplus. The Companies Act also provides that legal capital surplus may be incorporated into common stock by resolution of a shareholders' meeting.

#### (ii) Other capital surplus

Increases, etc., in equity corresponding to gains (losses) on disposal of treasury stock and share-based payment transactions

### (3) Details of retained earnings

Details of retained earnings are as follows.

#### (i) Legal retained earnings

The Companies Act requires that an amount equivalent to 10% of dividends from retained earnings to be paid be appropriated and set aside as legal capital surplus and legal retained earnings until the total of legal capital surplus and legal retained earnings amounts to 25% of common stock. Such legal retained earnings may be used to compensate for capital deficits. Legal retained earnings may also be reversed by resolution of a shareholders' meeting.

#### (ii) Other retained earnings

Other retained earnings represent the cumulative amount of profits earned by the Group.

### (4) Details of other components of equity

Details of other components of equity are as follows.

#### (i) Financial assets measured at fair value through other comprehensive income

The difference between the cost of financial assets measured at fair value through other comprehensive income and the fair value at the reporting date

#### (ii) Remeasurements of net defined benefit plans

Returns on plan assets other than actuarial differences and interest

#### (iii) Differences on translation from foreign operations

Translation differences arising from the translation of financial statements of subsidiaries prepared in functional currencies other than Japanese yen into Japanese yen

### (5) Changes in other components of equity

Changes in other components of equity are as follows.

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

	(Unit: Million yen)			
	Financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	¥6,093	¥ (242)	¥(10,338)	¥(4,487)
Other comprehensive income	2,879	1,426	5,920	10,226
Ending balance	¥8,972	¥1,184	¥ (4,417)	¥ 5,738

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

	(Unit: Million yen)			
	Financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	¥8,972	¥1,184	¥ (4,417)	¥ 5,738
Other comprehensive income	573	877	14,520	15,971
Ending balance	¥9,545	¥2,061	¥10,103	¥21,710

### (6) Total number of shares authorized to be issued and total number of shares issued

The total number of shares authorized to be issued and total number of shares issued were as follows.

	(Unit: Number of shares)	
	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Total number of shares authorized to be issued	272,000,000	272,000,000
Total number of shares issued	68,000,000	136,000,000

Note: All shares issued by the Company are common stock with no par value and no restrictions on the shareholders' rights. The Company conducted a two-for-one stock split of common shares as of April 1, 2021. For the previous fiscal year, the total number of shares issued represents the number before the stock split.

## (7) Treasury stock

The amount of treasury stock is as follows.

	(Unit: Number of shares)	
	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Amount of treasury stock at beginning of the fiscal year	2,434	875,754
Increase by stock split	—	875,754
Purchase of treasury stock by resolution of the Board of Directors	860,000	1,461,100
Purchase of stock less than one unit	—	1,809
Disposal of treasury stock as restricted stock compensation	(95,100)	(51,200)
Treasury stock held by entities accounted for using the equity method (the Company's shares) attributable to the Company	108,420	(250)
Amount of treasury stock at end of the fiscal year	875,754	3,162,967

Notes: 1. The Company conducted a two-for-one stock split of common shares as of April 1, 2021. For the previous fiscal year, the total number of shares issued represent the number before the stock split.  
2. For details of restricted stock delivered, see Note 30 "Share-Based Remuneration."

## 19. REVENUE

### (1) Disaggregation of revenue

The Company positions "Japan," "The Americas," "China," and "Asia and Europe" geographically as its four reportable segments and presents revenue from these regions.

Additionally, revenue is further disaggregated into the business segments of its motorcycle business, automobile business (seats and interior products), and other business. The relationship between disaggregated revenues and the revenues from each reportable segment is as follows.

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

	(Unit: Million yen)				
	Reportable segments				
	Japan	The Americas	China	Asia and Europe	Total
Motorcycle business	¥ 3,183	¥ 230	¥ —	¥ 1,136	¥ 4,549
Automobile business	45,837	137,071	113,784	31,399	328,093
(Seats)	40,805	115,742	107,067	29,114	292,728
(Interior products)	5,032	21,329	6,717	2,285	35,364
Other business	9,375	4,123	—	7	13,506
Total	¥58,396	¥141,425	¥113,784	¥32,543	¥346,149

Note: Inter-segment transactions are eliminated by offsetting and only external revenue is presented.

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

	(Unit: Million yen)				
	Reportable segments				
	Japan	The Americas	China	Asia and Europe	Total
Motorcycle business	¥ 4,021	¥ 481	¥ —	¥ 1,165	¥ 5,669
Automobile business	45,271	138,589	111,177	31,858	326,897
(Seats)	40,852	117,715	105,834	29,079	293,481
(Interior products)	4,419	20,873	5,343	2,779	33,415
Other business	12,221	5,121	—	49	17,392
Total	¥61,515	¥144,192	¥111,177	¥33,074	¥349,958

Note: Inter-segment transactions are eliminated by offsetting and only external revenue is presented.

The Group is engaged in manufacturing through its motorcycle business, automobile business (seats and interior products), and other business.

The performance obligation of revenue from the manufacturers of finished automobiles, who are the major customers of the Group, is satisfied when the Group delivers the product to the customer, and revenue is recognized at that point in time.

Revenue is measured as amounts net of discounts and other deductions from compensation agreed upon in the contract with the customer.

Compensation for the transactions is received mostly within one year from the fulfillment of the performance obligation and does not include a significant financing component.

### (2) Contract balances

Contract balances are as follows.

	(Unit: Million yen)		
	As of April 1, 2020	As of March 31, 2021	As of March 31, 2022
Receivables from contracts with customers	¥37,635	¥58,692	¥60,635
Contract liabilities	431	2,053	1,939

Receivables from contracts with customers are notes and accounts receivable – trade, and contract liabilities are primarily related to advances received from customers. In the consolidated statement of financial position, receivables from contracts with customers are included in "Trade and other receivables" and contract liabilities are included in "Other current liabilities."

Of the revenues recognized during the previous fiscal year and the fiscal year under review, the amounts included in contract liabilities at the beginning of the fiscal years were ¥300 million and ¥1,408 million, respectively. In addition, during the previous fiscal year and the fiscal year under review, the amount of revenue recognized from performance obligations satisfied in prior periods was not material.

An increase in contract liabilities for the previous fiscal year can be attributed primarily to the conversion of Honda Cars SAITAMAKITA into a consolidated subsidiary.

### (3) Transaction price allocated to remaining performance obligations

As there are no significant transactions with contracts with initial expected terms exceeding one year, the Group has applied a practical expedient and does not disclose information on remaining performance obligations. Additionally, among the compensation from contracts with customers, there are no significant amounts not included in the transaction price.

### (4) Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers

For the Group, assets recognized from the costs incurred for obtaining or fulfilling contracts with customers were not material. In addition, the Group has applied a practical expedient and recognized assets with amortization periods of one year or less, which it would have otherwise recognized, as an expense when incurred.



## 20. COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major expense items included in the breakdown of cost of sales and selling, general and administrative expenses according to the nature of the cost are as follows.

	(Unit: Million yen)	
	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Depreciation and amortization	¥11,440	¥11,033
Employee benefit expenses	69,998	72,369

## 21. OTHER INCOME AND OTHER EXPENSES

The breakdown of other income is as follows.

	(Unit: Million yen)	
	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Land and building rent received	¥ 150	¥ 135
Gain on disposal of non-current assets	640	1,448
Gain on government grants	1,645	644
Other	636	1,012
Total	¥3,072	¥3,240

Note: The content of the gain on government grants are stated in Note 22 "Government Grants."

The breakdown of other expenses is as follows.

	(Unit: Million yen)	
	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Loss on disposal of non-current assets	¥ 474	¥ 55
Impairment loss	142	143
Other	610	388
Total	¥1,227	¥587

Note: "Other" during the previous fiscal year represents primarily the provision of an allowance to cover losses from the closure of a subsidiary in the United Kingdom.

## 22. GOVERNMENT GRANTS

The breakdown of government grants is as follows.

	(Unit: Million yen)	
	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Deferred income relating to government grants	¥ 120	¥219
Gain on government grants	1,645	644

Notes: 1. Deferred income relating to government grants is recognized in "Other current liabilities" and "Other non-current liabilities" in the consolidated statement of financial position.

2. Gain on government grants is recognized in "Other income" in the consolidated statement of profit or loss.

3. For the previous fiscal year and the fiscal year under review, gain on government grants consists primarily of the grants intended for wage compensation to employees amid the COVID-19 pandemic. There are no unfulfilled conditions or contingencies.

## 23. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows.

	(Unit: Million yen)	
	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Interest income	¥ 827	¥ 966
Dividend income	455	626
Foreign exchange gains	698	774
Other	1	—
Total	¥1,983	¥2,367

Notes: 1. Interest income is the interest income generated from financial assets measured at amortized cost.

2. Dividend income is the dividend income generated from financial assets measured through other comprehensive income.

The breakdown of finance costs is as follows.

	(Unit: Million yen)	
	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Interest expense	¥133	¥117
Other	2	—
Total	¥136	¥117

## 24. EARNINGS PER SHARE

Basic earnings per share and the basis for estimation are outlined below.

Latent common stock that has a dilution effect is not included.

	(Unit: Million yen)	
	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Income attributable to owners of parent	¥ 20,741	¥ 12,416
Average number of common shares for the period (Thousand shares)	135,666	134,150
Basic earnings per share (Yen)	¥ 152.89	¥ 92.56

Notes: 1. The Company conducted a two-for-one stock split of common shares as of April 1, 2021.

2. Per share information is estimated based on the assumption that the stock split was conducted at the beginning of the year ended March 31, 2021.

## 25. OTHER COMPREHENSIVE INCOME

The breakdown of each item of other comprehensive income is as follows.

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of net defined benefit plans:		
Gains (losses) during the year	¥ 1,751	¥ 1,206
Income tax benefit (expense)	(530)	(342)
Subtotal	1,221	864
Equity financial assets measured at fair value through other comprehensive income:		
Gains (losses) during the year	3,931	771
Income tax benefit (expense)	(1,177)	(206)
Subtotal	2,754	564
Share of other comprehensive income of affiliates accounted for using the equity method:		
Gains (losses) during the year	323	73
Components that may be reclassified subsequently to net profit or loss		
Differences on translation from foreign operations:		
Gains (losses) during the year	7,793	16,353
Income taxes	(50)	110
Subtotal	7,742	16,463
Share of other comprehensive income of affiliates accounted for using the equity method:		
Gains (losses) during the year	48	895
Total other comprehensive income (loss), net of tax	¥12,091	¥18,860

## 26. DIVIDENDS

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

### (1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 19, 2020	Common shares	¥2,923	¥43.00	March 31, 2020	June 22, 2020
Board of Directors' meeting held on October 30, 2020	Common shares	¥2,923	¥43.00	September 30, 2020	November 30, 2020

### (2) Dividends whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 25, 2021	Common shares	Retained earnings	¥3,159	¥47.00	March 31, 2021	June 28, 2021

Note: The Company conducted a two-for-one stock split of common shares as of April 1, 2021. The dividend per share represents the actual dividend amount before the stock split.

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

### (1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 25, 2021	Common shares	¥3,159	¥47.00	March 31, 2021	June 28, 2021
Board of Directors' meeting held on November 4, 2021	Common shares	¥3,497	¥26.00	September 30, 2021	November 29, 2021

Notes: 1. Dividends in the consolidated statement of changes in equity are deducted from the total amount of dividends, which are related to the Company's shares held by entities accounted for using the equity method.

2. The Company conducted a two-for-one stock split of common shares as of April 1, 2021. The amount of dividend per share resolved at the Annual General Meeting of Shareholders held on June 25, 2021 is the amount before the stock split, and the amount of dividend per share resolved at the Board of Directors' meeting held on November 4, 2021 is the amount after the stock split.

### (2) Dividends whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2022	Common shares	Retained earnings	¥3,725	¥28.00	March 31, 2022	June 27, 2022

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities is as follows.

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

	Beginning balance	Cash flows	Non-cash transactions			Ending balance
			Increase	Foreign currency translation	Other	
Long-term loans	¥ 75	¥ (75)	¥ —	¥ —	¥ —	¥ —
Lease liabilities	3,939	(1,754)	2,051	94	897	5,228
<b>Total</b>	<b>¥4,014</b>	<b>¥(1,829)</b>	<b>¥2,051</b>	<b>¥94</b>	<b>¥897</b>	<b>¥5,228</b>

Notes: 1. Long-term loans include the current portion of long-term loans.

2. "Other" for lease liabilities is recognized due to conversion of Honda Cars SAITAMAKITA into a consolidated subsidiary.

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

	Beginning balance	Cash flows	Non-cash transactions			Ending balance
			Increase	Foreign currency translation	Other	
Lease liabilities	<b>¥5,228</b>	<b>¥(1,435)</b>	<b>¥1,943</b>	<b>¥293</b>	<b>¥—</b>	<b>¥6,030</b>
<b>Total</b>	<b>¥5,228</b>	<b>¥(1,435)</b>	<b>¥1,943</b>	<b>¥293</b>	<b>¥—</b>	<b>¥6,030</b>

## 28. NON-CASH TRANSACTIONS

Details of significant non-cash transactions are as follows.

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Acquisition of assets through a lease arrangement	¥2,051	<b>¥1,943</b>

## 29. SUBSIDIARIES AND AFFILIATES, ETC.

### (1) Composition of the corporate group

The composition of the Group is as stated in "1. Corporate Summary (4) State of Subsidiaries and Affiliates" in the Company's annual securities report (in Japanese only).

During the fiscal year under review, TS TECH Poland sp. z o.o. was established in Poland, TSML INNOVATIONS, LLC was established in the United States through a joint venture with ML Industries, Inc., and TS DE SAN PEDRO INDUSTRIES, S. DE R.L. DE C.V. was established in Mexico as a subsidiary of TSML INNOVATIONS, LLC.

### (2) Matters concerning subsidiaries

Information regarding the subsidiaries in which the Company holds significant non-controlling interests is as follows.

GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Current assets	¥35,514	<b>¥42,014</b>
Non-current assets	7,392	<b>7,896</b>
Current liabilities	19,093	<b>21,246</b>
Non-current liabilities	45	<b>146</b>
Equity	23,768	<b>28,518</b>
Accumulated non-controlling interests	¥11,421	<b>¥13,791</b>

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Revenue	¥62,329	<b>¥64,683</b>
Net income	8,172	<b>8,320</b>
Other comprehensive income	1,849	<b>3,102</b>
Comprehensive income	10,022	<b>11,423</b>
Income allocated to non-controlling interests	¥ 3,612	<b>¥ 4,013</b>

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Cash flows from operating activities	¥ 6,427	<b>¥ 9,090</b>
Cash flows from investing activities	(440)	<b>(413)</b>
Cash flows from financing activities	(5,496)	<b>(6,784)</b>
Effect of exchange rate changes on cash and cash equivalents	1,061	<b>1,932</b>
Net increase (decrease) in cash and cash equivalents	1,551	<b>3,825</b>
Dividends paid to non-controlling interests	¥(2,612)	<b>¥(3,203)</b>



WUHAN TS-GSK AUTO PARTS CO., LTD.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Current assets	¥25,152	¥27,430
Non-current assets	3,354	3,952
Current liabilities	9,736	10,382
Non-current liabilities	60	140
Equity	18,710	20,860
Accumulated non-controlling interests	¥ 7,616	¥ 8,326

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Revenue	¥51,778	¥46,528
Net income	6,817	5,570
Other comprehensive income	1,458	2,388
Comprehensive income	8,276	7,959
Income allocated to non-controlling interests	¥ 2,965	¥ 2,049

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Cash flows from operating activities	¥ 3,156	¥ 5,907
Cash flows from investing activities	(314)	(558)
Cash flows from financing activities	(2,519)	(5,827)
Effect of exchange rate changes on cash and cash equivalents	806	1,579
Net increase (decrease) in cash and cash equivalents	1,128	1,101
Dividends paid to non-controlling interests	¥ (969)	¥(2,300)

### (3) Matters concerning affiliates

The Group does not have individually significant affiliates. Matters concerning affiliates which are not individually significant are as follows.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Carrying amount of equity interest	¥16,575	¥17,257

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
The Group's equity interest in:		
Net income	¥ 846	¥ 590
Other comprehensive income	372	968
Comprehensive income	1,219	1,559

Note: For the previous fiscal year, "Share of profit of investments accounted for using the equity method" in the consolidated statement of profit or loss includes a gain on bargain purchase of ¥6,811 million.

This is because the Company has made Imasen Electric Industrial Co., Ltd. an affiliate accounted for using the equity method.

During the fourth quarter of the previous fiscal year, the Company finalized the provisional accounting treatment associated with the application of the equity method to Imasen Electric Industrial Co., Ltd.

### 30. SHARE-BASED REMUNERATION

#### (1) Restricted stock compensation scheme for directors and executive officers

##### (i) Overview of the scheme

Effective from the current fiscal year, the Company has introduced a restricted stock compensation scheme (hereinafter the "Scheme") for its directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee.) (hereinafter the "Eligible Directors") and executive officers who do not concurrently serve as directors of the Company (hereinafter, collectively with the Eligible Directors, the "Eligible Directors, etc."), with the aim of providing incentives to continuously improve the Company's corporate value and to further share value with shareholders.

Under the Scheme, the Eligible Directors, etc., shall pay all of the monetary compensation claims paid by the Company as assets contributed in kind, and shall receive shares of the Company's common stock through issuance or disposal by the Company.

In addition, in the issuing or disposing of shares of common stock (hereinafter "the Stock") of the Company under the Scheme, the Company and the Eligible Directors, etc., enter into a restricted stock allotment agreement under which 1) the transfer, creation of a security interest on, or any other disposition of the Stock to a third party is prohibited during the period until the Eligible Directors, etc., retire or resign due to the expiration of their terms of office, mandatory retirement age, or other justifiable reasons (hereinafter the "transfer restriction period"), and 2) on the condition of the occurrence of certain events, the Company shall acquire the Stock for no consideration and the like.

## (ii) Number and fair value of the shares allotted during the fiscal year

Number and fair value of the shares allotted during the fiscal year are as follows.

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Allotment date	—	July 21, 2021
Number of shares allotted	—	51,200
Fair value (Yen)	¥—	¥1,686

Note: The fair value of the shares is measured based on the closing price of the Company's common stock on the First Section of the Tokyo Stock Exchange on the business day preceding the allotment date.

## (iii) The amount of expenses related to the share-based payment recognized in the consolidated statement of profit or loss

The amount of expenses related to the share-based payment recognized in the consolidated statement of profit or loss is as follows.

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Equity settled type	¥—	¥74

Note: Expenses relating to the share-based payment are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss. Also, an increase in equity corresponding to the recognized expenses is included in "Capital surplus."

## (2) Restricted stock-based incentive scheme for employee shareholding association

### (i) Overview of the scheme

The Company has introduced a restricted stock-based incentive scheme (hereinafter the "Scheme") for the TS Tech Employee Shareholding Association (hereinafter the "Shareholding Association"), commemorating its 60th anniversary, to enhance the benefit package for its employees.

Under the Scheme, the Company delivers monetary compensation claims, as a special incentive (hereinafter the "Special Incentive"), for the allotment of restricted stock to employees who are eligible to join the Shareholding Association (hereinafter the "Eligible Employees"). The Shareholding Association shall receive shares of the Company's common stock through issuance or disposal by the Company, in return for contribution in kind of the Special Incentive to the Company, which was contributed by the Eligible Employees.

When the Company issues or disposes of shares of its common stock in this way, the Company enters into a restricted stock allotment agreement with the Shareholding Association that 1) forbids the transfer to third parties, creation of a security interest on, or disposal by other means of common shares of the Company delivered under this Scheme for a certain period of time (from March 26, 2021 through March 25, 2024) (hereinafter the "Transfer Restrictions"), 2) where the Eligible Employees have remained members of the Shareholding Association during the transfer restriction period, the Company shall remove the Transfer Restrictions pertaining to all of the shares allotted to the Eligible Employees, and 3) on the condition of the occurrence of certain events, such as voluntary retirement of the Eligible Employees, the Company shall acquire, for no consideration, part or all of the numbers of shares corresponding to the stake in the restricted stock held by the Eligible Employees.

## (ii) Number and fair value of the shares allotted during the fiscal year

Number and fair value of the shares allotted during the fiscal year are as follows.

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Allotment date	January 29, 2021	—
Number of shares allotted	95,100	—
Fair value (Yen)	¥3,060	¥—

Notes: 1. The fair value of the shares is measured based on the closing price of the Company's common stock on the First Section of the Tokyo Stock Exchange on the business day preceding the allotment date.  
2. The Company conducted a two-for-one stock split of its common stock as of April 1, 2021. The number and fair value of shares allotted above represent the actual number and fair value of the shares allotted before the stock split.

## (iii) The amount of expenses related to the share-based payment recognized in the consolidated statement of profit or loss

The amount of expenses related to the share-based payment recognized in the consolidated statement of profit or loss is as follows.

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Equity settled type	¥34	¥174

Note: Expenses relating to the share-based payment are included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss. Also, an increase in equity corresponding to the recognized expenses is included in "Capital surplus."

## 31. FINANCIAL INSTRUMENTS

### (1) Details and the extent of risks arising from financial instruments

#### (i) Policies on the management of financial instruments and risk management

The Group is exposed to various risks arising from financial instruments including credit risk, market risk, and liquidity risk. To manage the exposures to these risks, the Group conducts risk management according to a certain set of policies.

In terms of investments, the Group primarily uses principal-guaranteed time deposits and similar financial instruments, while, in terms of funding, the Group raises funds basically with its own financial resources and uses bank loans and similar financial instruments as needed.

The Group enters into derivative transactions to minimize the risk of future fluctuations in exchange rates but strictly adheres to the policy of avoiding such transactions for speculative purposes.

#### (ii) Credit risk (Risk of a business partner defaulting on its contractual obligations)

Financial assets such as trade and other receivables are exposed to the credit risk of customers, etc.

The Group manages these risks in accordance with its credit management regulations by periodically monitoring whether any customer has gone over its credit limit, which is set for each customer, while also making efforts to identify at an early stage concerns for collection due to deterioration of the customer's financial position and mitigate said risks.

The majority of the Group's trade and other receivables, etc., are due from Honda Motor Co., Ltd. and its group companies, whose creditworthiness is high and poses minimal credit risk.

When engaging in derivative transactions, the Group deals exclusively with financial institutions with high credit ratings in order to mitigate credit risk.

The carrying amounts of financial assets after impairment losses presented in the consolidated statement of financial position represent the maximum exposure of the Group to credit risk.

#### (iii) Market risk (Foreign currency risk)

As the Group conducts its business globally, it engages in foreign currency-denominated transactions and accordingly its profits and cash flows are exposed to the risk of fluctuating exchange rates.

The Group engages in derivative transactions, namely forward exchange contracts, to mitigate such risks in terms of its foreign currency-denominated trade receivables and payables.

In the execution and administration of derivative transactions, the funding division obtains the approval of the person with the decision-making authority in accordance with the internal rules which set forth transaction authority and other matters.

In terms of the financial instruments held by the Group at the end of the previous fiscal year and the fiscal year under review, the impact of a 1% appreciation of Japanese yen against the U.S. dollar and the Chinese yuan on income before income tax is as follows.

(Unit: Million yen)

	Impact on income before income tax	
	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
1% appreciation of Japanese yen against the U.S. dollar	¥(26)	¥(18)
1% appreciation of Japanese yen against the Chinese yuan	(17)	(15)

Note: This analysis assumes that all variables other than the Japanese yen–U.S. dollar/Chinese yuan exchange rates remain fixed.

#### (Price fluctuation risks of equity instruments)

The Group holds equity instruments that include the stocks of publicly traded companies with which it maintains business relationships and is thus exposed to the risk of fluctuating market prices of these instruments.

The Group manages such risks by periodically monitoring the fair value of said instruments and the financial condition of its investment targets as well as conducting ongoing reviews of its status of holdings.

In terms of the equity instruments held by the Group at the end of the previous fiscal year and the fiscal year under review, the impact of a 1% decline in market prices on other comprehensive income is as follows.

(Unit: Million yen)

	Impact on other comprehensive income	
	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
1% decline in market prices	¥(152)	¥(168)

Note: This analysis assumes that all variables other than the market prices remain fixed.

#### (iv) Liquidity risk (Risk of not being able to execute payment on the payment date)

While the Group basically raises necessary funds with its own financial resources, it is exposed to the risk of not being able to execute payment on payment dates for reasons such as a deteriorated funding environment.

The Group manages said risk by having the Company's accounting division prepare and update fund management plans based on the reports of each division in order to mitigate liquidity risk.

## (2) Fair value measurement

Fair values are classified into the following three levels according to the extent to which the input information used in the measurement is observable and the materiality of said input.

Level 1: Quoted prices of similar assets and liabilities in active markets

Level 2: Input other than quoted prices included in Level 1 that is observable either directly or indirectly

Level 3: Input including that not based on observable market data

No transfers occurred between Levels 1, 2, and 3 during the previous fiscal year.

### (i) Method of measuring fair value

#### (Equity instruments)

Equity instruments are mainly stocks of publicly traded companies and are measured based on the prices quoted by the stock exchanges.

### (Derivative financial assets and derivative financial liabilities)

The fair values of the forward exchange contracts are measured based on the prices quoted by the financial institutions.

#### (Long-term loans receivable)

Long-term loans receivable are measured at the present value of future cash flows discounted by an interest rate that reflects an appropriate indicator such as the yield on Japanese government bonds to which a credit spread has been added.

#### (Financial instruments other than those above)

Financial instruments other than those above are measured at amortized cost but statement thereof has been omitted as their measured carrying amounts approximate their fair values.

### (ii) Carrying amounts and fair values of financial instruments

#### (Financial instruments measured at fair value on a recurring basis)

For the year ended March 31, 2021 (As of March 31, 2021)

(Unit: Million yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through other comprehensive income:					
Equity instruments	¥16,441	¥15,227	¥—	¥1,214	¥16,441
Financial assets measured at fair value through net profit or loss:					
Derivative assets	0	—	0	—	0
Financial liabilities measured at fair value through net profit or loss:					
Derivative liabilities	81	—	81	—	81

For the year ended March 31, 2022 (As of March 31, 2022)

(Unit: Million yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through other comprehensive income:					
Equity instruments	¥18,441	¥16,857	¥—	¥1,554	¥18,411
Financial assets measured at fair value through net profit or loss:					
Derivative assets	0	—	0	—	0
Financial liabilities measured at fair value through net profit or loss:					
Derivative liabilities	108	—	108	—	108



**(Financial instruments measured at amortized cost)**

For the year ended March 31, 2021 (As of March 31, 2021)

(Unit: Million yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost:					
Long-term loans receivable (including the current portion)	¥497	¥—	¥500	¥—	¥500

**For the year ended March 31, 2022 (As of March 31, 2022)**

(Unit: Million yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost:					
Long-term loans receivable (including the current portion)	¥549	¥—	¥547	¥—	¥547

**(3) Offsetting of financial assets and financial liabilities**

Information on the offsetting of financial assets and financial liabilities recognized for a single counterparty is as follows.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Gross amount of financial assets recognized	¥255,814	¥251,781
Offset amount	9,175	9,968
Amount of financial assets presented in consolidated statement of financial position	¥246,638	¥241,813
Gross amount of financial liabilities recognized	¥ 77,428	¥ 83,131
Offset amount	9,175	9,968
Amount of financial liabilities presented in consolidated statement of financial position	¥ 68,252	¥ 73,163

**32. LEASES****(1) Lease transactions as a lessee**

The Group leases real estate properties, such as land and buildings, and molds under lease contracts. Each of the Group's companies is responsible for managing and negotiating lease contracts on its own, and thus, the terms and conditions of lease contracts can vary substantially from company to company. An option to extend lease periods is included in the leases of real estate properties, especially land and buildings. Many lease contracts for real estate properties provide an option to extend the lease period by one year or the originally agreed-upon lease period, and an option to cancel the contract earlier with a six-month prior notice in writing. Contracting parties who lease properties for business purposes may use these options as needed.

**(i) Expenses and cash flows associated with lease contracts**

Expenses and cash outflows for lease contracts are as follows.

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Depreciation of right-of-use assets by asset type:		
Buildings and structures	¥ 494	¥ 434
Machinery, equipment and vehicles	23	30
Tools, furniture and fixtures	19	12
Land	55	68
Total depreciation	¥ 593	¥ 546
Expenses related to short-term leases or leases of low-value assets	¥ 938	¥ 897
Total cash outflow for leases	¥2,776	¥2,446

Notes: 1. Depreciation of right-of-use assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

2. Expenses related to short-term leases or leases of low-value assets are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

**(ii) Right-of-use assets included in the carrying amount of property, plant and equipment**

The carrying amount and the amount of increase in right-of-use assets included in the carrying amount of property, plant and equipment are as follows.

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Total
FY2021 (As of March 31, 2021)	¥3,167	¥ 26	¥56	¥2,256	¥5,506
FY2022 (As of March 31, 2022)	¥3,368	¥311	¥31	¥2,575	¥6,286

Note: During the previous fiscal year and the fiscal year under review, the amount of right-of-use assets increased by ¥335 million and ¥750 million, respectively.

**(iii) Balance of lease liabilities by the period to maturity**

Balance of lease liabilities by the period to maturity is as follows.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Within 1 year	¥1,275	¥1,610
Between 1 and 2 years	721	1,037
Between 2 and 3 years	522	560
Between 3 and 4 years	423	454
Between 4 and 5 years	323	354
More than 5 years	1,961	2,013
Total	¥5,228	¥6,030

Note: The balance of lease liabilities is included in "Other financial liabilities" in the consolidated statement of financial position.

## (2) Lease transactions as lessor

The Group mainly leases molds under finance lease contracts.

### Balance of lease receivables by the period to maturity

Balance of lease receivables by the period to maturity is as follows.

	(Unit: Million yen)	
	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Within 1 year	¥2,312	¥2,009
Between 1 and 2 years	647	661
Between 2 and 3 years	454	600
Between 3 and 4 years	436	566
Between 4 and 5 years	436	565
More than 5 years	—	—
Total	¥4,288	¥4,403

Note: The balance of lease receivables is included in "Other financial assets" in the consolidated statement of financial position.

## 33. RELATED-PARTY DISCLOSURES

### (1) Transactions between the submitting company and related parties

The balances of transactions and receivables/payables between the submitting company and related parties are as follows.

Transaction amounts exclude parts and raw materials purchased from customers.

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)					
Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Other affiliates	Honda Motor Co., Ltd.	Sale of the Company's products	¥38,877	Accounts receivable – trade	¥7,592

Note: Business terms and conditions, and policy for the determination of business terms and conditions  
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)					
Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Other affiliates	Honda Motor Co., Ltd.	Sale of the Company's products	¥38,175	Accounts receivable – trade	¥6,084

Note: Business terms and conditions, and policy for the determination of business terms and conditions  
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

### (2) Transactions between the consolidated subsidiaries of the submitting company and related parties

The balances of transactions and receivables/payables between the consolidated subsidiaries of the submitting company and related parties are as follows.

Transaction amounts exclude parts and raw materials purchased from customers.

### (i) TS TECH USA CORPORATION

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)					
Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda of America Mfg., Inc.	Sale of the Company's products	¥36,564	Accounts receivable – trade	¥3,531

Note: Business terms and conditions, and policy for the determination of business terms and conditions  
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)					
Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda of America Mfg., Inc.	Sale of the Company's products	¥38,459	Accounts receivable – trade	¥4,342

Note: Business terms and conditions, and policy for the determination of business terms and conditions  
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

### (ii) TS TECH ALABAMA, LLC.

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)					
Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Manufacturing of Alabama, LLC.	Sale of the Company's products	¥22,796	Accounts receivable – trade	¥1,772

Note: Business terms and conditions, and policy for the determination of business terms and conditions  
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)					
Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Manufacturing of Alabama, LLC.	Sale of the Company's products	¥22,952	Accounts receivable – trade	¥1,572

Note: Business terms and conditions, and policy for the determination of business terms and conditions  
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

**(iii) TS TECH CANADA INC.**

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Canada, Inc.	Sale of the Company's products	¥30,296	Accounts receivable – trade	¥3,129

Note: Business terms and conditions, and policy for the determination of business terms and conditions  
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Canada, Inc.	Sale of the Company's products	¥28,007	Accounts receivable – trade	¥2,941

Note: Business terms and conditions, and policy for the determination of business terms and conditions  
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

**(3) Remuneration of key management personnel**

Remuneration to the directors and auditors of the Company is as follows.

(Unit: Million yen)

	FY2021 (April 1, 2020–March 31, 2021)	FY2022 (April 1, 2021–March 31, 2022)
Basic remuneration and bonuses	¥440	¥406
Stock compensation	—	35

**34. CONTINGENT LIABILITIES**

The Company provides guarantees to financial institutions on the borrowings by employees. The guarantee amounts are as follows.

(Unit: Million yen)

	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Employees (Company housing and mortgage loans)	¥30	¥26

**35. SUBSEQUENT EVENTS**

Not applicable

**OTHER**

Quarterly information for the fiscal year under review is as follows.

(Unit: Million yen)

Cumulative period	1st quarter	2nd quarter	3rd quarter	4th quarter
Revenue	¥90,464	¥171,532	¥258,036	¥349,958
Income before income tax	6,549	12,190	17,391	25,839
Income attributable to owners of parent	3,040	5,656	8,119	12,416
Earnings per share (Yen)	22.65	42.13	60.47	92.56

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings per share (Yen)	¥22.65	¥19.48	¥18.34	¥32.13



# Independent Auditor's Report

(TRANSLATION)

## Independent Auditor's Report

June 24, 2022

To the Board of Directors of TS TECH Co., Ltd.:

KPMG AZSA LLC  
Tokyo Office, Japan

Shingo Iwamiya  
Designated Engagement Partner  
Certified Public Accountant

Yukio Kurihara  
Designated Engagement Partner  
Certified Public Accountant

### Opinion

We have audited the accompanying consolidated financial statements of TS TECH Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the company's Annual Report, which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on property, plant and equipment in Hamamatsu Plant of TS TECH Co., Ltd.	
The key audit matter	How the matter was addressed in our audit
<p>Property, plant and equipment of 76,860 million yen were recognized in the consolidated statement of financial position of TS TECH Co., Ltd. (hereinafter referred to as the "Company") and its consolidated subsidiaries as of March 31, 2022, accounting for approximately 18% of total assets in the consolidated financial statements. Of this amount, property, plant, and equipment related to Hamamatsu Plant of the Company accounted for 2,872 million yen as described in Note 2, "Basis of preparation of the consolidated financial statements, (4) Important accounting judgments, estimates and assumptions" to the consolidated financial statements.</p> <p>As discussed in Note 3, "Important accounting policies, (10) Impairment of non-financial assets" to the consolidated financial statements, the Company assesses each asset or cash-generating unit for any indications of impairment during each reporting period, and if any such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit. The recoverable amount is calculated at the higher of the fair value less costs of disposal and the value in use of the asset or cash-generating unit. If the recoverable amount of the asset or cash-generating unit is less than the carrying amount, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss.</p> <p>Regarding Hamamatsu Plant, the Company has identified an impairment indicator for the property, plant, and equipment since operating income or loss after allocating headquarters expenses decreased due to temporary expenses associated with the construction of a new building, the mix of car models sold, the production status of customers, and so forth. Therefore, the Company assessed whether the recoverable amount of property, plant, and equipment related to Hamamatsu Plant was less than the carrying amount, and determined not to recognize an impairment loss since the recoverable amount exceeded the carrying amount.</p>	<p>The primary procedures we performed to assess whether the Company's judgment with respect to the recognition of an impairment loss for property, plant and equipment related to Hamamatsu Plant was appropriate, included the following:</p> <p>(1) Assessment of Internal control We assessed the design and operating effectiveness of certain of the Company's internal controls relevant to determining an impairment loss to be recognized.</p> <p>(2) Assessment of the reasonableness of the estimated value in use</p> <ul style="list-style-type: none"> <li>• In order to assess whether key assumptions for the mid-term management plan, which were used as the basis for the future cash flows, such as the forecast of incoming orders from customers, were appropriate, we: <ul style="list-style-type: none"> <li>• inquired of management and compared key assumptions with the past records;</li> <li>• compared key assumptions with the available external data such as notification of expected order volume from customers and forecast of vehicle production volume from external organizations; and</li> <li>• compared the ratio of raw materials cost to revenue and the estimated expenses excluding raw materials cost with the past records.</li> </ul> </li> <li>• We assessed the competence, ability, and objectivity of external experts used by management for estimating the fair value of the land at the end of the useful life of machinery and equipment which are main assets of the plant. In addition, we inquired of real-estate appraisers used by the Company and assessed the appropriateness of the assumptions and the valuation methods applied considering advice from valuation specialists within our domestic network firms.</li> <li>• We involved valuation specialists within our domestic network firms to assess the appropriateness of the models and input data for estimating the discount rate.</li> </ul>

<p>The Company used the value in use as the recoverable amount. The future cash flows used for measuring the value in use were estimated based on the mid-term management plan prepared by management. Therefore, there was a high degree of estimation uncertainty since the plan included key assumptions involving management's judgement, such as the forecast of incoming orders. In addition, a high degree of expertise in valuation was required to select appropriate models and others for estimating the fair value of the land at the end of the useful life of machinery and equipment which are main assets of the plant, and the discount rate.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on property, plant, and equipment related to Hamamatsu Plant was of most significance in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	
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**Other Matter**

The consolidated financial statements of the Company as at and for the year ended March 31, 2021 were audited by predecessor auditor who expressed an unmodified opinion on those statements on June 25, 2021.

**Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Audit Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan, excluding the part of Report on the Audit of the Internal Control Report.

# Financial Highlights

## 10-Year Financial Summary

(Unit: Million yen)

Fiscal Year under Review on a Consolidated Basis	Japanese GAAP		IFRS							
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Revenue	359,331	457,053	422,317	458,732	425,794	479,490	412,072	359,682	346,149	349,958
Cost of sales	309,929	385,939	352,716	381,258	355,176	399,329	338,031	300,307	288,671	295,716
Selling, general and administrative expenses	25,182	31,979	33,768	39,414	35,755	37,418	36,521	33,531	32,581	33,896
Operating income	24,219	39,133	36,047	39,279	34,557	47,346	38,793	26,326	26,742	22,998
Income attributable to owners of parent	15,741	23,900	22,585	23,528	19,622	30,115	25,750	15,064	20,741	12,416
Basic earnings per share (Yen)*	115.75	175.75	166.08	173.01	144.29	221.45	189.35	110.77	152.89	92.56
Operating margin (%)	6.7	8.6	8.5	8.6	8.1	9.9	9.4	7.3	7.7	6.6
Return on equity attributable to owners of parent (ROE) (%)	14.1	17.4	12.8	12.1	9.6	13.4	10.5	5.9	7.8	4.3
Return on assets (ROA) (%)	13.3	17.9	14.3	13.6	11.4	14.7	11.7	8.2	9.9	6.4
Effective statutory tax rate (%)	37.2	37.2	34.8	32.3	30.1	30.1	29.9	29.9	29.9	29.9
Average actual tax rate (%)	28.6	28.7	31.2	27.8	29.9	22.7	25.0	29.7	22.5	27.2
Average exchange rate (USD to Yen)	83.1	100.2	109.9	120.1	108.4	110.8	110.9	108.7	106.1	112.4
Average exchange rate (USD to Yuan)	12.6	15.9	17.7	18.9	16.1	16.7	16.5	15.6	15.7	17.5
Capital expenditures	11,377	19,960	19,754	17,064	11,199	8,640	7,412	7,619	6,686	14,466
Depreciation	7,332	8,628	7,860	9,314	9,036	9,676	9,778	10,225	9,616	9,204
R&D expenses	11,221	11,635	12,900	13,168	12,382	11,986	12,709	12,374	12,533	11,930
<b>Total at End of Fiscal Year</b>										
Total assets	207,700	264,635	296,858	303,948	322,202	351,944	358,265	341,820	390,478	415,985
Property, plant and equipment	48,869	62,253	74,349	76,338	76,576	73,532	71,515	68,530	69,053	76,860
Interest-bearing liabilities	4,832	2,106	5,650	4,335	3,506	4,182	1,742	4,014	5,228	6,030
Total equity	137,523	170,714	216,502	219,092	230,989	259,924	277,424	274,552	301,450	325,583
Shareholders' equity	122,982	143,718	170,545	189,497	204,800	229,866	249,904	259,233	271,278	275,144
<b>Cash Flows</b>										
Cash flows from operating activities	23,772	43,600	35,056	47,531	34,045	48,406	43,806	44,193	25,151	20,018
Cash flows from investing activities	(10,976)	(18,233)	(22,771)	(25,299)	(12,409)	(12,742)	(18,321)	(5,366)	(11,709)	(17,196)
Cash flows from financing activities	(7,304)	(8,898)	(11,231)	(12,319)	(14,214)	(11,858)	(16,390)	(12,917)	(14,647)	(23,638)
Free cash flows	12,796	25,367	12,285	22,232	21,636	35,664	25,485	38,827	13,442	2,822
<b>Revenue per Consolidated Segment</b>										
Japan	93,862	104,895	85,899	92,071	91,830	93,552	92,856	75,134	78,866	82,698
The Americas	172,063	214,628	219,534	247,087	213,008	224,867	195,604	176,346	141,924	144,527
China	71,911	104,063	91,057	96,513	94,990	121,266	89,187	82,729	117,652	115,236
Asia and Europe	50,207	67,811	58,727	59,257	59,825	76,041	66,822	51,967	34,021	34,202
Overseas revenue	290,295	379,382	362,463	395,571	361,980	412,249	342,496	303,544	288,303	289,660
Overseas revenue ratio (%)	80.8	83.0	85.8	86.2	85.0	86.0	83.1	84.4	83.3	82.8
<b>Stock Information</b>										
Cash dividends per share <sup>2</sup>	17	27	30	33	35	40	42	43	45	54
Consolidated price to earnings ratio (PER) (Times)	11.6	8.9	9.8	7.6	10.4	9.5	8.4	11.5	10.8	14.9
Consolidated dividends payout ratio (%)	14.7	15.4	18.1	19.1	24.3	18.1	22.2	38.8	29.4	58.3

ROE: Net income/Total equity attributable to owners of parent (Average)  
ROA: Income before income tax/Total assets (Average)

\*1 The company implemented a two-for-one stock split of its common shares, effective April 1, 2021. Calculations are based on the assumption that the stock split was conducted at the beginning of fiscal 2013.



## Non-Financial Highlights

### Environmental

#### Environmental Accounting

##### Environmental Conservation Cost (Non-consolidated)

(Unit: Million yen)

	Main Efforts	FY2018		FY2019		FY2020		FY2021		FY2022	
		Investment	Cost	Investment	Cost	Investment	Cost	Investment	Cost	Investment	Cost
Business area cost	Pollution prevention cost	34	14	46	10	6	11	12	10	21	15
	Global environmental conservation cost	*1 748	116	*1 615	95	208	62	176	43	*2 561	71
	Resource circulation cost	28	97	11	173	7	56	25	71	13	59
Upstream/downstream cost	Costs generated from purchasing low environmental impact products and raw materials	26	9	38	13	48	3	5	1	7	3
Administration cost	Environmental management system (EMS) development & operation costs, environmental measurement costs, office interior "greening" and development costs	29	38	24	63	62	82	15	60	48	46
R&D cost	Research and development of new technology with a high positive environmental impact, such as reducing the weight of products, reducing VOCs (not using paints), and developing recyclable materials	—	2,952	—	3,630	9	4,184	10	4,000	2	4,447
Social activity cost	Environmental measures such as nature protection, "greening," and scenery preservation	—	4	4	4	0	2	0	1	1	1
Environmental remediation cost	Remediation of soil pollution, etc.	—	—	—	—	—	—	—	—	—	—
<b>Total</b>		<b>865</b>	<b>3,230</b>	<b>738</b>	<b>3,988</b>	<b>339</b>	<b>4,399</b>	<b>243</b>	<b>4,186</b>	<b>652</b>	<b>4,642</b>

#### Notes

- The above figures include portions ascertained by estimation, such as apportionment.
- Materials related to environmental accounting, such as guidelines and guidebooks published by the Ministry of the Environment of Japan, were referenced when preparing the table.
- Costs do not include depreciation costs.

- \*1 Expenses related to construction of the new Head Office building.  
 \*2 Expenses related to construction of the new building at the Hamamatsu Plant.

#### Economic Effects (Non-consolidated)

(Unit: Thousand yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Gain on sale of valuables	9,232	8,143	4,613	5,073	9,654
Cost saved by energy conservation	13,093	26,690	16,073	4,169	3,448
<b>Total</b>	<b>22,325</b>	<b>34,833</b>	<b>20,686</b>	<b>9,242</b>	<b>13,102</b>

#### Material Effects (Non-consolidated)

	(Unit)	FY2018	FY2019	FY2020	FY2021	FY2022
Energy consumption	GJ	204,701	205,251	166,002	154,488	161,867
Water consumption	1,000 m <sup>3</sup>	87	77	81	62	51
CO <sub>2</sub> emissions	t-CO <sub>2</sub>	10,341	10,361	8,394	6,671	4,903
CO <sub>2</sub> emissions due to transportation	t-CO <sub>2</sub>	1,868	2,108	1,845	1,449	1,467
Total waste output	t	1,068	1,075	1,062	1,120	1,384
VOC emissions	t	34	50	28	16	18
PRTR emissions	t	4	0	0	0	0

## Non-Financial Highlights

### Social

#### In-House Training Sessions and Related Data (Non-consolidated)

	FY2018	FY2019	FY2020	FY2021	FY2022
Human rights/diversity training (Number of times)	9	8	8	7	8
Training time per employee (Hours)	9.0	7.6	8.8	11.1	9.8
Training expenditures (Million yen)	76.6	70.0	84.4	21.6*	34.6*
Training expenditures per employee (Yen)	44,459	40,814	49,252	12,456*	19,634*

\* Since fiscal 2021, training expenses have decreased significantly due to postponement and revised modalities for training sessions as part of efforts to prevent the spread of COVID-19.

#### In-House Training Sessions: Number of Attendees (Non-consolidated)

(Unit: Persons)

	FY2018	FY2019	FY2020	FY2021	FY2022
Practical training sessions for risk assessment*1	22	42	28	0*2	0*2
Mental health seminars	78	80	108	70*2	92*2

\*1 Seminars held for company employees. We have held "Risk Assessment Training Regarding Specified Chemical Substances" since fiscal 2017 as well.

\*2 Since fiscal 2021, practical training sessions for risk assessment have been canceled in order to prevent the spread of COVID-19. For the same reason, mental health seminars have been held less often, canceled, or held using a different method, depending on the risk of infection in each workplace.

#### Employment-Related Data (Non-consolidated)

	FY2018	FY2019	FY2020	FY2021	FY2022
Percentage of managers who are women (%)	2.15	1.90	2.30	2.61	2.87
Percentage of employees with a disability (%) Note: Designated employment rate: 2.3%	2.30	2.37	2.62	2.65	2.68
Percentage of employees who are non-Japanese (%)	0.55	0.66	0.51	0.57	0.55
Number of new graduates hired (Persons)	52	50	54	47	48
Number of employees who leave within three years of hiring (Persons)	1	0	5	5	2
Turnover rate within three years of hiring (%)	1.9	0.0	8.9	9.6	4.0
Percentage of employees hired mid-career*1 (%)	21.2	10.7	18.2	6.0	12.7
Engagement score*2	(31.2)	(31.7)	(29.8)	(30.4)	42.1

\*1 The percentage of employees hired mid-career among employees hired for regular employment

\*2 Parenthetical values for fiscal 2018–fiscal 2021 show satisfaction survey-based DI values. As of fiscal 2022, scores are based on Link and Motivation Inc.'s Motivation Cloud.

#### Major Personnel Data (As of March 31; Full-time employees only) (Non-consolidated)

		FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees by gender	Male	1,543	1,531	1,524	1,551	1,573
	Female	180	185	191	187	190
	Total	1,723	1,716	1,715	1,738	1,763
Average years of service	Male	16.0	16.3	16.6	17.2	17.8
	Female	15.1	15.1	15.0	15.8	16.2
	Overall	15.9	16.2	16.5	17.1	17.6

## Non-Financial Highlights

### Maternity, Childcare, and Nursing Care Leave Data (Non-consolidated)

		FY2018	FY2019	FY2020	FY2021	FY2022
Percentage of employees taking paid leave (%)		96.6	98.3	99.6	96.6	99.4
Percentage of employees using half-day vacations (%)		64.2	56.7	58.4	58.4	65.7
Number of employees using maternity leave (Persons)		8	8	3	6	11
Number of employees using childcare leave (Persons)	Male	0	3	4	8	13
	Female	15	8	6	6	10
	Total	15	11	10	14	23
Percentage of employees using childcare leave (%)	Male	0	4	5	11	19
	Female	100	100	100	100	100
	Total	20	14	13	18	29
Rate of return to work after childcare leave (%)	Male	—	100	100	100	100
	Female	100	100	100	100	100
	Total	100	100	100	100	100
Number of employees using shorter working hours system for children (Persons)	Male	1	1	2	2	2
	Female	12	8	17	15	15
	Total	13	9	19	17	17
Number of employees using nursing care leave (Persons)	Male	1	0	0	1	1
	Female	0	0	0	0	0
	Total	1	0	0	1	1

### Labor Union Data (Non-consolidated)

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees affiliated with the labor union (Persons)	1,483	1,491	1,491	1,504	1,504
Percentage of employees affiliated with the labor union (%)	98	98	98	98	96

\* Calculations exclude managers

### Industrial Accident Circumstances (Non-consolidated) [Consolidated]

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of industrial accident deaths (Persons)	0[0]	0[0]	0[0]	0[0]	0[0]
Number of industrial accident injuries (non-lost worktime accidents) (Persons)	10	4	2	4	4
Number of industrial accident injuries (lost worktime accidents) (Persons)	2[-]	1[59]	2[36]	0[36]	1[25]
Frequency rate [Industry average] (%)	0.51[-]	0.25[1.49]	0.52[0.99]	0.00[1.03]	0.27[0.75]
Severity rate [Industry average] (%)	0.00[-]	0.00[0.02]	0.01[0.02]	0.00[0.03]	0.01[0.01]

Frequency rate: Expresses the frequency of accident occurrences as the number of deaths and injuries due to industrial accidents per million hours worked

Severity rate: Expresses the degree of severity of an accident as the number of working days lost per thousand hours worked. However, this is limited to industrial accidents causing one or more days of lost working days.

## Non-Financial Highlights

### Number of Social Contribution Activities Conducted (Consolidated)

(Unit: Activities)

	FY2018	FY2019	FY2020	FY2021	FY2022
	258	277	285	188*	155*

\* Since fiscal 2021, some social contribution activities have been canceled or postponed as part of efforts to prevent the spread of COVID-19.

### Number of Social Contribution Activities Conducted in FY2022

(Unit: Activities)

	Japan (Non-consolidated)	The Americas	China	Asia and Europe	Total
Economic assistance	12	62	4	0	78
Social contribution activities	39	17	10	11	77
Total	51	79	14	11	155

### Social Contribution Activity Expenditures (Non-consolidated)

(Unit: Thousand yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
	46,768	50,019	41,824	17,303*1	32,063*2

\*1 Since fiscal 2021, some social contribution activities have been canceled or postponed as part of efforts to prevent the spread of COVID-19.

\*2 In fiscal 2022, includes facility repair expenses for Konosu Flower Stadium (Saitama Prefecture), the base venue for the activities of the baseball club.

### Improvement Initiatives (Consolidated)

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of participating teams*1	466	489	483	—*2	334*3

\*1 Improvement activities undertaken by small groups. Generally referred to as a "QC (Quality Control) Circle," the activities are aimed at developing human resources who can use the QC method to solve problems and manage and improve operations.

\*2 In fiscal 2021, activities were not implemented to prevent the spread of COVID-19.

\*3 In fiscal 2022, the number of participating teams decreased due to activities not being implemented in the Americas alone as part of efforts to prevent the spread of COVID-19.

### Dialogue with Stockholders and Investors

	FY2018	FY2019	FY2020	FY2021	FY2022
General Meeting of Shareholders: Number of attendees	386	441	12*2	9*2	7*2
Events for individual investors: Number of attendees	573*1	88	264	0*3	0*3
IR/SR interviews: Number of companies (Including small meetings and conference calls)	254	229	168	355	266

\*1 Exhibited at the Nikkei IR/Individual Investor Fair

\*2 To prevent the spread of COVID-19, shareholders were asked to refrain from attending the venue.

\*3 Events for individual investors were canceled to prevent the spread of COVID-19.

### Governance-Related Data

(Unit: Cases)

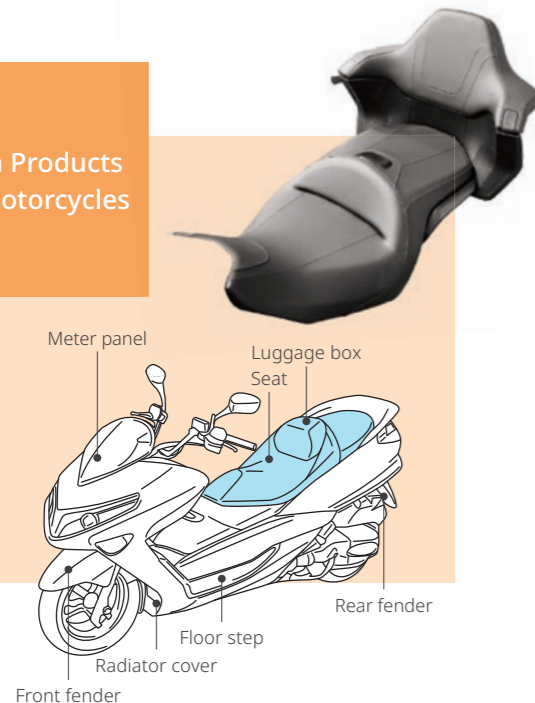
	FY2018	FY2019	FY2020	FY2021	FY2022
Fines and penalties for anti-competitive practices (Consolidated)	0	0	0	0	0
Cases recognized as corruption or bribery (Consolidated)	0	0	0	0	0
Number of political donations (Non-consolidated)	0	0	0	0	0

## TS TECH's Products

### Main Products for Automobiles



### Main Products for Motorcycles



### Main Types of Other Products



## Global Map



### Japan

- TS TECH Co.,Ltd.
- KYUSYU T-S CO.,LTD.
- SUN CHEMICAL INDUSTRY CO.,LTD.
- TS LOGISTICS CO., LTD.
- SOWA SANGYO CO., LTD.
- TECH TOEI CO., LTD.
- Honda Cars SAITAMAKITA
- TS CORPORATION INC.
- C-PRESTO CO., LTD.

### Asia

- TS TECH TRIM PHILIPPINES, INC
- TS TECH BUSINESS SERVICES PHILIPPINES, INC
- PT. TS TECH INDONESIA
- TS TECH (THAILAND) CO.,LTD
- TS TECH ASIAN CO.,LTD
- TS TECH (KABINBURI) CO.,LTD.
- TS TECH SUN INDIA PRIVATE LIMITED
- TS TECH SUN RAJASTHAN PRIVATE LIMITED
- TS TECH (MANDAL) PRIVATE LIMITED
- TS TECH BANGLADESH LIMITED

### Europe

- TS TECH Deutschland GmbH
- TS TECH Hungary Kft.
- TS TECH Poland sp. z o.o.

### The Americas

- TRI-CON INDUSTRIES, LTD.
- TS TRIM INDUSTRIES INC.
- TS TECH USA CORPORATION
- TS TECH AMERICAS, INC.
- TS TECH ALABAMA, LLC.
- TRIMOLD LLC
- TS TECH INDIANA, LLC
- TST NA TRIM, LLC.
- TSML INNOVATIONS, LLC
- TS TECH CANADA INC.
- TRIMONT MFG. INC.
- INDUSTRIAS TRI-CON DE MEXICO, S.A. DE C.V.
- TST MANUFACTURING DE MEXICO, S. DE R.L. DE C.V.
- TS DE SAN PEDRO INDUSTRIES, S. DE R.L. DE C.V.
- TS TECH DO BRASIL LTDA.
- TS TRIM BRASIL S/A

### China

- GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO.,LTD.
- GUANGZHOU TECH INTERIOR TRIM MANUFACTURING CO.,LTD.
- GUANGZHOU TS TECH AUTOMOTIVE INTERIOR RESEARCH & DEVELOPMENT CO., LTD.
- GUANGZHOU TSK AUTO PARTS CO., LTD.
- NINGBO TS AUTOMOTIVE INTERIOR INC.
- WUHAN TS-GSK AUTO PARTS CO.,LTD.
- WUHAN SOWA AUTO PARTS CO., LTD.
- TS TECH (HONG KONG) CO.,LTD.

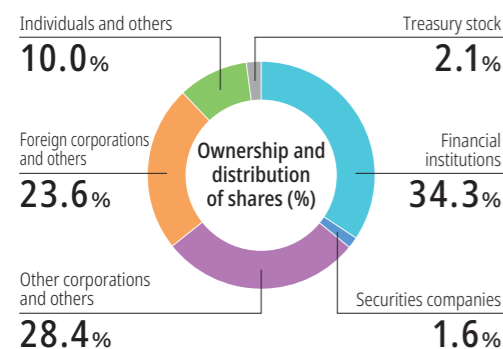


## Corporate Data (As of March 31, 2022)

Company Name	TS TECH Co., Ltd.
Establishment	December 5, 1960
Head Office	3-7-27 Sakae-cho, Asaka-shi, Saitama 351-0012, Japan
Common Stock	4,700,000,000 yen
Corporate Representative	President and Representative Director, Masanari Yasuda
Lines of Business	Manufacture and sale of seats for automobiles; interior trim and interior components for automobiles; motorcycle seats; and motorcycle resin-based parts
Number of Employees	14,308 (Consolidated), 1,763 (Non-consolidated)
Closing of Accounts	March 31
Securities Traded	Tokyo Stock Exchange (Prime Market)
Main Banks	MUFG Bank, Ltd./Sumitomo Mitsui Banking Corporation/Saitama Resona Bank, Limited
Main Customers	Honda Motor Co., Ltd./Honda Trading Corporation/Honda Access Corp./Suzuki Motor Corporation/Yamaha Motor Co., Ltd./Kawasaki Heavy Industries, Ltd./Volkswagen AG/SEAT S.A./Harley-Davidson, Inc./PARAMOUNT BED CO., LTD.
Member Organization	Japan Auto Parts Industries Association

## Stock Information (As of March 31, 2022)

Total Number of Shares Authorized to Be Issued	272,000,000
Total Number of Shares Issued	136,000,000
Number of Shareholders	17,066



## Major Shareholders (As of March 31, 2022)

	Investment in the company	
	Number of shares held (Thousands)	Shareholding ratio (%)
Honda Motor Co., Ltd.	30,720	23.1
The Master Trust Bank of Japan, Ltd. (Trust account)	13,802	10.4
Custody Bank of Japan, Ltd. (Trust account)	5,074	3.8
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Pension Trust Account)	4,398	3.3
Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	3,880	2.9
Taiyo Life Insurance Company	2,800	2.1
Okamoto Industries, Inc.	2,752	2.1
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2,720	2.0
MUFG Bank, Ltd.	2,638	2.0
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2,580	1.9

Notes: 1. Number of shares held is rounded down to the nearest thousand.  
 2. The company, which owns 2,946,377 treasury shares, is excluded from the above list of major shareholders.  
 Also, treasury stock is excluded in calculating the shareholding ratio.

## External Recognition and Selection as a Constituent in Indices (As of March 31, 2022 (JPX-Nikkei Index 400 as of August 31, 2022))

<p>The 10<sup>th</sup> consecutive selection, starting with the initial announcement of the index in 2014 and including the subsequent annual reshuffles</p>	<p>CSR Companies Ranking by Toyo Keizai Inc. 200 / 1,631 firms</p>	<p>ESG Companies Ranking by Toyo Keizai Inc. 166 / 1,631 firms</p>
<p>CDP Climate Change Report 2021, Japan edition Selected as a company with a "Management level" score of B</p>	<p>Selected as a constituent of the Index, which was designed to measure the performance of Japanese companies with high ESG scores</p>	<p>Selected as a Sustainability Yearbook Member<sup>*1</sup> and an Industry Mover<sup>*2</sup> in the S&amp;P Global Sustainability Awards 2022</p>

\*1 Sustainability Yearbook Member: Recognition awarded to companies whose S&P Global-assessed ESG scores rank within the top 15% of their industry  
 \*2 Industry Mover: Award given to companies with the greatest year-over-year score improvements in their industry among Sustainability Yearbook Members

There have been major international developments in companies' information disclosure, even as the environment affecting companies is going through major changes. In November 2021, the International Sustainability Standards Board (ISSB), an organization seeking to establish international standards on ESG information disclosure for companies, was established under the IFRS Foundation. ISSB aims to complete the international disclosure standards for sustainability by the end of 2022. In this process, the establishment of international standards for integrated reporting has taken big steps forward as well under ISSB. In particular, listed companies are being asked to convey to stakeholders an accessible, appealing story about how their ESG activities lead to value creation.

TS TECH's Integrated Report 2022 conveys the company's sense that addressing climate change is both inevitable and a matter for passionate concern. This stems from the company's own awareness that it is a company involved in the manufacture of vehicles that directly emit CO<sub>2</sub>. For example, in the value creation process, TS TECH is utilizing its technological skills—its carefully chosen core competencies—to lighten the weight of products and reduce CO<sub>2</sub> emissions as much as possible. Meanwhile, the company is also taking unique steps such as using Japan's traditional *karakuri* mechanisms to automate work processes and conserve energy. TS TECH is presenting mechanisms that make it possible to reduce environmental impact sustainably by combining its own unique technology and concepts, so I think that TS TECH has laid the groundwork for meeting global demands for information disclosure.

In the value creation process, the company adds improvements that fit the flow of its own business model, and seems to be moving on from the textbook template for disclosure to establish its own style. I am impressed that TS TECH has identified its material issues to achieve its vision, and I also admire its prioritization of ease of understanding in narrowing down the information on the composition of the business model, which is an extremely difficult task.

At the same time, I think there is room for further improvement in the way in which information is narrowed down and the balance in the overall story. The page on the value creation process and value chains presents the important points in charts and tables, and leaves it up to the reader to make connections between the information. I think the disclosure would be more helpful if a narrative explanation of the selected information were provided.

As the overall story, it is important to delve down into the company's vision and share the Group's direction with the stakeholders reading the report. Stakeholders will be able to understand the path (strategy) leading to the goal only once they are reassured with a clear picture of the goal (vision). TS TECH aspires to be a company that coordinates and proposes new value not only for the seat but for the entire cabin. To this end, I think that it is essential that the company weave specific examples into the story given to stakeholders, such as (1) how the company determines the optimal product demanded by the user, (2) what the new interior car space will be like, and (3) what it would be like for users to experience emotions that go beyond peace of mind, safety, and comfort.

TS TECH has imagined an exciting future for our stakeholders, and has the powerful capital in the form of people, technology, and organizations needed to bring it about. I think that the company can refine its unique story even more by narrowing down and digging deeper into its information and sharing with stakeholders the clear vision it has formulated.



## Mariko Mishiro

Representative Director, RIDEAL Co., Ltd.

Expert on integrated reporting and California-licensed Certified Public Accountant (CPA)

Ms. Mishiro worked at a major auditing corporation before starting her own firm in 2011. From 2011 to 2013, Ms. Mishiro served on the International Integrated Reporting Council (IIRC), where she worked as a technical manager on developing an international disclosure framework for corporate reporting. To date, she has consulted on integrated reporting for listed companies in a range of industries including machinery, electric appliances, pharmaceuticals, non-ferrous metals, retail, housing equipment, transportation equipment, and chemicals. She majored in accounting at the University of Texas at San Antonio and received her MBA from the Graduate School of Commerce at Waseda University. Since January 2019, she has served as an external Audit & Supervisory Board Member for DRAFT Inc. She is also a lecturer in business finances at Saitama University (fiscal 2021).



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