TS TECH Co.,Ltd.

Beyond Comfort

TS TECH Report
2017

TS Philosophy

Beliefs

"Due regard for human resources"
A "company welcomed with joy"

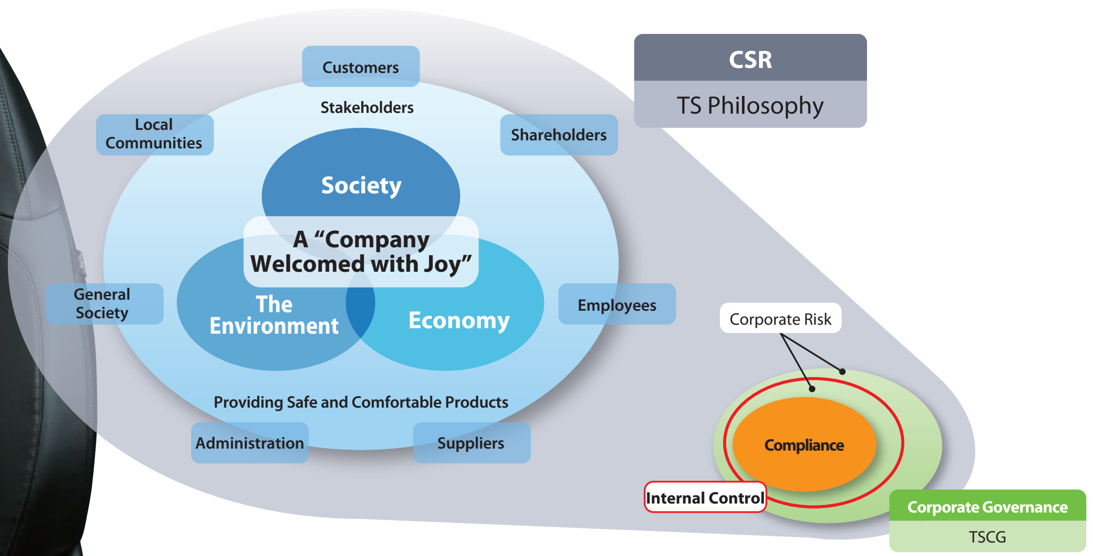
Company Principle

We will always provide comfortable,
high-quality products at a competitive price
for customers all over the world,
pursuing our dreams
through creating products and
challenging infinite possibilities.

Management Policies

- Create a bright working atmosphere, respecting harmony and communication among people.
- Work in a harmonious manner, making the most effective use of time and observing priorities.
- Challenge the creation of new value, using wisdom in an enthusiastic manner.
- Strive constantly for the realizaton of individual visions.

Conceptual Overview of TS TECH's CSR



TS TECH Report 2017

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TS Philosophy/Conceptual Overview of TS TECH's CSR

Corporate Message

Beyond Comfort

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. When we approach our tasks as individual members of the TS TECH Group, our actions are underpinned by the belief that comfort leads to satisfaction, which in turn brings joy to the end users of our products. Under the TS Philosophy, we are not bound to the present, but rather we create products that go beyond the present in order to bring joy to all our stakeholders. Our will and determination to take on the challenges of a world whose future shape we cannot yet see are expressed through the words "Beyond Comfort."

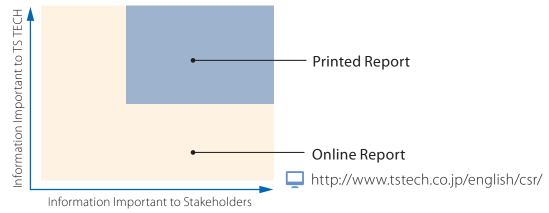
Editorial Policy

In 2012 the TS TECH Group issued the TS TECH Report by integrating its annual reports and environmental reports. The TS TECH Report was reorganized from the twin perspectives of financial information and non-financial information (corporate social responsibility (CSR)).

The Group is carrying out a variety of activities and initiatives in terms of the economy, the environment, and society in order to be a "Company Welcomed with Joy." This report is issued with the purpose of fulfilling the Group's accountability in these regards.

About This Report's Formats

Business activities pertaining to topics of importance to TS TECH have been included in the printed report in an easy-to-read format. In addition to this information, the online report offers more detailed information and data.



Scope of the report
The TS TECH Report covers the entire TS TECH Group, which conducts business in Japan and around the world. However, the scope of the report may differ depending on business activities and CSR initiatives.

Period covered by the report
In principle, this report covers the period from April 1, 2016 to March 31, 2017 (fiscal 2017), but it may include coverage of activities before or after that period.

Guidelines
The ISO 26000 international guidelines for corporate social responsibility and the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) were consulted in editing this report.

ISO 26000 Core Subjects	Section	
Organizational Governance	• A Shareholder/Investor's Voice • Corporate Governance and Compliance	P.26 P.22-24
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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, and actual results may vary significantly from the forward-looking statements contained in this report due to a range of variable factors.

For comments and inquiries regarding this report, please contact us at the address below.

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Value Creation Process

TS TECH's business activities are based on the TS Philosophy and bring together a range of capital sources in a fusion of financial and non-financial. In conducting these activities, we employ strategies and resource allocation in line with factors such as the external environment, risks and opportunities. This enables us to develop comfortable, high-quality products and create long-term value for our stakeholders as we look to continuous growth.

Resources that support TS TECH

Financial Capital
- A strong, sound financial base for capital investment

Consolidated capital: 230.9 billion yen

Manufactured Capital
- Established in the four regions of Japan, the Americas, China, and Asia and Europe

Number of sites: 70
Number of production sites: 51

Intellectual Capital
- Competitive patents

Number of patents held domestically: 770
Number of patents held overseas: 441

Human Capital
- Global, diverse human resources
- Stratified education system
- Horizontal deployment of projects across the organization

Number of employees (consolidated): 16,335

Social Capital
- Approximately 60% of Honda vehicle seats are made by TS TECH
- The search to discover user needs
- Regional contribution activities

Natural Capital
- Minimum necessary energy input
- Reduction of scrap material
- Green Ecosystem Conservation Activities

Value created through business

Financial Capital
- Improve capital efficiency
- Stable return of profit
- Fair evaluation of corporate value

Manufactured Capital
- Global supply system
- Create revolutionary manufacturing technology
- Tough component competitiveness
- Highly-efficient distribution

Intellectual Capital
- Stand out from parts competitors
- Create attractive products

Human Capital
- Provide a workplace environment in which employees can find even more value in their work and undergo personal growth
- Conduct stable hiring that also takes work-life balance into consideration
- Provide opportunities for active involvement by diverse human resources

Social Capital
- Provide attractive products to new customers
- Share technology that is useful for society
- Co-existence with local communities

Natural Capital
- Reduce CO_2 and other emissions
- Improve fuel efficiency by reducing product weight
- Maintain biodiversity

Resolution of Social Issues

Value we offer stakeholders

Customers (Customer Companies and End Users)
- Create attractive products that are safe and comfortable and provide high quality products globally at competitive prices

▶ A Customer's Voice……P.26

Shareholders and Investors
- Proactive disclosure of information stemming from honest, highly transparent corporate management

▶ A Shareholder/Investor's Voice……P.26

Business Partners
- Fair, sound transactions with procurement partners for mutual prosperity
- Joint development through cooperation between academia and industry

▶ A Business Partner's Voice……P.27

Employees
- Global human resource development and self-fulfillment to support sustainable business growth
- Foster a corporate culture of proactively accepting individual personalities and differences

▶ An Employee's Voice……P.27

Society and Community
- Contributing to the economic development of various countries and regions through global business deployment
- Co-existence with local communities by continuing to implement contribution activities in accordance with the society of each local community

▶ Dialogue on Harmony with the Community……P.28

Environment
- Providing products that reduce environmental impact
- Inhibit resource depletion
- Production activities that take the environment into account

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Our aim is to be a “company welcomed with joy,” whose presence is appreciated by its stakeholders. The key to this is providing products that delight people around the world.

Looking at the 12th Medium-Term Management Plan as a whole, the objectives set out therein can be considered largely accomplished. Under our 13th Medium-Term Management Plan, we will pursue ESG management at all of our global sites. Our aim is to be a company that is welcomed with joy, whose presence is appreciated by all, through harmonious coexistence with society. That is how we'll ensure our sustainability as a corporation.

Michio Inoue
President and Representative Director

Michio Inoue joined Tokyo Seat (now TS TECH) in April 1977. He was appointed to the Board of Directors and as Executive General Manager of the Development and Engineering Division in 2002 and Director and Chairman of TS TECH NORTH AMERICA, INC. (now TS TECH AMERICAS, INC.) in 2008. Mr. Inoue was named Executive Vice President (Representative Director) of TS TECH in 2010 and has served as President since April 2013.

President and Representative Director

M. Inoue

Review of the 12th Medium-Term Management Plan

Under the 12th Medium-Term Management Plan, we worked toward the realization of our 2020 Vision to be an "Innovative Quality Company." Using the "establishment of a position as a global company" as a qualitative goal, we deployed four priority measures: expand sales beyond existing customers; bolster QCDDM competitiveness; construct an infrastructure of people capable of competing worldwide; and conduct CSR activities. We also intensified our efforts to become Honda's global growth partner.

Looking back on the results, with respect to our goal to become Honda's global growth partner, I am happy to report that we have now completed the preparations necessary for handling expanded production by Honda through the construction of new plants and building expansions at our sites worldwide.

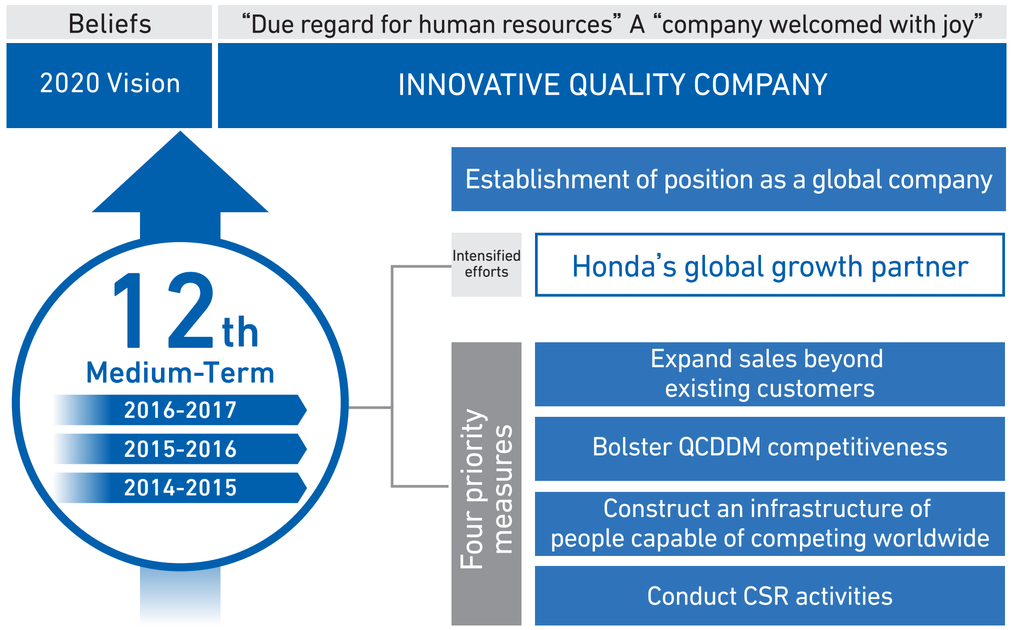
We have also achieved a fair degree of success in terms of our push to expand sales beyond existing customers, having acquired commercial rights to new products from European and American OEMs (manufacturers of finished cars). Going forward, we will continue working hard to win new customers and acquire new commercial rights.

With regard to our goal to bolster QCDDM competitiveness, we have expanded our measures worldwide in each of the five domains. We have centralized production of seat and door components, established a global supply system, transferred select development tasks to a new company in the Philippines to boost development efficiency, and created a subsidiary for press tools. In terms of quality, TS TECH was awarded the highest score in the in the J.D. POWER U.S. Seat Quality and Satisfaction Survey, a top international consumer satisfaction survey, in both 2015 and 2016. Nevertheless, several challenges remain, including some new quality issues and losses caused by the switch over to new models. These issues concern management in all processes from development to production, so we are working to resolve them as quickly as possible.

In order to construct an infrastructure of people capable of competing worldwide, we have taken steps to develop the human resources needed to drive our global competitiveness. We have revised our HR policies, improved the work environment, and expanded TS Philosophy education to the different regions in which we operate.

As for our measures to conduct CSR activities, we were able to advance efforts rooted in the local communities where we do business at Group sites in all regions.

The various measures in the plan have thus been essentially accomplished. Still, at less than 3 million units sold, unit sales for the TS TECH Group substantially underperformed the plan's forecast of 4 million units. Factors for this included a decline in orders for certain models due to economic slowdowns in developing countries and shortfalls in customers' production volume compared to their original plans. Together with the exchange rate impact, these factors caused us to miss our initial target for revenue. Nevertheless, with the steady progress we made on our priority measures, it appears that the quality of our business has risen overall.



The 13th Medium-Term Management Plan

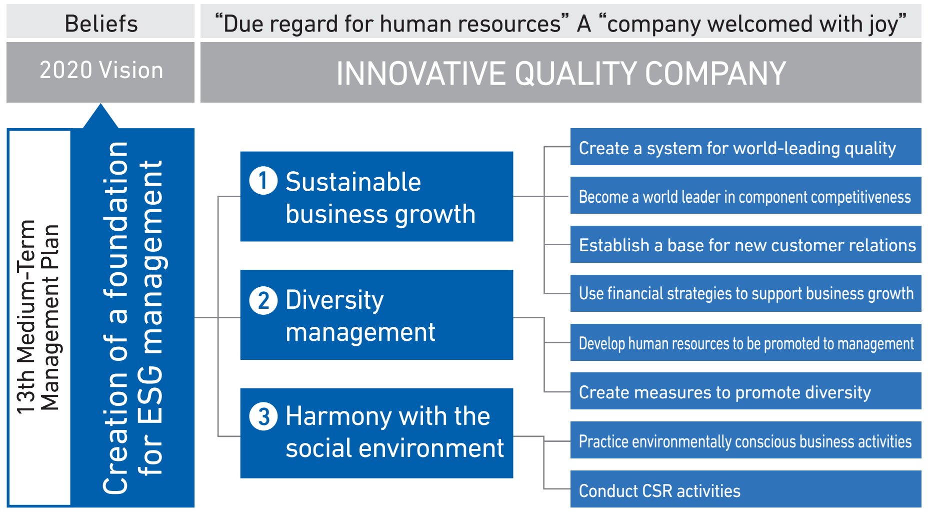
The 13th Medium-Term Management Plan, implemented in 2010 with the aim of bolstering our reputation as a company, is a 10-year program to establish the foundations required to become a top-ranking supplier of interior components. The final three years are the time to wrap up this process as we look ahead to 2020. However, with major shifts afoot in the global economy and ever-changing generational needs, these measures will need to be combined with additional efforts designed to take us to 2030.

Beliefs—2020 Vision—Mid- to Long-Term Plan

Beliefs	"Due regard for human resources" A "company welcomed with joy"
2020 Vision	INNOVATIVE QUALITY COMPANY
13th Medium-Term Management Plan Management Policy	Creation of a foundation for ESG management

With the global climate changing at a dizzying pace, we expect to face a challenging business environment in the future. To ensure further growth in these circumstances, the Group must not only seek profits but also develop management based on ESG principles—addressing environmental, social and governance factors. This is the key to ensuring that we truly fulfil society's expectations and help meet global expectations for a sustainable society.

We are therefore shifting towards cutting-edge management that incorporates ESG perspectives on a global scale. In drafting our long-term management plan from an ESG management perspective, we worked out the challenges we face, broke down the policies we need to tackle into specific elements, and then incorporated these into the plan. We have set the "Creation of a foundation for ESG management" as our key management policy for the 13th Medium-Term Management Plan and have committed to the following priority measures: sustainable business growth, diversity management, and harmony with the social environment.



The first priority measure, sustainable business growth, requires us to conduct cutting-edge R&D and create original core technologies. This will not only expand our business, but also ensure that we deliver attractive, environmentally friendly products that not only offer world-leading quality but also go beyond customer expectations. We will also create even stronger measures to win new customers and acquire new commercial rights, taking advantage of the global sales structure developed under the 12th Medium-Term Management Plan. Finally, in addition to the above, we will implement balanced financial strategies to support company growth while bearing shareholder returns in mind. These strategies will be developed from two angles: "offense," which will take into account efficient investment and the possibilities of M&A, and "defense," which will offer the company resilience in the face of a rapidly changing environment.

The second measure is diversity management. We plan to boost worker productivity by creating work environments where each employee can thrive, regardless of their gender or nationality, in order to ensure efficient and effective management suited for today's increasingly globalized society. In line with "Due regard for human resources," a key component of our Corporate Philosophy, we will achieve this by supporting the diverse work styles of our diverse human resources. We are also promoting autonomy and encouraging further localization at our overseas subsidiaries by ensuring that all of our operations around the world embrace the TS Philosophy (Beliefs, Company Principle and Management Policies). Our goal is to become a truly global company.

Under the third measure, harmony with the social environment, we plan to forge deeper connections with society. We will do this by continuing to both reduce our carbon footprint and expand our Green Ecosystem Conservation Activities around the globe, as well as by promoting happy, healthy local communities through athletic events and other activities.

Uniting as a Group to Keep Increasing Our "Enterprise Power"

We will continue pursuing these three priority measures around the globe and leverage our business strengths to deliver further growth for the TS TECH Group as we look ahead to 2030. Now that we have formulated a range of individual measures that incorporate ESG perspectives, we will lay out the specifics and goals for each measure, and we will work hard to make progress. As we work to make cutting-edge management that incorporates ESG perspectives a reality worldwide, we will unite as a Group to boost our "enterprise power."

A Message to Our Stakeholders

During these final three years in the run-up to 2020, our fundamental goal is to boost TS TECH's quality as a company while pursuing ESG management under the 13th Medium-Term Management Plan. To do this, we will be looking at how TS TECH is viewed both outside and inside the company, ascertaining the Group's position on a global level, and clarifying the challenges we will face in the next growth phase.

As we expand our operations, we will strive to build a more sustainable world and become a company welcomed with joy, whose presence is appreciated by people around the world. I hope we can count on your continued support in the years ahead.

TS TECH's business in the Americas, having achieved operational self-sufficiency, has now reached a level of autonomy that allows it to develop its own strategies for growth. The business model for the Americas allows Group companies in the region to move forward by making the most of their unique strengths while simultaneously working closely with Japan. This section explores the driving forces behind this business model from the perspectives of the research & development, sales, purchasing, manufacturing and Americas segment management divisions.

Research & Development

Steve Krantz
Vice President, Corporate R&D Division,
TS TECH AMERICAS, INC.

Creating Products That Meet Local Needs

Research and Development at TS TECH AMERICAS, INC. (TSAM) has been working hard to identify the needs of the North American market. We have been conducting research in several areas including, safety, performance, and styling. Our aim is to identify the key technologies and features that the North American customer will be seeking in the future. With this information, we will be developing a regional strategy that will drive and give direction to our future research projects. In addition to this, we will be collaborating with Japan to ensure that the needs of this key market are incorporated into the global strategy, ensuring that TS TECH will be ready for the future.

TSAM has now reached the stage where it can independently carry out the necessary research and development for our powersports products, identifying key products to meet local needs by taking inspiration from the American lifestyle. We are currently working to acquire new commercial rights for the rapidly growing market of utility vehicles and motorcycles.

Moving Toward Autonomous R&D in the Americas

We developed several products tailored to the North American market during the span of the 12th Medium-Term. Autonomy was a significant reason why we were able to expand our customer base in new market segments, supplementing our core automobile seat business.

Under the 13th Medium-Term Management plan, TSAM will engage in targeted activities to move toward a fully autonomous R&D center. Of course, we will carry over Japanese development methods, but we will also incorporate a North American sense of style. Just as Japan learned to develop products for America—a foreign country from Japan's perspective—TSAM is now developing products for China and Thailand. We aim to grow to the point where we can provide support to these global entities to help with their drive to become autonomous and ultimately share ideas from the Americas with the whole world.

Sales

Scott Hepner
Executive Vice President, Corporate Commercial Relations,
TS TECH AMERICAS, INC.

Creating Business Opportunities with Team-Driven Customer Strategies

Developing autonomy in sales is about building mechanisms and relationships that will help us fulfil customer expectations by mastering the knowledge that will enable us to respond quickly and accurately to our customers' diverse needs.

To do this, we have mobilized all of our resources across the Americas and formed teams made up of members familiar with the production floor in all domains of QCDDM[1], enabling us to combine their respective knowledge about trends and technology in the industry. We can put together the best possible proposals based on this knowledge, meaning that we can quickly deliver to customers proposals that have been refined through coordination among all relevant departments. It's evident that the approach we cultivated during the 12th Medium-Term Management Plan—combining all of our strengths when taking on challenges—is now providing deeper customer discussions.

Bringing Together Various Departments to Achieve Autonomy

Our company maintains a steady share of roughly 60% of the seats (finished products) and seat components for automobiles supplied to American Honda, a very important customer. We recently received Outstanding Supplier Performance awards which recognize superior quality and delivery performance by our manufacturing facilities. This recognition is a direct reflection of the efforts made by our local staff to exceed our customer's expectations, and it helps drive our expansion in the Americas market.

During the 13th Medium-Term Management Plan, we will further develop our capacity for teamwork across divisions while also working to achieve autonomy. By enhancing our ability to quickly and accurately ascertain customers' needs, we can become even more proactive in our sales efforts.

1. QCDDM stands for quality, cost, delivery, development, and management.

Purchasing

Paul Brumfield
Vice President, Corporate Commercial Relations,
TS TECH AMERICAS, INC.

Making the Most of Global Trends in Purchasing

Autonomy in purchasing in our Americas segment is about embracing a "global cost" approach where suppliers are selected based on a comprehensive perspective with a global focus. Over the past few years, we have shifted from a local emphasis to a worldwide outlook in terms of where we purchase components. Today, we work out where we can get the most stable supply of components at the lowest price globally on a daily basis.

During the 12th Medium-Term Management Plan, together with Japan, we implemented a global purchasing system that allows us to see price information from around the world in real time. The system assigns a number to each component to be purchased and works out where the best supplier for it is at any particular moment. For example, with labor-intensive production components such as sewn items, the cost price will be higher if we procure them in the U.S., where labor costs are high. Instead, we optimize our purchasing by utilizing our site in Mexico, which is more cost-competitive even when other factors like transportation costs and material costs are considered.

Managing Risks and Building Flexible Purchasing Strategies

Recently, both TSAM and its customers have focused on whether a supplier can ensure stable delivery of components at all times. We carefully identify all possible risks, from economic instability to natural disasters, and are always creating purchasing strategies that incorporate flexible distribution networks.

Under the 13th Medium-Term Management Plan, we plan to use QCDDM to boost our competitiveness and improve our mechanisms for evaluating suppliers. This will ensure that we continue to be our customers' best supplier, regardless of the shifts we see going forward in growth areas like electric and self-driving vehicles.

Manufacturing

Jeff Daniels
Plant Manager, Vice President,
TS TECH USA CORPORATION

Yoshimasa Okada
President,
TS TECH USA CORPORATION

Working to Increase Revenue Across the Group

We believe that the key to establishing autonomy in production in the Americas is to build an even more robust revenue base. We use resiliency measures from Japan as a guide to help our plant deliver stable profits despite production volumes that fluctuate due to a variety of factors.

Under the 12th Medium-Term Management Plan, we worked to simultaneously curb rising labor costs and address labor shortages by introducing automated welding and automated inspection systems, cementing our role as a global pioneer in automating production processes. The automated welding system we have implemented, known as "one pack welding,"[2] allows three processes to take place at a single process, minimizing the movement of components, manpower.

By promoting optimized automation at our production sites in the Americas through our own efforts, TS TECH USA CORPORATION (TSUS) has become the production site that generates the largest revenue not only in the Americas, but also in the TS TECH Group as a whole.

A Great Place to Work for Years to Come

Under the 13th Medium-Term Management Plan, we will continue to move forward with automation and efforts to save manpower by expanding the automatic guided vehicle (AGV) zones on our premises and working to reduce production takt times[3] while simultaneously streamlining back-office services under annual targets. We hope to fulfill our responsibilities as the "mother plant" for the Americas as we work to deploy similar automation at all plants in the Americas that produce 1,000 or more units daily, including TS Alabama (TSAL)[4] and TS Canada (TSCA).[5]

At the same time, as a company, we are determined to stay in step with social progress. For the past decade, we have been engaged in various social contribution activities in our local communities, including a toy drive.[6] Going forward, we will make every possible effort to ensure that our company remains a great place to work.

2. One pack welding: a production robotics system that performs automatic welding and inspection. 3. Takt time refers to processing time for a product, taking the gaps between production periods into account. 4. TS TECH ALABAMA, LLC. 5. TS TECH CANADA INC. 6. The toy drive is a community contribution project that began from an employee suggestion. Gifts for local children are purchased around the holiday season using donations from employees. Employees then deliver those gifts together with members of the local fire department.

Americas Segment Management

Jason J. Ma
Executive Vice President
TS TECH AMERICAS, INC.

Joe Downing
Vice President, Corporate Administration
TS TECH AMERICAS, INC.

For the Most Effective Autonomy in Each Division

Under the 12th Medium-Term Management Plan, we focused on four topics in order for our research & development, sales, purchasing and manufacturing divisions to make the most of their autonomy from the perspective of the Americas segment management.

The first topic was to expand our purchasing network and strengthen risk management.

The second was to consolidate management functions under TSAM, the head office for North American operations, and clarify the roles and responsibilities of each group company in the segment. We enhanced management efficiency by developing unified assessment standards for use at all companies in the Americas, creating an environment where people could work autonomously and with creativity.

The third topic was greater contributions to society. We, as local residents, should take the initiative toward CSR activities. This is just one facet of how we should operate with respect to autonomy. At TSAM, we support efforts by the American Association for Cancer Research, United Way and other nationwide charities. We also take the approach of asking every employee to contribute in some way, such as by teaching robotic engineering at local schools. Our proactive approach as a corporation will contribute to a high degree of employee satisfaction.

The fourth topic was the development of human resources education and work-style reforms. TSAM prizes its unique corporate culture, which brings together the distinctive features of both Japanese and American business. We used this identity to ensure that everyone embraced the TS Philosophy. We also conduct TS TECH workshops for top management candidates and regularly offer Leadership Styles and Skills Development[7] for those in management.

Additionally, here in the Americas, we have introduced a diverse range of options in our efforts to achieve work-life balance, including childcare and caregiving leave as well as a system for working from home.

What the Diversity of the Americas Fosters

Today, 40 years after TS TECH established a presence in the Americas, TSAM has strong roots in the local community where it operates. Our people are socially engaged, offering the gifts of their diverse cultures and languages. We act in unison, yet our diversity makes us dynamic rather than homogenous. This diversity in turn fosters the autonomy of our human resources and organizations. Our human resources and organizations show their unique strengths through this autonomy, making it possible to respond to various changes in the world.

Under the 13th Medium-Term Management Plan, we will use these unique strengths to stabilize profits realized through enhanced quality and more efficient development. Moreover, the return of profits to society through expanded CSR efforts is a key area of focus for our practice of ESG (environmental, social and governance) management.

We established our 2020 vision of becoming an "Innovative Quality Company" in the midst of the global financial crisis a decade ago in order to replace adversity with opportunity. We are determined to make these three years fruitful ones in order to accomplish our goal.

7. Leadership Styles and Skills Development (LSSD): an educational program for management-level employees unique to TSAM.

Special Feature

The Underlying Strength of TS TECH

TS TECH Co., Ltd. was founded in 1960 as Tokyo Seat Co., Ltd., and since its establishment, the company has achieved steady growth as a partner of Honda Motor Co., Ltd. Throughout its history, TS TECH has encountered numerous challenges, but it has never experienced financial deficit, paving the way for the successful launch of its 13th Medium-Term Management Plan, which runs through March 2020. This special feature looks back at the efforts to nurture the enterprise power (underlying strength) TS TECH used to overcome the challenges it encountered and the trajectory of the company's global expansion. At the same time, the special feature will attempt to analyze the enterprise power necessary to attain sustainable development as a company that grows together with society.

Special Feature 1 The Enterprise Power of TS TECH

Episode 1 The Source of Our Underlying Strength

The Power of TS TECH's Female Employees

Around the time of its establishment, TS TECH was manufacturing seats for the Honda Super Cub. The Super Cub became a top seller, so Honda built a new factory in Suzuka City, Mie Prefecture, and TS TECH subsequently followed suit. For the launch of the newly established Suzuka Plant, TS TECH transferred about 30 employees, including 10 women, from its plants in Saitama and Hamamatsu. At the time, relocation of unmarried female employees to such a distant workplace was highly unusual. Their cooperation and hard work contributed to the smooth launch of operations at the Suzuka Plant, and today the company believes that the power of its female employees is indispensable for corporate growth.

Unyielding Persistence

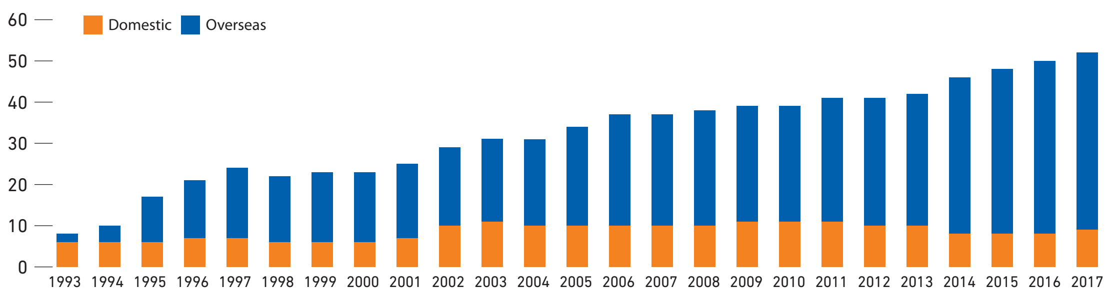
TS TECH made its first inroads overseas in 1977 with the establishment of TRI-CON INDUSTRIES, LTD. in Lincoln, Nebraska, USA. It first produced seats for Honda and Kawasaki motorcycles and later began manufacturing seats for snowmobiles, personal watercraft and golf carts as well. TRI-CON INDUSTRIES began production of seats for automobiles in 1983. In order to boost its in-house manufacturing capabilities, the company built the No. 2 Lincoln Plant as a press plant for seat frames in 1985. The following year, the company successfully obtained a new order from an American OEM and relocated its Colombia Plant to a new industrial complex as a result. Also, in order to supplement the manufacturing capacities of its sewing plant in Cape Girardeau, TS TECH established INDUSTRIAS TRI-CON DE MEXICO, S.A. DE C.V. in Tamaulipas, Mexico.

Using the aforementioned overseas expansion as a springboard, in 1986, TS TECH established TS TRIM INDUSTRIES INC. (TSTI) in Ohio, USA and began local production of interior components for automobiles, including door trim for the Accord. Additionally, in 1988, TS TECH opened its Athens Plant in the same state and began sewing seat trim covers there.

At the same time, TS TECH was steadily building the foundation of its current Asia and Europe segment, establishing its presence in Malaysia in 1981, the Philippines in 1994, Thailand in 1995, India in 1997, and the United Kingdom in 1999.

Following the establishment of Guangqi Honda Automobile Co., Ltd. (Guangqi Honda) in China, TS TECH set up GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD. (GZTS) through a joint venture with Guangzhou Automobile Group Component Co., Ltd. in 2001. TS TECH founded TS TECH (HONG KONG) CO., LTD. in Hong Kong in 2003 and WUHAN TS-GSK AUTO PARTS CO., LTD. in Wuhan in 2005. The company has continued its global expansion since then, growing into a group with 47 companies in 14 countries around the globe as of the end of March 2017. This is the result of the company's unyielding dedication to advancing its core technology for the manufacture of motorcycle seats, the starting point for TS TECH's development, while expanding it on a global scale.

Changes in the number of domestic and overseas affiliated companies



* The number of affiliated companies includes not only subsidiaries (companies in which TS TECH holds a share of 50% or more), but also affiliates (companies in which TS TECH holds a share between 20% and 49%).

Episode 2 Unexpected Challenges

The Impact of the Global Financial Crisis

In the fall of 2008, a global financial crisis occurred, and the automotive component industry fell into a dire state as the "Big Three" American automotive companies—Ford, Chrysler, and General Motors—were successively forced into bankruptcy in 2009.

As an emergency recovery measure, TS TECH formulated its Guidelines for Cost Reduction. These Guidelines were distributed to all companies in the Group as part of thorough, concerted efforts to slash costs. Furthermore, the Group built a production system in line with trends in orders and curbed capital investments. These actions kept the company from falling into the red despite a decline in consolidated sales from a peak of 479.1 billion yen recorded in the fiscal year ended March 2008 to 404.7 billion yen (fiscal year ended March 2009) and then to 317.9 billion yen (fiscal year ended March 2010). TS TECH also managed to keep its operating income in the black, booking 26.2 billion yen in the fiscal year ended March 2008, 16.0 billion yen in the fiscal year ended March 2009, and 9.5 billion yen in the fiscal year ended March 2010.

Bold Implementation of Thorough Internal Reforms in North America

Discussions were conducted at the head office for operations in North America to formulate specific measures in order to find a way out of the crisis and secure the survival of the company. The Group moved to implement these measures immediately, starting with the most feasible ones. The global Guidelines for Cost Reduction were faithfully observed but deemed insufficient against the backdrop of the drastic 24.5% year-on-year drop in sales for the fiscal year ended March 2009, so the company enacted internal reforms through extreme streamlining. Although personnel layoffs and wage cutbacks were implemented, the employees did not complain, and many of them expressed approval for the commitment shown by management in order to overcome the crisis. The relationship of trust between the top management and employees as well as the loyalty to the company that TS TECH has nurtured over the years since its entry into North America brought forth its underlying strength to overcome this crisis.

As a result of these efforts, the company managed to significantly slash its operating losses to 358 million yen, despite the fact that sales declined further by 19.2 billion yen (14.1%) in the fiscal year ended March 2011. Thanks to internal reforms, in the following fiscal year, the company achieved an increase in revenue, and its operating income shifted back into the black.

Overcoming the Impact of the Great East Japan Earthquake and Massive Flooding in Thailand

The Great East Japan Earthquake struck on March 11, 2011. With a magnitude of 9.0, it remains the most powerful earthquake on record in Japan. The massive tsunami caused by the earthquake was an unparalleled disaster, causing enormous damage to the coastal areas of the Tohoku region and triggering an accident at a nuclear plant in Fukushima Prefecture.

The earthquake damaged the Technical Center, the development hub of TS TECH, and seriously affected operations. Even in this grave situation, the staff at the Center gathered in darkened meeting rooms to formulate recovery measures in order to minimize the paralysis of development operations, coming together as a team through efforts such as the relocation of design computers and data servers.

The Group faced another major challenge in October of the same year, when massive floods that hit Thailand left TS TECH (THAILAND) CO., LTD. (TSTH) underwater, resulting in a temporary suspension of operations. After the water was drained from the industrial complex, TSTH employees worked together to implement full-fledged recovery efforts that started on December 6. Thanks to their efforts, operations were fully restarted on March 26, 2012.

These events are just some of the many ways we can be sure that TS TECH is a company where all employees have the underlying strength to overcome difficulties for the sake of customers.

An Interview with the Supervisor of Global Operations

Leveraging our underlying strength at the global level to promote further growth

Masanari Yasuda,
Senior Managing Director (Representative Director), Global Operations Supervision/Quality Assurance Supervision

Q Give us an example of when you witnessed the underlying strength of TS TECH.

When I was manager of the Design Department in 2007, we faced a major challenge in the form of frequent design changes, which had been on the rise since about 2003. More changes meant higher costs and an increased workload. Not only that, losses at the design stage were affecting all of the subsequent processes, right up to the start of production. The situation was directly affecting the company's business as a whole.

To solve the problem, we set a target of no more than 10 design changes per model as our goal. We set a lofty goal, and, of course, we didn't always reach it. However, today, 10 years later, we have brought that target number down to around five or six. Our efforts have had a major positive impact on the entire Group.

Q What was the underlying strength that helped you to achieve your goals?

It all comes down to a "never give up" mentality. Even when it seemed like there was no end in sight, we just kept going in a process of repeated trial-and-error. This gradually produced results, and eventually our final goal was within reach. In my view, the result was the sum of every small achievement. Perhaps by saying this, some may deem our company serious to a fault (laughing).

Q Would you say that the same underlying strength is still there?

I think this mentality of never giving up is a part of our corporate DNA, so it gets passed down to our younger employees. In response to an increasingly global era, we conduct TS Philosophy training[1] programs in all 14 countries in which we operate to ensure that everyone at all of our locations embraces this mentality.

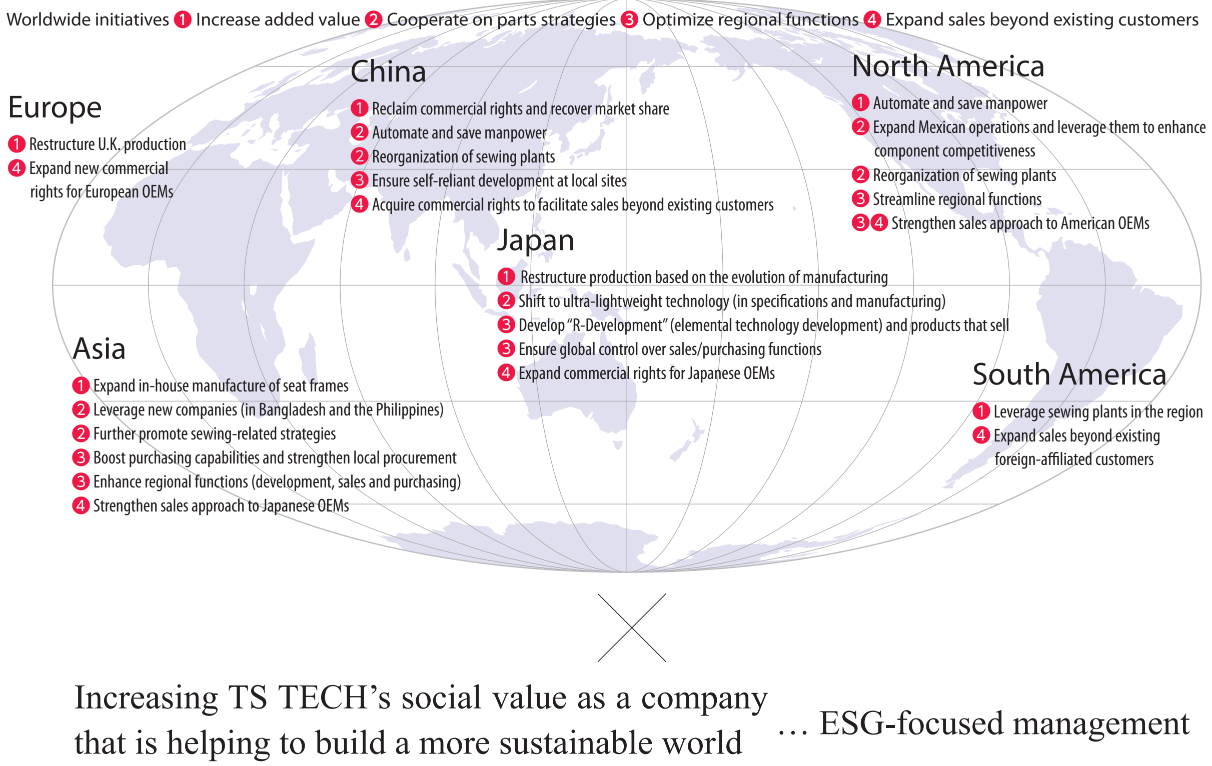
This type of underlying strength, however, is something to be used when there is a sense of crisis. Since we handle tasks systematically, we face fewer troubles and failures. While this is a good thing, it also means that we do not face as many situations where we draw upon our underlying strength. However, the changing times continually present us with new challenges.

Q What sorts of new challenges do you foresee?

We have risk prevention measures in place at all locations around the world, so our plants are running smoothly. This may perhaps lead managers and supervisors at local sites to lose a degree of interest in the production floor. They may tend to leave the bulk of the work to the people on the floor. I believe this same issue can be seen in administrative departments.

1) TS Philosophy training
We have created a uniform, group-wide curriculum in Japanese as well as the languages of all the countries where we operate. The goal is to ensure that all TS TECH Group employees understand the TS Philosophy (Beliefs, Company Principle and Management Policies) and put it into practice at all times. We have TS Philosophy "promoters" in each country, and we conduct training at our offices and local sites around the world. See the inside front cover for details on the TS Philosophy.

Our global growth strategy



Q How can we improve this situation?

The solution is always found in what we call the "three actuals" (the actual place, the actual thing, and the actual situation). First of all, senior management at all of our global bases and department managers based in Japan need to go back to the basics of management, go out to the actual sites in person, and look at and listen to what is going on there in detail. Leaders who make this a regular practice will discover potential issues at an early stage and be able to nip them in the bud before they become serious problems.

What's more, when management has a presence on the production floor, employees realize that what they are doing is important to their management. This improves their own mindset and boosts their motivation. I am confident that this approach, combined with our TS Philosophy training, will lead to the autonomous creation of foundations for ESG-focused management in each region.

Q What does TS TECH need to do to continue growing globally?

In order to realize continued global growth, we need to increase revenues from our operations by carrying out initiatives in all domains of QCDDM[2] around the world. We also need to increase our social value by gaining recognition as a company that is helping to build a more sustainable world.

As part of our 13th Medium-Term Management Plan, implemented in April 2017, we are expanding operations incorporating ESG-focused management practices. We will face new, difficult obstacles on the path to making this vision a reality, yet I have no doubt that as we do, we will encounter more opportunities to utilize the underlying strength of TS TECH once again. Drawing on the TS Philosophy, we will display our "never give up" mindset—our underlying strength—on a global scale and boldly overcome every challenge we face.

2) QCDDM stands for quality, cost, development, delivery, and management.

Special Feature 2

Stakeholder Dialogue

A "Never Give Up" Mentality: The Underlying Strength behind TS TECH's Value Creation Process

Taihei Hayashiya, a famous *rakugo** performer, participated in the panel discussion at Za Forum 2016, held in November 2016. We invited him back later to meet with members of Za Lab, a group of young employees from TS TECH, who presented at Za Forum. Together they discussed how we should approach our work and conduct ourselves to manufacture seating of the future.

Kojima: We do our jobs with the desire to create great seats. However, things don't always go as planned, creating an array of concerns and worries. How do you overcome these kinds of obstacles in your own work?

Taihei: As a *rakugo* performer, when this happens I try to kick-start the creative process by asking myself, "What is it that my audience is looking for?" In the case of car seats, I think you have to give a lot of thought to what kind of seat you should create so that the customer will like it not only when they get into the car for the first time, but five, ten years down the road as well.

Ikeda: Mr. Hayashiya, your job as a *rakugo* performer is to conjure up fantastic images in the minds of your audience; our job is to make our customers feel happy through seating. Can you give us some examples of methods you use to try to picture in your mind how the audience member—or customer—feels?

Taihei: You could say that your job as a seat maker is basically thinking about the "story" behind the customer's experience in the car. Specifically, you might ask yourselves, "Who will sit in the seat, and how will they feel when they sit there?" or "What will happen when a child seat is fitted in the back seat?"

Miyawaki: It's about making a car into a space that creates an enjoyable "story" for the customer. The seats we make are a key component of that story. We have to become even more mindful of this in our work.

Kajihara: That said, when you're preoccupied with the task at hand, it's easy to forget this and become discouraged. At Za Forum 2016, we gave a presentation on seats that create zero fatigue during travel as part of the theme of "seating to extend healthy life expectancy." However, there were many times when we felt discouraged while working on the presentation. We found it difficult to express fatigue, an invisible psychological state, in visual terms.

Taihei: Grasping the psychological state of drivers is certainly no easy task. Some people would welcome automated driving, whereas people like me enjoy the experience of driving itself. But is it acceptable for you to offer your customers products that you created when you were discouraged? When your work is tough and you lose heart, the people who rely upon you become discouraged as well. You can't give in to discouragement. Remember this, and it will help you find the strength to keep working towards your dreams and goals.

Kojima: I think the fact that I was not alone when preparing for Za Lab sessions was a huge source of strength for me. When our ideas were dismissed again and again for not being interesting enough, and we almost gave up, Mr. Miyawaki, our group leader, cheered us on. It made me think, "He's giving his all, so I'm going to do my best as well."

Ikeda: In addition to the encouragement we've received from each other, a major source of strength that has helped us to overcome our own

* A traditional form of comedic storytelling

Taihei Hayashiya
Rakugo performer

Born in Saitama Prefecture in 1964. Graduated from the College of Art and Design at Musashino Art University and went on to study *rakugo* under Konpei Hayashiya. Received an Outstanding Performance Award at the NHK Newcomer Entertainment Contest in 1993 and a Silver Award for his performance in a contest hosted by the National Engei Hall in 1999. Rose to the rank of *shin'uchi*, the highest rank that a *rakugo* performer can attain, in 2000. Received the 58th Minister of Education Award for Fine Arts in the newcomer's division in 2008. Was appointed a visiting professor in the Department of Arts Policy and Management at Musashino Art University in 2010 and became the director of the Rakugo Kyokai, a society of *rakugo* performers and professional storytellers, in 2014. Appears on multiple TV and radio programs, including the long-running TV comedy *Shoten*.

Za Forum: Thinking about Seating of the Future

Za Forum is a unique event launched by TS TECH in 2011 with the aims of creating new products that make users happy and sharing new ideas about seating with the general public. During each Za Forum, the research group Za Lab gives presentations that use "the philosophy and science of seating" as their basic concept.

During the first part of Za Forum 2016, held on November 19, 2016 at Spiral Hall, Minami-Aoyama, Tokyo, the members of Za Lab gave a presentation on the theme of "seating to extend healthy life expectancy." They laid out the results of their research, which had approached this central theme from both physical and psychological angles, and presented two new ideas in seating. The first was "seats that create zero fatigue during travel" by using sensors to detect driver fatigue, and the second was "seats that work to offset a lack of exercise," which allow users to obtain some of the effects of core-strengthening training while they drive.

The second half of the event centered on a fascinating panel discussion on the theme of "seating and a super-aging society" and featured prominent individuals from a number of different fields, including product designer Toshiyuki Kita, brain scientist Kikunori Shinohara, orthopedic specialist/doctor of medicine and sports doctor Kakuko Nakamura, and *rakugo* performer Taihei Hayashiya.

座フォーラム 「座る」を極める 2016

From left: Taihei Hayashiya, Kakuko Nakamura, Kikunori Shinohara, and Toshiyuki Kita




personal limits has been TS TECH's corporate culture of never giving up. I think the quality of our presentations improved tremendously thanks to the tough yet valuable input that we received from company management. They really hate to see anyone give up.

Kajihara: That's right. The company president and the directors never seemed to mind giving up their time to help us. They would say, "Come back again after you have refined your presentation, and we'll be happy to listen to it again." When we all came together as a team, I felt myself gain the strength to keep going.

Miyawaki: I also felt the power of our team. There were times when we just couldn't come up with any better ideas and were very close to defeat. Yet when I talked with the other members during such times, it was clear that not a single person intended to give up. I thought, "Not one person on this team is about to give up, so if we all combine forces, we're sure to break through this impasse," and that is exactly what happened.

Exceptional Craftsmanship Delivered through Teamwork and the Beliefs of Each Member

Taihei: I think that successful experiences achieved through teamwork are immensely valuable assets for all of you. However, I don't think that just being supported by others is enough in itself.

Each of you needs to realize that you yourself create the stories where customers have enjoyable experiences in cars through seating. That will be the biggest source of underlying strength to keep you from giving up.

Ikeda: Mr. Hayashiya, you have apprentices that you mentor in the art of *rakugo*. What advice do you give them when they are on the verge of giving up on their quest to become a *rakugo* performer?

Taihei: My advice to them is this: "There's no joy in giving up." A whole new world will open up before you if you just keep going. In August 2016, I did a fundraising run that involved running more than 100km in 24 hours. If I had given up at any point, I would never have seen the wonderful sight of crowds of people lining the streets as they cheered us on. I would also tell them about the importance of believing in yourself. Cheering yourself on when things are really tough—"This difficult bit will be over with soon so hang in there! Everything will be OK!"—is a major source of strength.

Miyawaki: Thank you very much for sharing your valuable thoughts with us today. In closing, do you have a message for everyone at TS TECH?

Taihei: Perhaps an idea we've used in the world of *rakugo*: "creative destruction." This means tearing down something that was created in the past in order to move forward into a new age. I look forward to seeing all of you taking up the challenge of going beyond conventional wisdom to design really interesting products—the kind of products that will make me think, "I had no idea that a seat could be this great!"

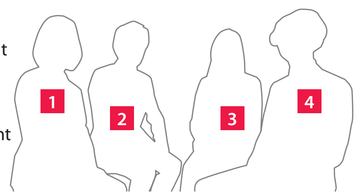
Participants (Members of TS TECH's Za Lab)

1 Business Development Section 1, Business Development Department
Shiori Kojima

2 Administration Section, Administration Department, Suzuka Plant
Toshiyuki Ikeda

3 System Section 1, System Department
Hisae Kajihara

4 Collision Safety Section, Development and Testing Department
Kazuya Miyawaki



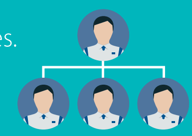
Working towards Management Focused on ESG

TS TECH will pursue ESG management at all of its global sites under its 13th Medium-Term Management Plan, aiming to become a company that not only seeks to earn profits through its business, but also to coexist harmoniously with society and be a company welcomed with joy whose presence is appreciated by all. This section introduces some of TS TECH's initiatives in the area of ESG management.

P.20 Making ESG a Priority Issue

Our 13th Medium-Term Management Plan sets the creation of a foundation for ESG management as its management policy. Our first priority measure within the plan is "sustainable business growth" (governance and economy). The second is "diversity management" (society). The third is "harmony with the social environment" (environment and society).

All of our efforts will be developed based on these three priority measures.



P.22 Corporate Governance and Compliance

- TS TECH is actively working to enhance its corporate governance in order to fulfil its social responsibility, ensure sustainable growth and boost mid- to long-term corporate value.
- TS TECH has formulated the TS Guidelines for Conduct, which lay out the standards that executive officers and employees must adhere to during their duties. Efforts are under way to ensure that all employees have a thorough understanding of these guidelines and the TS Philosophy.

P.26 Stakeholder Engagement

TS TECH is always striving to be "a company welcomed with joy, whose presence is appreciated by its stakeholders." Going forward, we will continue to promote communication with all of our major stakeholders through dialogue and exchanges of opinion.

Stakeholder Voices

- A Customer's Voice
- A Shareholder/Investor's Voice
- A Business Partner's Voice
- An Employee's Voice

Voice

Stakeholder Dialogue

- Dialogue on Harmony with the Community
- Dialogue on Afforestation

Stakeholder Dialogue

Making ESG a Priority Issue

The Sustainable Development Goals (SDGs) adopted by the United Nations Sustainable Development Summit set out a comprehensive vision of what the world should look like by 2030 across a wide range of areas: the economy, the environment and society. TS TECH believes that working towards management focused on environmental, social, and governance (ESG) factors is essential to make this vision a reality. The objective of TS TECH's ESG-focused management is to contribute to a sustainable society while working toward sustained growth as a company.

Three Key Corporate Initiatives

TS TECH's 13th Medium-Term Management Plan includes the "creation of a foundation for ESG management." Our three priority measures for assisting with this are "sustainable business growth," "diversity management" and "harmony with the social environment." TS TECH has established eight additional corporate initiatives in order to make these priority measures a reality, and it is working to bring ESG-focused management to all of its sites worldwide.

Priority measures	Corporate initiatives
Sustainable business growth	**Create a system for world-leading quality** ■ Establish independent auditing bodies at each location ■ Work to strengthen customers' quality **Become a world leader in component competitiveness** ■ Develop attractive products and create original technologies (develop sensing/control/manufacturing technologies) ■ Maximize global production efficiency **Establish a base for new customer relations** ■ Take even stronger measures to expand sales beyond existing customers **Use financial strategies to support business growth** ■ Invest optimal capital according to region ■ Progress to consolidated money management
Diversity management	**Develop human resources to be promoted to management** ■ Construct an education system for next-generation management to further localize management **Create measures to promote diversity** ■ Reform global HR measures to match regional characteristics ■ Carry out work-style reforms
Harmony with the social environment	**Practice environmentally conscious business activities** ■ Contribute to a low-carbon society ■ Green Ecosystem Conservation Activities **Conduct CSR activities** ■ Develop CSR activities tailored to each country/region

Corporate Governance and Compliance

Basic Policy on Corporate Governance

TS TECH's corporate philosophy calls for a "Company Welcomed with Joy," firstly by its customers and shareholders, as well as its suppliers, employees, and the community. The Company recognizes that establishing corporate governance is an important step in fulfilling its social responsibility and becoming a "Company Welcomed with Joy" by all its stakeholders and is actively working to promote it.

Based on this philosophy, the TS TECH Group has established the TS TECH Corporate Governance (TSCG) System and is working to enhance compliance and risk management as well as improve corporate ethics.

We endorse the Tokyo Stock Exchange's Corporate Governance Code and have set the following basic policies accordingly.

Basic Policies

(1) Securing the Rights and Equal Treatment of Shareholders
We respect the rights of all stockholders, who are important shareholders, 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 Shareholders
We shall cooperate appropriately with all shareholders 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 viewed as a "Company Welcomed with Joy" by our shareholders, 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.

Compliance with the Corporate Governance Code

TS TECH's financial and commercial activities are based on Japan's Corporate Governance Code. TS TECH has carefully considered the content and spirit of each of the published principles of the Code in relation to the company's goals of achieving sustainable growth and increasing mid-to-long-term corporate value. TS TECH mandates a "comply" approach with respect to each of these principles.

With regard to Supplementary Principle 1.2.4 (The creation of an infrastructure for electronic voting), for which an "explain" approach was adopted last year, TS TECH is now in compliance with this principle, having introduced a system for electronic voting for the annual General Meeting of Shareholders held in June 2017. Efforts were also made to further improve the voting environment for all shareholders.

In addition, with regard to Supplementary Principle 4.11.3 (Evaluation of the effectiveness of the board as a whole), for which an "explain" approach was also adopted last year, TS TECH has worked to strengthen governance in a manner suited to the company from a mid- to long-term perspective based on changes in the required roles and functions of the Board.

We have simultaneously taken steps to review the methods by which the effectiveness of the Board is evaluated. We will conduct dialogue with our shareholders as we continue to consider how best to implement the Code's principles.

Group Governance System

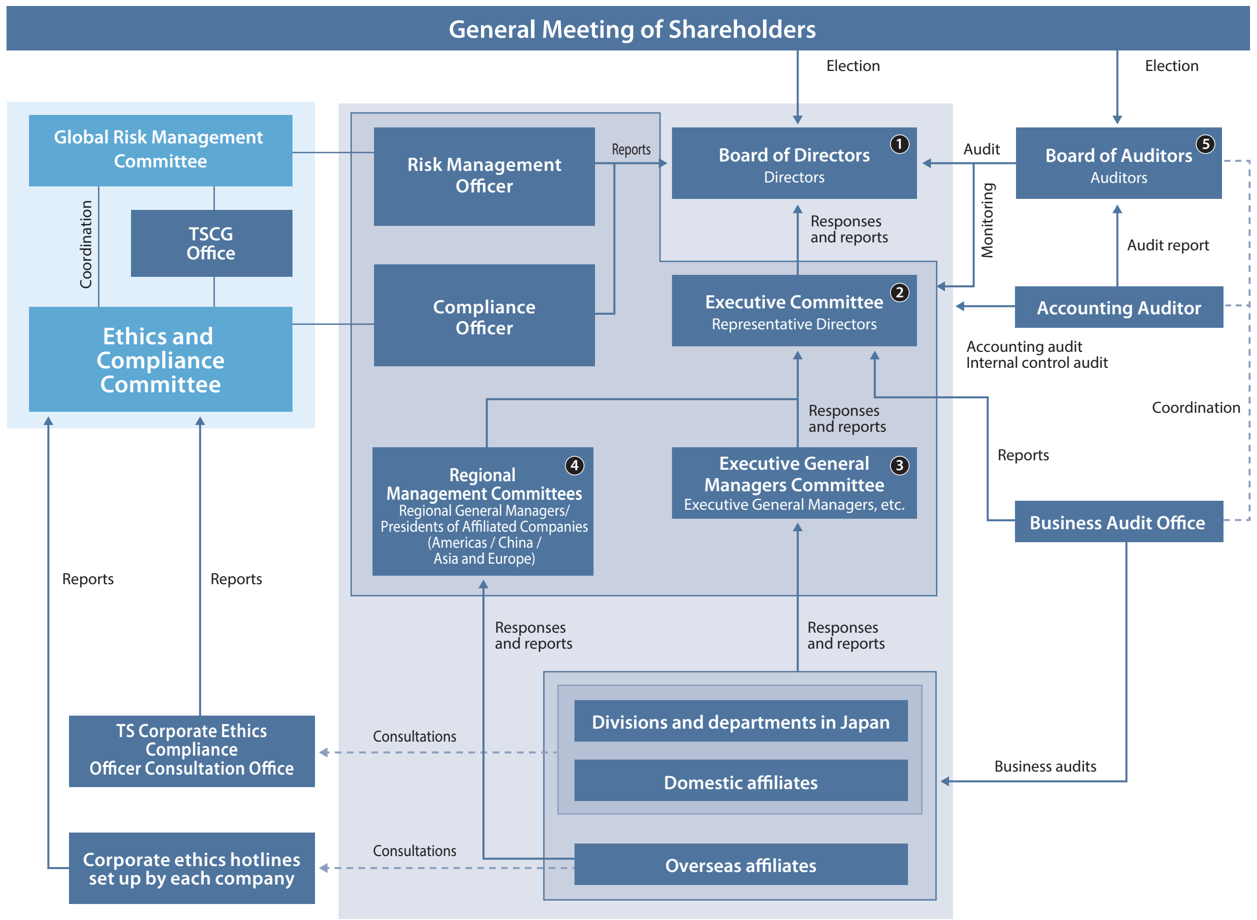
The TS TECH Group has established a sound corporate governance system. It includes sharing the TS Philosophy, a policy on corporate governance, and a three-year medium-term management plan. Affiliated companies also have their own effective, efficient corporate governance systems that are based on the laws of their respective countries and 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 regularly conducted compliance and risk verification known as the 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.

Governance System Diagram



❶ Board of Directors
The Board of Directors comprises 14 directors, including two outside directors. It convenes at least once per month in principle. 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 the company's operations.

The outside directors are elected based on their wealth of professional experience because they will be consulted regarding management policies and important company decisions.

❷ Executive Committee
It 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.

❸ Executive General Managers Committee
It comprises directors and other members. It discusses matters relating to the policies, planning, and control of each business division's overall operations to enhance efficiency of management.

❹ Regional Management Committees
They comprise directors and other managers in the Americas, China, and Asia and Europe, and deliberate on important matters affecting management in their respective regions.

❺ Board of Auditors
It comprises four members (including two outside corporate auditors). Each corporate auditor audits the directors' execution of duties in accordance with the audit policy determined by the Board of Auditors through attendance at important meetings such as meetings of the Board of Directors, various examinations, and the regular exchange of opinions with the directors.

Outside corporate auditors are elected to utilize their professional experience outside of TS TECH and to make audit functions even more objective and independent.

Operation of an Internal Control System

In accordance with provisions in the Companies Act, TS TECH passed a resolution on the basic policies of its internal control system at a Board of Directors' meeting held in May 2006.

Since then, the Board of Directors has reviewed the implementation of this system each fiscal year and passed resolutions on changes to this policy as necessary.

Additionally, in accordance with the 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 by regularly evaluating improvements and operations and taking corrective actions when necessary.

Risk Management

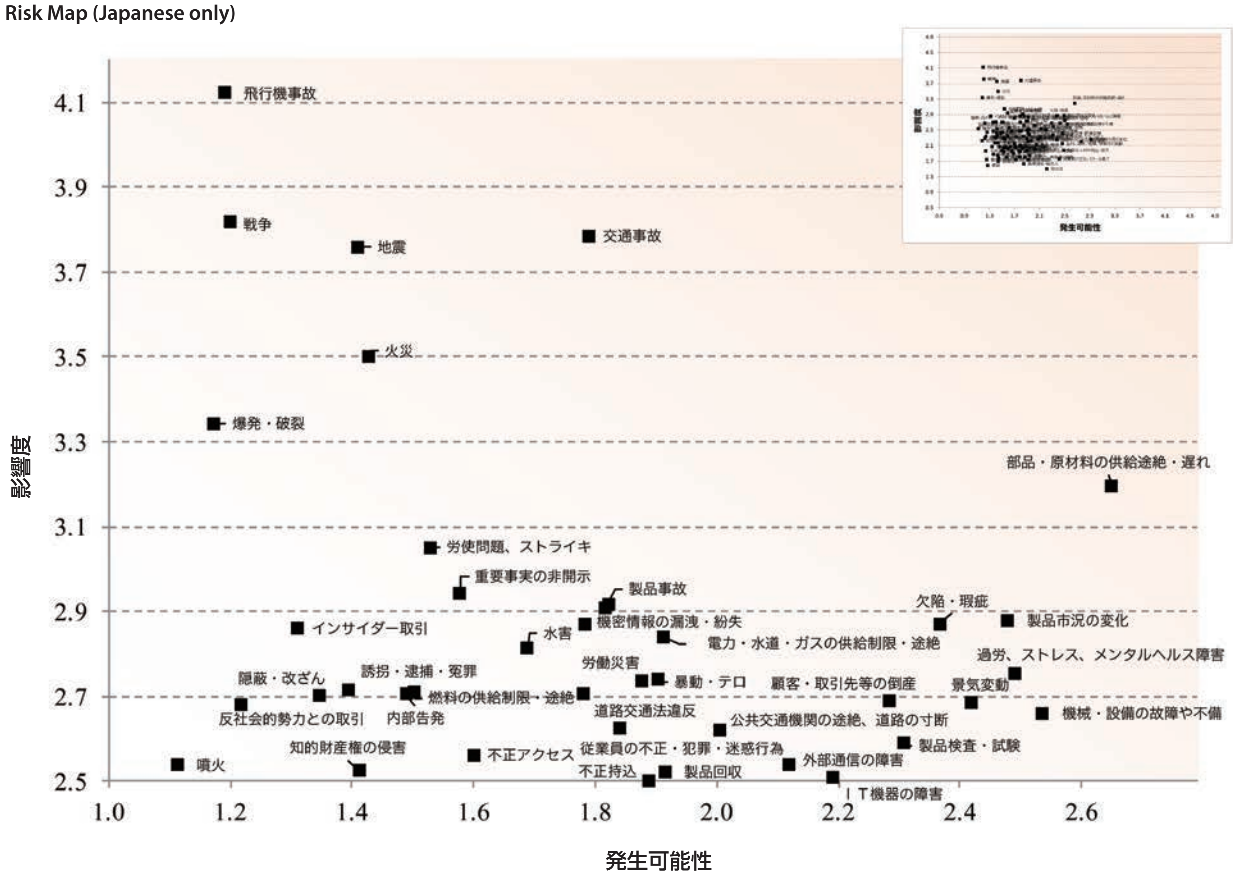
Important management issues are carefully deliberated upon by TS TECH's Executive Committee as well as various advisory committees. Through these discussions, TS TECH makes every effort to avoid and mitigate business risks.

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, ensuring that efforts are continually made to mitigate potential risks.

Throughout the fiscal year ended March 2017, TS TECH continued to work on mitigating the possibility of an interruption in the parts supply chain, a latent issue within the company's supply chain that is considered to be high-risk for the Group as a whole. We have also worked group-wide to overhaul emergency contact framework and risk management manuals, aiming to ensure that damage can be minimized and operations normalized as early as possible in an emergency situation.

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

Risk Map (Japanese only)



Compliance Framework

TS TECH has formulated the TS Guidelines for Conduct, which lay out the rules that executive officers and employees must follow during their duties. Efforts are being made to instill in all employees a thorough understanding of these guidelines and the TS Philosophy.

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. The office handles approximately ten complaints per year, and its continuous availability has been effective in resolving internal issues and maintaining compliance.

Directors and Auditors (as of June 23, 2017)

Directors

PRESIDENT
(Representative Director)
Michio Inoue
Joined TS TECH Co., Ltd. in 1977
President (Representative Director), TS TECH Co., Ltd.

SENIOR MANAGING DIRECTOR
(Representative Director)
Yoshiaki Yui
Joined TS TECH Co., Ltd. in 1980
Senior Managing Director (Representative Director), TS TECH Co., Ltd.
Assistant to the President, TS TECH Co., Ltd.
Management Supervision, TS TECH Co., Ltd.
Sales Division General Executive Manager
Risk Management Officer

SENIOR MANAGING DIRECTOR
(Representative Director)
Masanari Yasuda
Joined TS TECH Co., Ltd. in 1982
Senior Managing Director (Representative Director), TS TECH Co., Ltd.
Assistant to the President, TS TECH Co., Ltd.
Global Operations Supervision, TS TECH Co., Ltd.
Quality Assurance Supervision, TS TECH Co., Ltd.

SENIOR MANAGING DIRECTOR
Minoru Maeda
Joined TS TECH Co., Ltd. in 1979
Senior Managing Director, TS TECH Co., Ltd.
Americas Executive General Manager,
Chairman and President of TS TECH AMERICAS, INC.

MANAGING DIRECTOR
Yoshitaka Nakajima
Joined TS TECH Co., Ltd. in 1982
Managing Director, TS TECH Co., Ltd.
Corporate Administration Division Executive General Manager,
Compliance Officer,
Officer in Charge of Public Relations

MANAGING DIRECTOR
Hitoshi Yoshida
Joined TS TECH Co., Ltd. in 1981
Managing Director, TS TECH Co., Ltd.
Asia and Europe Executive General Manager
Chairman of TS TECH ASIAN CO., LTD., TS TECH BANGLADESH LIMITED and TS TECH UK LTD

MANAGING DIRECTOR
Koichi Mase
Joined TS TECH Co., Ltd. in 1979
Managing Director, TS TECH Co., Ltd.
China Executive General Manager
Chairman and President of TS TECH (HONG KONG) CO., LTD.

MANAGING DIRECTOR
Akihiko Hayashi
Joined TS TECH Co., Ltd. in 1978
Managing Director, TS TECH Co., Ltd.
Manufacturing Division Executive General Manager

MANAGING DIRECTOR
Kenichi Hasegawa
Joined TS TECH Co., Ltd. in 1982
Managing Director, TS TECH Co., Ltd.
Officer in Charge of New Business Development,
Chairman of TS TECH Deutschland GmbH

DIRECTOR
Yutaka Arai
Joined TS TECH Co., Ltd. in 1982
Director, TS TECH Co., Ltd.
Development and Engineering Division Executive General Manager

DIRECTOR
Atsushi Igaki
General Manager of Regional Operations Planning Office (Japan) at Honda Motor Co., Ltd.
Joined TS TECH Co., Ltd. in 2016
Director, TS TECH Co., Ltd.
Corporate Business Administration Division Executive General Manager

DIRECTOR
Yoshikazu Ariga
Joined TS TECH Co., Ltd. in 1990
Director, TS TECH Co., Ltd.
Corporate Purchasing Division Executive General Manager

DIRECTOR (Outside Director)
Shizuo Kitamura
Senior Advisor at Resona Business Service Co., Ltd.
Director, TS TECH Co., Ltd. (2015-present)

DIRECTOR (Outside Director)
Teruyasu Mutaguchi
Technical Advisor at Biko, Inc.
Director, TS TECH Co., Ltd. (2016-present)

Auditors

AUDITOR (Full-Time)
Akihiro Miyota
Joined TS TECH Co., Ltd. in 1976
Auditor, TS TECH Co., Ltd.

AUDITOR (Full-Time)
Senzo Yamazaki
Joined TS TECH Co., Ltd. in 1979
Auditor, TS TECH Co., Ltd.

AUDITOR (Part-Time)*
Tatsuya Motoda
President of Motoda Tax & Accounting Office
Auditor, TS TECH Co., Ltd. (2014-present)

AUDITOR (Part-Time)*
Akira Kawashita
Joined TS TECH Co., Ltd.
Auditor, TS TECH Co., Ltd. (2016-present)

*Outside Auditor

A Customer's Voice

Our Relationship with Customers

Yoshinori Okita
Plant Manager,
Wako Central Dealership
Honda Cars Saitama

We can get hints for making better seats from dialogue with customers

We often provide advice on seats when we talk to customers who come to our dealership to have their cars checked out, maintained, repaired or given an official motor vehicle inspection.

For example, in terms of specifications or functions, customers who enjoy long distance drives may say they want soft seats to prevent fatigue when sitting for long periods. I myself used to enjoy driving sporty cars, and I loved the snug hold you get from sports cars' bucket seats, which cradle the passenger. I think we can make customers even more comfortable through seats that match specific objectives, such as softness or a snug hold.

Over a decade ago, there was a seat arrangement in a minivan called "restaurant mode," where you could turn the first row of seats around to face the third row and fold the second row of seats down to make a table. It is perfect for relaxation and socializing, so if it were brought back, we could propose new ways to enjoy driving with family and friends. Nowadays, cars are closely intertwined with our lifestyles. My dream is to further enrich customers' lives through cars fitted with easy-to-use seats that don't make you feel tired.

Response

We look at posture, body pressure, vibration, hold, heat and acoustics in our R&D to create seats where users can sit for long periods without fatigue. We create numerical values representing the ideal posture for each person; to make a product that embodies these values, we incorporate them into underlying technologies like frame construction, cushion material characteristics, surface materials, adjustment mechanisms and electrical components. Based upon customer opinions from online surveys, we also propose attractive seating arrangement technology not offered by other companies. We will continue to create wonderful seats that make customers happy through "looking, touching, sitting, driving and using." (Development and Testing Department)

▶ Please visit our website to learn more about our activities: http://www.tstech.co.jp/english/csr/customers.html

A Shareholder/Investor's Voice

Our Relationship with Shareholders and Investors

Shiro Sakamaki
Equity Analyst
Daiwa Securities Co. Ltd.

Analyzing the workplaces behind the results to predict a company's future

When analyzing a company's results, financial data is the most important of all disclosed information. However, we must also examine what is going on behind the scenes at workplaces when forecasting a company's future. When we are considering investments, we base decisions not only on routine discussions with management and plant tours inside and outside Japan, but also on non-financial information like technological development-related issues described in the TS TECH Report, descriptions of business models and corporate governance.

There has been a lot of talk on the stock market over the past few years about how "the structure of the automaker market is approaching a tipping point" with, for example, venture companies in Silicon Valley directing funding towards efforts to promote the spread of "robo-taxis" with no steering wheels. I look forward to what TS TECH will do going forward, and I plan to keep following it to see what long-term strategies it will develop through technological developments that focus on "sitting."

Response

We value communication with our shareholders/investors, and we proactively disclose information to ensure that we are evaluated fairly by society.

In addition to the disclosure of financial information, we will also present our competitive products and technologies to the automotive industry of the next generation through avenues such as the TS TECH Report, Za Forum and a booth at the Tokyo Motor Show.

We will work hard not only to boost our corporate value but also to help build a sustainable global society from the perspective of ESG investment*1, which is anticipated to become an even greater subject of focus going forward. (Administration Department)

▶ Please visit our website to learn more about our activities: http://www.tstech.co.jp/english/csr/investors.html

*1 ESG investment: Investment that selects and focuses on companies that consider the environment, social issues and governance.

A Business Partner's Voice

Our Relationship with Business Partners

Naoya Goto
Client Unit Executive
HONDA Business Development
IBM Japan Ltd.

We want to make use of our areas of expertise to help TS TECH create seating of the future

We first started working with TS TECH around 30 years ago, when we helped set up a CAD*2 system environment at TS TECH's Technology Center. We recently transferred the server for the Head Office's System Department to an IBM Japan cloud environment, and we are managing that data.

When Za Lab members stayed at our training facility several years ago, I sat in on a number of meetings. They gave me a real sense of the unique ways we at IBM Japan can contribute to creating seats of the future. Seats are points of contact with passengers; as automated driving evolves and people spend less time behind the wheel, we need seats that are safer and more comfortable than ever. One of Za Lab's research themes is sensing passengers' biological information—blood pressure, heart rate, etc.—and sensing technology is one of our areas of expertise. Moreover, we have a long history of global expansion and a lengthy track record of diversity initiatives, including those related to female management and LGBT employees.

We hope to contribute to TS TECH not only through a cloud environment, but also by means of human resources utilization and other areas closely connected to manufacturing.

Response

We have worked with IBM Japan for many years, and we are deeply grateful for their helping our younger employees with Za Lab activities.

With efforts to develop self-driving vehicles already underway, it will be necessary for the automotive industry to monitor drivers and passengers in the future. As a department involved in seat development, we place a high level of importance on biological information, and we work strategically on its technological development, through technology from Za Lab's presentations at Za Forum and more.

Going forward, we will continue cutting-edge technological development in the domains of safety, the environment and comfort to create high-value products. (New Product Development Department)

▶ Please visit our website to learn more about our activities: http://www.tstech.co.jp/english/csr/partners.html

*2 CAD (Computer-Aided Design): Design processes assisted by computers. In the automotive field, CATIA (three-dimensional CAD software) is now mainstream.

An Employee's Voice

Our Relationship with Employees

Yasuko Nakao
Manager
TS TECH (HONG KONG) CO., LTD.

A "trade specialist" responsible for trade management at all Chinese sites

In April 2017, I was appointed to a post at TS TECH (HONG KONG) CO., LTD., one of our regional control companies, as the first female employee of the TS TECH Group to be stationed overseas. My role as a trade specialist is to bolster trade management operations at all Chinese sites. Up until March 2017, I mainly handled overseas operations related to imports/exports at Japanese sites as a member of the Foreign Trade Management Office at the Head Office. Currently, the scope of my work is expanding, and I am working on several new policies daily.

To date, I have worked only in trade-related operations at a series of companies in various fields, building up a track record in international business that includes overseas trips and deals with numerous countries. I made use of this experience after joining TS TECH and hoped to work at an overseas site. Regardless of gender or years of service, I believe that if you continually work hard to enhance your own personal strengths, the skills you need to succeed on the global stage are sure to come to you in the end. The role I have been given, where I can use the wealth of international business experience that is my personal asset, is just the opportunity I have dreamed of.

Response

Based on the TS Philosophy, we aim to be "a company that gives people job satisfaction" and "a company that is easy to work for" by ensuring that our human resources—our most valuable asset—can make the most of their individual capabilities. Going forward, we will work to show employees examples of success among their senior coworkers and to promote understanding among employees about diverse work styles so everyone recognizes that TS TECH is supported by all kinds of people in terms of gender, race and age. (Human Resources Department)

▶ Please visit our website to learn more about our activities: http://www.tstech.co.jp/english/csr/employees.html

Dialogue on Harmony with the Community–Our Relationship with Society and the Community

Growing Together with the Community through Local Contribution Activities

Masaji Kudo (center)
Mayor of Gyoda

TS TECH Co., Ltd.
Yasushi Suzaki (left)
Plant Manager,
Manufacturing Division,
Saitama Plant

Shin'ichi Kawakami (right)
Administrative Manager,
Administration Section,
Administration Department,
Saitama Plant

In January 2017, TS TECH's Saitama Plant received a certificate of appreciation from Gyoda City, Saitama Prefecture, where it is located. The certificate praised the array of ongoing local contribution activities carried out by the plant, such as plant tours and involvement with athletic events. We invited Masaji Kudo, Mayor of Gyoda City, to tell us about the importance of the unique ways that local companies can contribute to their communities to help create cities with sustainable growth.

Kawakami: At the Saitama Plant, we conduct a range of local contribution activities that includes plant tours, basketball tournaments for elementary and junior high school students, parent-and-child traffic safety workshops, and cleanup activities around Hotaru no Kawa (Firefly River), located in the city's park with a lotus pond, Kodaihasu no Sato. We received this certificate of appreciation thanks to recognition from the city's residents of the activities we have continued to conduct over the years.

Kudo: Gyoda is currently in the middle of its 10-year 5th Gyoda City Comprehensive Growth Plan, which started in April 2011. Its basic concept is "invigorating the people, the community and the town," and it aims to bring sustainable growth to the city. TS TECH's various activities fit perfectly with this concept and are a model for other companies. Once again, I would like to thank everyone at the Saitama Plant.

Kawakami: This certificate will really encourage our employees. Going forward, what kind of challenges and issues will Gyoda face as it aims for further growth?

Kudo: We anticipate two challenges, both of which are being dealt with across Japan. The first is "regional revitalization." Luckily, Gyoda is blessed with many tourism-related highlights. Our attractions include a group of ancient burial tombs called Sakitama Kofun Park; "rice-paddy art," which is rice paddies planted with different colors of rice to form giant pictures or words; and the remains of Oshi Castle, which was featured in the 2012 historical-drama film, *The Floating Castle*. We want to let everyone know what a wonderful town we live in.

Suzaki: We, too, are proud to keep manufacturing our products here. At the Saitama Plant, all employees wear patches bearing the slogan "Saitama Pride" as they carry out production and quality control activities. We want to make sure no one forgets how we feel about this community.

Kudo: As mayor, I am delighted to hear that. I would like to take this opportunity to let you know how we are making the most of special local features to develop the town. In addition to the tourism highlights I already mentioned, Gyoda has also been a traditional center for the production of *tabi* (Japanese split-toe socks) since the 17th century. On April 28, 2017, Gyoda was officially recognized by Japan's Agency for Cultural Affairs for its heritage as a producer of *tabi*, a traditional Japanese article of clothing. In addition, *Rikuo*,* a novel by Jun Ikeido set in this area, is going to be turned into a television drama.

Kawakami: Congratulations. The recognition of Gyoda's traditional heritage and the creation of this new TV drama will certainly bring the city lots of attention.

Kudo: It will be a great thing for Gyoda. If we are to develop the town, we must do this hand-in-hand with the companies located here. Mr. Inoue, your company's president, always says that "Contributing to our local communities is vital," and I am very encouraged by the way your company is moving forward side-by-side with Gyoda. I hope we will continue to grow together.

Suzaki: Our plant places a great emphasis on harmonious coexistence with the local community. What is the other challenge you face?

Kudo: The second is the declining population, falling birthrate and aging society. With local governments increasingly competing with each other, we need to develop our own unique policies if we are to maintain our city's vitality.

Suzaki: We open up the Saitama Plant to the public and have held factory tours for elementary school students since 2015. We hope that a few years from now, every elementary school student in the city will have toured the plant. Starting in 2017, we plan to begin a work experience program for junior high school students to let them experience manufacturing.

Kudo: If some of the children who visit the plant come away thinking, "I'd like to work here," perhaps we can curb future population decreases and encourage more people to put down roots here.

Suzaki: That's a good point. In addition to "Saitama Pride," we are thinking up new ways to get Gyoda residents and employees working together to help our employees feel truly at home here.

Kawakami: At TS TECH, we will continue to leverage our strengths to ensure sustainable growth alongside our community. We look forward to continuing to work with you.

Kudo: We look forward to working with you, too.

On a trip to the lotus pond: Retired long-distance runner Akemi Masuda (center); Mayor Kudo (right); Directors of Gyoda Athletic Association (other)

* Set in Gyoda, the novel *Rikuo*, published by author Jun Ikeido in 2016, tells of how a long-established manufacturer of *tabi* takes up the challenge of developing running shoes. A TV drama based on the book is scheduled to begin airing on TBS in October 2017.

Dialogue on Afforestation–Our Relationship with the Environment

Passing on the Idea of Planting, Cultivating and Using Trees through the "Forest of Healing"

Saki Suzuki (center)
Engineer, Forest Resources Division, Environmental Protection Bureau, Community and Environmental Affairs Department, Shizuoka Prefecture

Yutaka Hirayama (right)
Manager, Guidance Division, Administration Department, Tenryu Forestry Cooperative

Yukihiro Kawai (left)
Manager, Administration Section, Administration Department, Hamamatsu Plant, TS TECH Co., Ltd.

TS TECH takes part in the Shizuoka Future Forest Supporter program, run by Shizuoka Prefecture, as part of its Green Ecosystem Conservation Activities. We have conducted our TS TECH Forest of Healing project activities at Shizuoka Prefectural Forest Park (Hamamatsu City) since March 2012, when we formed a five-year partnership with Shizuoka Prefecture. Following a Forest of Healing event in February 2017, we spoke with representatives from Tenryu Forestry Cooperative and Shizuoka's prefectural government about the significance of the project and their hopes for the future.

Kawai: The "Forest of Healing" project had its beginnings in October 2011 when TS TECH established a company-wide policy to engage in its Green Ecosystem Conservation Activities. The policy's objectives were to create new green spaces on the grounds of our facilities—space which, after all, we are only borrowing from the earth—and to give greenery back to the earth through environmental preservation activities across our global business operations. After discussing what to do at the Hamamatsu Plant, we entered into a supporter agreement with Shizuoka Prefecture in March 2012 to help preserve the region's rich forests for the future, which included tending to trees that had been damaged or blown down in the No. 15 typhoon that struck the area in September 2011.

Suzuki: Shizuoka has a lot of *satoyama* (undeveloped woodlands near populated areas) that are in a poor state, and we have been asking local people and companies to help, so we were delighted when TS TECH offered to take part. When choosing where to plant trees, we choose sites that have advantages for all three "partners"—the company, the community and the environment itself. We hope that by selecting optimal sites, company employees involved in planting and cultivating the trees will come away thinking, "I'd love to come and see the forest we helped to create."

Kawai: We plan to renew the supporter agreement in fiscal 2017 and continue with afforestation activities. Planting trees is just the first stage. After renewing the agreement, we will be cutting grass, too, as this is part of looking after the trees. Currently, the volunteers are all employees, but I hope that soon employees' families will also be able to experience the delights of helping to take care of this forestland.

Hirayama: Because saplings lie dormant, February is a good time for afforestation, so we had our tree-planting event today. Saplings start to grow as the weather warms up, so planting them in warmer weather damages the roots. Next, in July, we will cut the grass and vines around the trees that have grown out. We are always impressed with how many people from the TS TECH Hamamatsu Plant volunteer in these events.

Kawai: Over half of all Hamamatsu Plant employees always participate.

Hirayama: A recent cause for concern is the way people have lost touch with the wilderness. Even people who own mountainous land often say, "I never go into the mountains." Many Shizuoka companies have become supporters and developed an attachment to these mountains, so if we can increase the scope of our efforts and get landowners to participate, too, this idea of raising trees with your own hands will be a very meaningful experience for them.

Suzuki: That's right. At the Forest Resources Division, we keep track of Shizuoka's various forestry groups. It would be great to create more events focused on trees and ask people from these groups to join in.

Kawai: It would be good for TS TECH to hold some fairs or events focused on trees while it continues to promote afforestation activities. I also think everyone would enjoy workshops where the wood itself could be used as a material, with the event promotion handled by Ms. Suzuki and Mr. Hirayama.

Suzuki: I do not know of any other examples in Shizuoka of a company being involved in everything—planting, cultivating and using trees—in a single location. I think the experience that TS TECH is providing—first tending to fallen trees, then planting and cultivating new trees, and finally inviting families to see them—embodies the concept of the forest life-cycle: plant, cultivate and use. For Shizuoka Prefecture, this life-cycle concept is an idea we are very eager to convey through afforestation, and we would be very happy to see it put into practice. We hope to continue working with both TS TECH and the Tenryu Forestry Cooperative going forward.

Hirayama: We are also working to protect the forests and mountains owned by many of our cooperative members, but the most important thing is to make sure that we can keep these kinds of activities going over the long term.

Kawai: We want to proceed steadily, without rushing to take on too many things, to make sure we can continue with this project in the future. We look forward to continuing to work with you.

TS TECH's Business

Improvements to the constitution of the TS TECH Group in the fiscal year ended March 31, 2017 through various steps to improve revenue as well as address declining profits and earnings due to the impact of foreign exchange rates

Under the 13th Medium-Term Management Plan, the Group will focus on improving its financial structure and profitability by building long-term financial strategies that will not only increase the number of orders received, but also ensure continuous business growth.

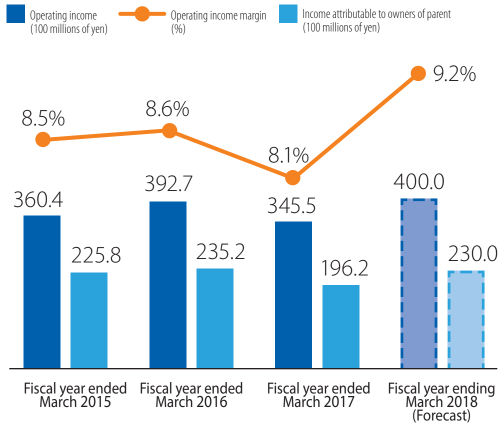
Atsushi Igaki
Director,
Executive General Manager, Corporate Business Administration Division

Summary of Consolidated Results for the Fiscal Year Ended March 2017

The Group took a variety of steps to improve revenue in the final year of the 12th Medium-Term Management Plan. In the Americas, despite lower revenue, the Group pursued streamlining and improved productivity to strengthen the foundations for higher revenue. In China, the relocation of the Guangzhou production site is now complete; operations have started at the new plant and production efficiency is up. Meanwhile, in the rest of Asia, the Group employed several tactics to boost component competitiveness with the aim of raising revenues, including launching cutting and sewing operations at a subsidiary.

In the fiscal year ended March 2017, the Group saw an increase in order volume from major customers and aggressively expanded cost-reduction measures; in spite of these factors, however, earnings and profits fell due to the impact of the strong yen and a temporary increase in labor costs caused by the switch to new models.

In addition to a further increase in the number of orders received, the Group's consolidated forecast for the fiscal year ending March 2018 is expected to include higher profits and earnings due to the resolution of temporary expenses incurred in the previous fiscal year and the effects of steps being taken to improve revenue.



External Recognition

TS TECH has earned high praise from various outside organizations as a corporate group that actively pursues ESG-focused activities for sustainable social development.

Toyo Keizai CSR Ranking

CSR TOYOKEIZAI 127th among 1,408 firms

TS TECH placed 127th in the CSR Ranking based on the results of the CSR Survey undertaken by Toyo Keizai, which covers all listed Japanese companies and major unlisted companies.

JPX-Nikkei Index 400

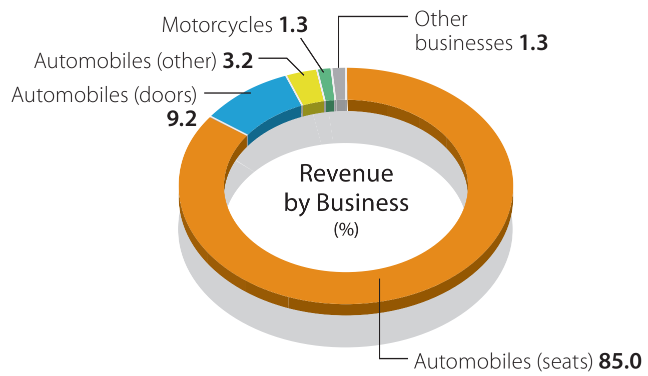
JPX-NIKKEI 400

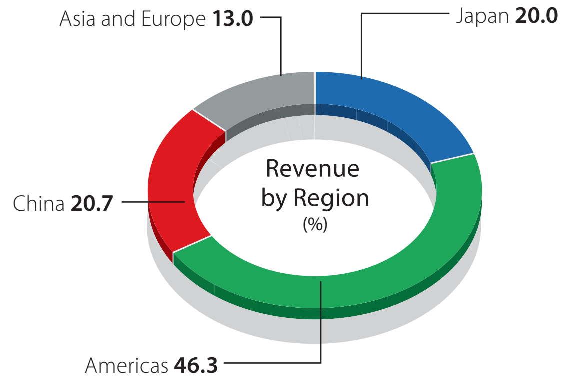
TS TECH is a constituent of the JPX-Nikkei Index 400, which is comprised of listed issues of companies with high appeal for investors. It has been selected in all four years since the list began in 2014.
http://www.jpx.co.jp/english/markets/indices/jpx-nikkei400/index.html

Morningstar Socially Responsible Investment Index (MS-SRI)

MS-SRI モーニングスター社会的責任投資株価指数 Morningstar Socially Responsible Investment Index

TS TECH was chosen for the third straight year for the 2016 Morningstar Socially Responsible Investment Index (MS-SRI), comprised of 150 socially outstanding firms selected by Morningstar from among companies listed in Japan.



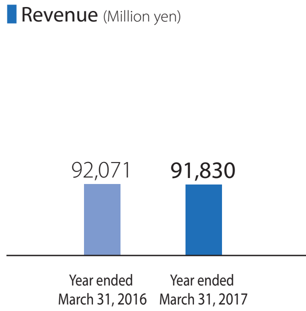


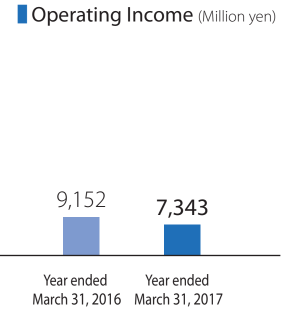
Results by Segment for the Fiscal Year Ended March 2017

Japan


Honda Accord seat

Despite no new model launches in the Japan segment, the Group worked to reduce costs through measures such as the establishment of a high-efficiency production structure dedicated to minicars and other small models in the Suzuka District; greater efficiency and self-sufficiency through automated component supply and transport systems at domestic locations; and consolidation of welding lines.

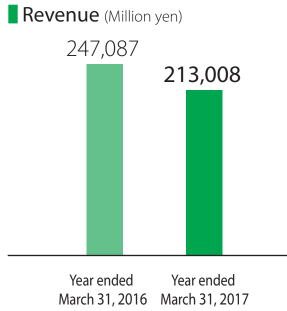


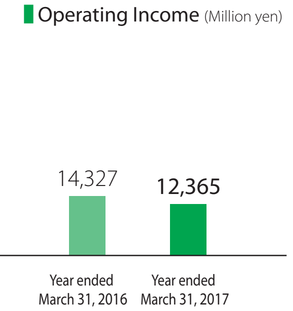


Americas


Honda CR-V seat

In the Americas segment, the Group launched production of seats and interior products for Honda's CR-V and NSX in North America.
To be even more competitive in the increasingly fierce markets in the Americas, new high-efficiency automated welding facilities were installed at each location in a move to increase productivity. In addition, the Group actively worked to obtain commercial rights from new customers, resulting in the start of production of 3rd row seats for a European OEM's new SUV at a recently expanded plant at TS TECH ALABAMA, LLC., as well as the receipt of orders for trim cover for the same OEM at a sewing subsidiary in Brazil.



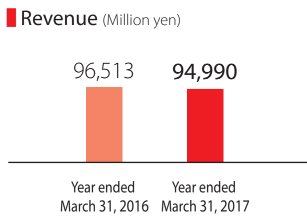


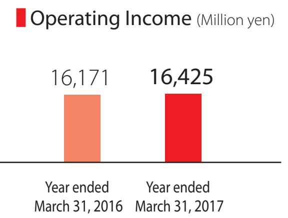
China


Honda Avancier seat


Honda Gienia seat

In the fiscal year under review, the Group launched production of seats for models such as Honda's Avancier and Gienia in its China segment. The relocation of GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD. in association with an urban development project in the Zengcheng District of Guangzhou concluded, and the new plant is now operational. The plant strove to make itself even more competitive by improving productivity through integrated production lines and automated logistics for components, as well as the installation of new integrated foam molding machines.



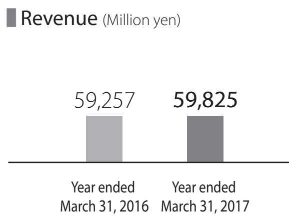


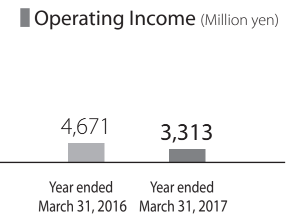
Asia and Europe


Honda Civic seat


Honda BR-V seat

In the Asia and Europe segment, the Group launched production of seats for Honda's Civic in the U.K. and BR-V in India. Operations commenced at cutting and sewing subsidiary TS TECH BANGLADESH LIMITED, which was established both as a supplementary global base for the Group's trim cover and with the goal of making automobile seat components even more cost competitive.

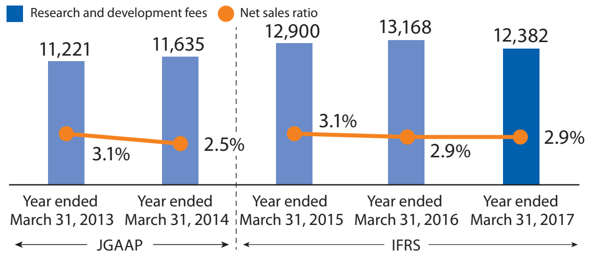




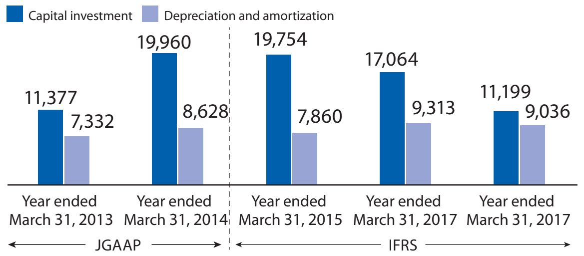
Financial and Non-Financial Highlights

Financial capital

Research and development fees vs. net sales ratio Unit: million yen



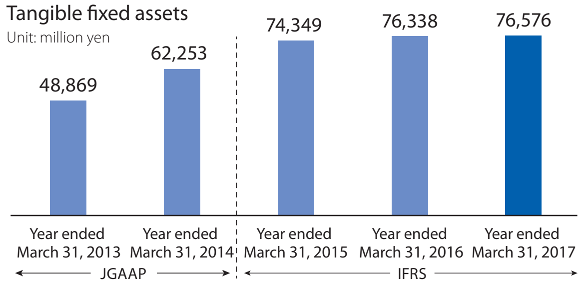
Capital investment/depreciation and amortization Unit: million yen



Manufactured capital

Tangible fixed assets

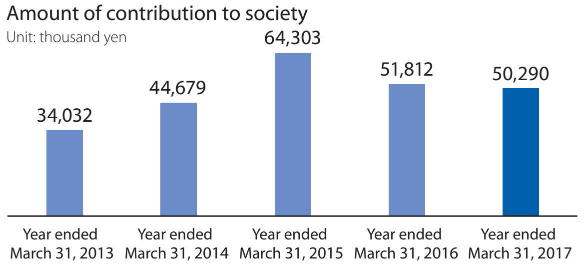
Unit: million yen



Social capital (non-consolidated)

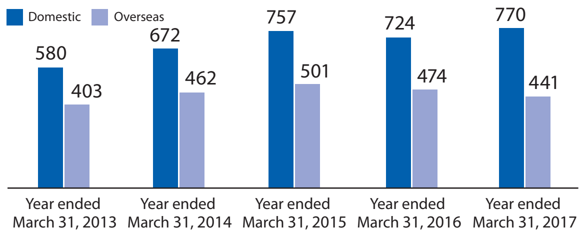
Amount of contribution to society

Unit: thousand yen



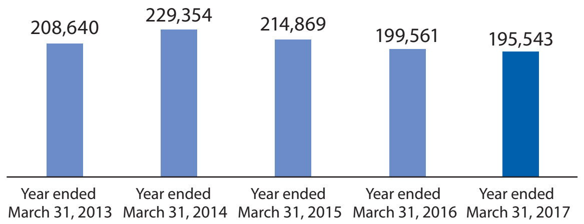
Intellectual capital

Changes in number of patents held (domestic/overseas patents)



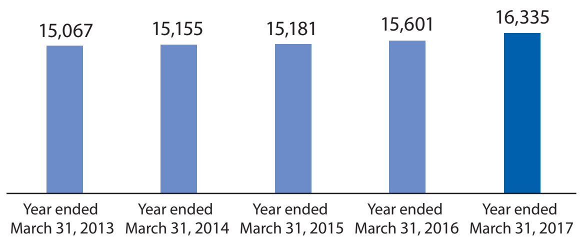
Natural capital

Energy input Unit: GJ

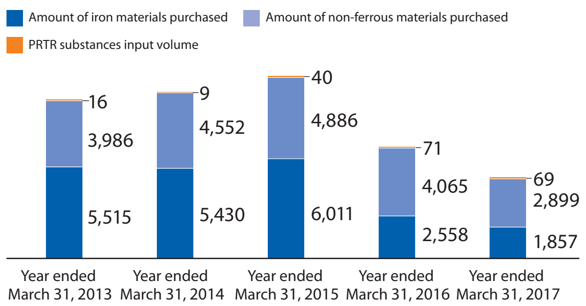


Human capital

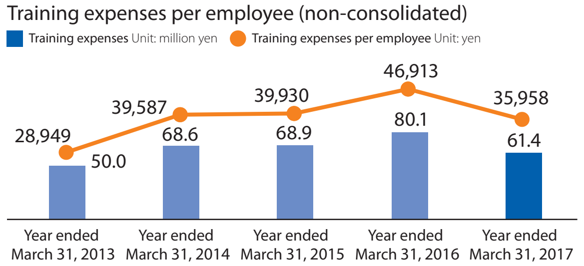
Number of employees (consolidated)



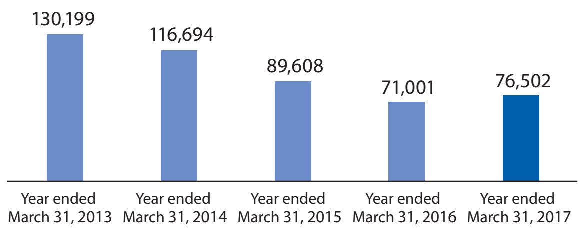
Material input Unit: t



Training expenses per employee (non-consolidated)



Water resources input Unit: m³



The Group has switched from Japanese accounting standards (Japanese GAAP) to International Financial Reporting Standards (IFRS) effective the end of the fiscal year ended March 2016. All financial information in the text is in accordance with IFRS, except where it is specified that information is based on Japanese GAAP.

1. Analysis of Financial Condition

Assets at the end of FY2017 stood at 322,202 million yen, increasing 18,254 million yen from the end of FY2016. The main factors for the rise were higher order volume from major customers as well as an increase in trade and other receivables from the allocation of amounts estimated to be collected from business partners in conjunction with a recall by a major customer.

Total liabilities at the end of FY2017 amounted to 91,212 million yen, up 6,357 million yen from the end of FY2016. This is due primarily to an increase in operating and other debts on higher order volume from major customers as well as the allocation of provisions related to a recall by a major customer.

Equity at the end of FY2017 totaled 230,989 million yen, rising 11,896 million yen from the end of FY2016. This was mainly the result of an increase in retained earnings from the allocation of net income.

2. Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of FY2017 amounted to 96,008 million yen, up 5,571 million yen from the end of the previous fiscal year.

Cash flows from operating activities amounted to 34,045 million yen, showing a year-on-year decrease of 13,486 million yen. This is the result of a decrease of 4,974 million yen in income before income tax; a change in trade and other receivables from a decrease of 5,236 million yen in the previous fiscal year to a decrease of 12,510 million yen in FY2017; and a change in trade and other payables from an increase of 11,731 million yen in the previous fiscal year to an increase of 4,962 million yen in FY2017.

Cash flows from investing activities came to 12,409 million yen, a decrease of 12,890 million yen year on year. This primarily reflects a decrease of 6,683 million yen in payments from the purchase of property, plant and equipment as well as a net change in both payments into and proceeds from the withdrawal of time deposits from an outlay of 4,919 million yen to an intake of 1,525 million yen in FY2017.

Cash flows from financial activities totaled 14,214 million yen, an increase of 1,894 million yen year on year. This reflects 3,470 million yen in acquisition of equity interest of subsidiary from non-controlling interests, offsetting a change in net increase (decrease) in short-term loans payable from a decrease of 777 million yen to a decrease of 133 million yen in FY2017.

3. Analysis of Operating Performance

Despite volatility stemming from growing concerns about the Chinese economy as well as the Brexit vote, the global economy during the period under review stabilized thanks to a late rally by the Chinese economy and a moderate recovery by the American economy. Although order volume was down in the Americas and India, order volume for the TS TECH Group remained steady overall, driven by higher order volume for seats for the full model change Honda Civic primarily in the U.K. and Thailand as well as a boost from increased demand for SUVs in China.

Against this backdrop, the Group pursued various measures to improve revenue in the final year of its 12th Medium-Term Management Plan. Despite lower revenue, the Group proceeded with production loss improvements and streamlining in the Americas segment aimed at structural reforms. In China, a plant relocation in association with an urban development project in Guangzhou concluded, and the new plant, which has improved its production efficiency, is now online. Additionally, in Asia the Group implemented various measures to improve component competitiveness, such as launching operations at a cutting and sewing subsidiary to further improve profitability.

Revenue for the fiscal year under review amounted to 425,794 million yen on a consolidated basis, down 32,937 million yen (7.2%) from the preceding fiscal year. The impact of exchange rates driven by the stronger yen offset an increase in order volume from major customers. Looking at profits, operating income stood at 34,557 million yen, a decrease of 4,722 million yen (12.0%) year on year. This reflected a decline in revenue due mainly to exchange rates as well as a temporary increase in labor costs related to transitions to new models, offsetting aggressive cost-cutting measures. Income attributable to owners of parent totaled 19,622 million yen, a decrease of 3,905 million yen (16.6%) year on year.

The Group's consolidated forecasts for FY2018 are as follows:

Revenue	435.0 billion yen (Up 2.2% year on year)
Operating income	40.0 billion yen (Up 15.7% year on year)
Income before income tax	41.5 billion yen (Up 15.9% year on year)
Net income	29.0 billion yen (Up 15.6% year on year)
Income attributable to owners of parent	23.0 billion yen (Up 17.2% year on year)

Consolidated Statements of Financial Position

(Unit: Million yen)

	Note	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
ASSETS			
Current assets			
Cash and cash equivalents	6	¥ 90,437	**¥ 96,008**
Trade and other receivables	7	56,849	**68,024**
Other financial assets	8	8,948	**7,307**
Inventories	9	27,763	**29,059**
Income taxes receivable		1,201	**449**
Other current assets		4,918	**5,280**
Total current assets		190,118	**206,131**
Non-current assets			
Property, plant and equipment	10	76,338	**76,576**
Intangible assets	11	11,467	**11,695**
Investments accounted for using the equity method	26	1,016	**1,028**
Other financial assets	8	21,580	**22,019**
Net defined benefit asset	17	598	**1,896**
Deferred tax assets	15	1,897	**1,906**
Other non-current assets		931	**948**
Total non-current assets		113,829	**116,070**
Total assets		¥303,948	**¥322,202**

See notes to consolidated financial statements.

(Unit: Million yen)

	Note	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	12	¥ 66,224	**¥ 69,476**
Current borrowings	13	1,086	**973**
Other financial liabilities	14	1,452	**709**
Income taxes payable		2,406	**2,871**
Provisions	16	107	**3,940**
Other current liabilities		4,107	**2,173**
Total current liabilities		75,384	**80,143**
Non-current liabilities			
Non-current borrowings	13	21	**315**
Other financial liabilities	14	1,775	**1,530**
Net defined benefit liability	17	945	**1,098**
Provisions	16	78	**101**
Deferred tax liabilities	15	4,847	**6,173**
Other non-current liabilities		1,802	**1,850**
Total non-current liabilities		9,470	**11,068**
Total liabilities		84,855	**91,212**
Equity			
Common stock	18	4,700	**4,700**
Capital surplus	18	4,949	**5,257**
Treasury stock	18	(4)	**(4)**
Retained earnings	18	179,851	**194,847**
Other components of equity	18	7,563	**7,617**
Total equity attributable to owners of parent		197,060	**212,417**
Non-controlling interests		22,031	**18,572**
Total equity		219,092	**230,989**
Total liabilities and equity		¥303,948	**¥322,202**

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statements of profit or loss

(Unit: Million yen)

	Note	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Revenue	5	¥458,732	**¥425,794**
Cost of sales	19	(381,258)	**(355,176)**
Gross profit		77,473	**70,617**
Selling, general and administrative expenses	19	(39,414)	**(35,755)**
Other income	20	1,693	**726**
Other expenses	20	(472)	**(1,032)**
Operating income	5	39,279	**34,557**
Finance income	21	1,593	**1,699**
Finance costs	21	(589)	**(788)**
Share of profit of investments accounted for using the equity method	26	482	**324**
Income before income tax		40,766	**35,792**
Income tax expense	15	(11,352)	**(10,705)**
Net income		29,413	**25,086**
Income attributable to:			
Income attributable to owners of parent		23,528	**19,622**
Income attributable to non-controlling interests		5,885	**5,463**
Net income		¥ 29,413	**¥ 25,086**
Earnings per share			
Basic earnings per share (yen)	22	¥ 346.01	**¥ 288.58**
Diluted earnings per share (yen)	22	—	**—**

See notes to consolidated financial statements.

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statements of comprehensive income

(Unit: Million yen)

	Note	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Net income		¥29,413	**¥25,086**
Other comprehensive income			
Components that will not be reclassified subsequently to net profit or loss			
Remeasurements of net defined benefit plans		(196)	**674**
Total components that will not be reclassified subsequently to net profit or loss	23	(196)	**674**
Components that may be reclassified subsequently to net profit or loss			
Change in fair value of available-for-sale financial assets	23	(2,314)	**912**
Differences on translation from foreign operations	23	(14,498)	**(2,248)**
Share of other comprehensive income of associates accounted for using the equity method	23	(65)	**(86)**
Total components that may be reclassified subsequently to net profit or loss		(16,878)	**(1,422)**
Other comprehensive income, net of tax		(17,074)	**(747)**
Comprehensive income for the period		12,339	**24,339**
Comprehensive income for the period attributable to:			
Comprehensive income for the period attributable to owners of parent		9,520	**19,676**
Comprehensive income for the period attributable to non-controlling interests		2,818	**4,662**
Comprehensive income for the period		¥12,339	**¥24,339**

See notes to consolidated financial statements.

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

		Equity attributable to owners of parent							
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at the end of the previous fiscal year		¥4,700	¥4,949	¥(3)	¥160,899	¥21,571	¥192,116	¥24,385	¥216,502
Comprehensive income									
Net income					23,528		23,528	5,885	29,413
Other comprehensive income	18					(14,007)	(14,007)	(3,066)	(17,074)
Total comprehensive income		—	—	—	23,528	(14,007)	9,520	2,818	12,339
Transactions with owners, etc.									
Dividends	24				(4,283)		(4,283)	(5,170)	(9,454)
Acquisition of treasury stock				(0)			(0)		(0)
Changes in ownership interest in subsidiaries									
Others					(291)		(291)	(1)	(293)
Total transactions with owners, etc.		—	—	(0)	(4,575)	—	(4,576)	(5,172)	(9,748)
Balance at the end of the fiscal year		¥4,700	¥4,949	¥(4)	¥179,851	¥ 7,563	¥197,060	¥22,031	¥219,092

For the year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Unit: Million yen)

		Equity attributable to owners of parent							
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at the end of the previous fiscal year		**¥4,700**	**¥4,949**	**¥(4)**	**¥179,851**	**¥7,563**	**¥197,060**	**¥22,031**	**¥219,092**
Comprehensive income									
Net income					**19,622**		**19,622**	**5,463**	**25,086**
Other comprehensive income	18					**53**	**53**	**(801)**	**(747)**
Total comprehensive income		**—**	**—**	**—**	**19,622**	**53**	**19,676**	**4,662**	**24,339**
Transactions with owners, etc.									
Dividends	24				**(4,623)**		**(4,623)**	**(4,342)**	**(8,966)**
Acquisition of treasury stock				**(0)**			**(0)**		**(0)**
Changes in ownership interest in subsidiaries			**307**				**307**	**(3,778)**	**(3,470)**
Others					**(3)**		**(3)**	**(1)**	**(4)**
Total transactions with owners, etc.		**—**	**307**	**(0)**	**(4,627)**	**—**	**(4,320)**	**(8,122)**	**(12,442)**
Balance at the end of the fiscal year		**¥4,700**	**¥5,257**	**¥(4)**	**¥194,847**	**¥7,617**	**¥212,417**	**¥18,572**	**¥230,989**

See notes to consolidated financial statements.

(Unit: Million yen)

	Note	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Cash flows from operating activities			
Income before income tax		¥ 40,766	**¥ 35,792**
Depreciation and amortization		10,819	**10,602**
Impairment loss		14	**284**
Loss (gain) on disposal of non-current assets		(652)	**500**
Finance costs (income)		(1,452)	**(1,890)**
Share of loss (profit) of investments accounted for using the equity method		(482)	**(324)**
Decrease (increase) in trade and other receivables		(5,236)	**(12,510)**
Decrease (increase) in leased receivables and leased investment property		3,072	**2,809**
Decrease (increase) in inventories		(1,244)	**(1,491)**
Increase (decrease) in trade and other payables		11,731	**4,962**
Increase (decrease) in net defined benefit asset and net defined benefit liability		48	**(1,155)**
Increase (decrease) in provisions		(78)	**3,904**
Other		(554)	**(1,269)**
Subtotal		56,752	**40,213**
Interest income received		1,115	**1,060**
Dividend income received		1,147	**473**
Interest expenses paid		(182)	**(146)**
Income taxes paid		(11,300)	**(7,555)**
Net cash provided by operating activities		47,531	**34,045**
Cash flows from investing activities			
Payments into time deposits		(8,305)	**(3,336)**
Proceeds from withdrawal of time deposits		3,385	**4,862**
Purchase of property, plant and equipment		(17,673)	**(10,990)**
Proceeds from sales of property, plant and equipment		872	**301**
Purchase of intangible assets		(2,633)	**(2,272)**
Purchase of equity instruments		(59)	**(57)**
Proceeds from sales of equity instruments		102	**129**
Payment of loans receivable		(270)	**(188)**
Collection of loans receivable		287	**171**
Other		(1,006)	**(1,028)**
Net cash used in investing activities		¥(25,299)	**¥(12,409)**

(Unit: Million yen)

	Note	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable		¥ (777)	**¥ (133)**
Proceeds from long-term loans payable		27	**300**
Repayments of long-term loans payable		(59)	**(5)**
Repayments of finance lease obligations		(2,073)	**(1,657)**
Purchase of treasury stock		(0)	**(0)**
Cash dividends paid	24	(4,283)	**(4,623)**
Cash dividends paid to non-controlling interests		(5,151)	**(4,623)**
Acquisition of equity interest of subsidiary from non-controlling interests		—	**(3,470)**
Net cash used in financing activities		(12,319)	**(14,214)**
Effects of exchange rate changes on cash and cash equivalents		(7,465)	**(1,850)**
Net increase (decrease) in cash and cash equivalents		2,446	**5,571**
Cash and cash equivalents at beginning of period	6	87,889	**90,437**
Increase in cash and cash equivalents from newly consolidated subsidiaries		101	**—**
Cash and cash equivalents at end of period	6	¥ 90,437	**¥ 96,008**

See 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 at and for the year ended March 31, 2017 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 requirements of a "specified company applying designated international accounting standards" set out 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 23, 2017.

(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 discarded.

(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. Actual results, as such, 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 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 (18) Income taxes"

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 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 associate's equity. In such cases, the amount of net profit or loss of the affiliate equivalent to the ownership interest of the Group is recognized in net profit or loss, while the amount of other comprehensive income of the associate equivalent 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.

(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 consolidated financial statements.

(i) Foreign currency transaction
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.

(4) Financial instruments
(i) Classification of financial instruments
Financial assets and financial liabilities are classified into "financial assets and liabilities measured at a fair value through net profit or loss," "held-to-maturity investments," "loans and receivables," "available-for-sale financial assets" and "financial liabilities measured at amortized cost." These classifications are determined at the time of initial recognition based on the nature and the holding purpose of the financial instrument.

(ii) Initial recognition and measurement
Financial assets and financial liabilities are recognized at the point at which the Group becomes a contractual party to the provision of the financial asset or financial liability and are measured at fair value. Transaction costs directly attributable to the acquisition of a financial asset are added to the fair value of the financial asset, with the exception of transaction costs associated with financial assets at a fair value through net profit or loss.

Transaction costs directly attributable to the issue of a financial liability are deducted from the fair value of the financial liability, with the exception of transaction costs associated with financial liabilities at a fair value through net profit or loss.

(iii) Financial assets and liabilities measured at a fair value through net profit or loss
Financial instruments held for trading such as derivative transactions as well as those designated by the Group as measured at fair value through profit or loss at initial recognition are classified as financial assets and financial liabilities at a fair value through net profit or loss.

Measurements after the initial recognition are made at fair value, and any changes in fair value are recognized in net profit or loss.

(iv) Held-to-maturity investments
Financial assets other than derivatives with a payment amount that is fixed or may be determined and maturity date that is fixed, and for which the Group has the positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Measurements after the initial recognition are made at amortized cost using the effective interest method less any impairment loss with interest income recognized in net profit or loss using the effective interest method.

(v) Loans and receivables
Financial assets other than derivatives with a payment amount that is fixed or may be determined that are not quoted in an active market are classified as loans and receivables.

Measurements after the initial recognition are made at amortized cost using the effective interest method less any impairment loss with interest income from the effective interest method recognized in net profit or loss.

(vi) Available-for-sale financial assets
Financial instruments designated by the Group as available-for-sale financial assets, and financial instruments not designated as financial assets measured at a fair value through net profit or loss, held-to-maturity investments, or loans and receivables are classified as available-for-sale financial assets.

Measurements after the initial recognition are made at fair value, and any changes in fair value are recognized in other comprehensive income.

(vii) Impairment of financial assets
If objective evidence of impairment of held-to-maturity investments and loans and receivables exists, the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the financial asset's original effective interest rate, is recognized as impairment loss.

Impairment loss on held-to-maturity investments and loans and receivables is recognized as allowance for doubtful accounts. If, after the recognition of impairment loss, it is considered uncollectible, it is written off against the allowance for doubtful accounts and the carrying amount is directly reduced.

If objective evidence of impairment of available-for-sale financial assets exists, the cumulative losses recognized in other comprehensive income are reclassified to net profit or loss.

(viii) Measurement of financial liabilities after initial recognition
Financial liabilities other than financial liabilities at fair value through net profit of loss are measured at amortized cost, with interest expenses according to the effective interest method recognized in net profit or loss.

(ix) Derecognition
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognizes financial liabilities when the Group's obligations are discharged, canceled or expire.

(x) Offsetting a financial asset and a financial liability
Financial assets and financial liabilities are 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 them to their 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 5 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

Lease transactions are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, while all other leases are classified as operating leases.

Whether a contract is a lease or whether a contract contains a lease is determined based on the substance of the contract. If the fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset, such assets are considered to be under a lease.

(i) Lease as lessee

Lease assets and lease liabilities under finance leases are recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments in the consolidated statement of financial position at the inception of the lease. Leased assets are amortized using the straight-line method in accordance with the accounting policies applied to the assets.

Payments under operating leases are recognized in net profit or loss throughout the lease term.

(ii) Lease as lessor

Amounts due from lessees under finance leases are recognized in the consolidated statement of financial position at the amount of net investment in the lease.

The difference between the amount of net investment in the lease and the cost of lease investment is recognized in net profit or loss at the inception of the 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.

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 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 exits, 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.

Past 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 the 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 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

Revenues are measured at fair value of the consideration received for sale of goods, etc., less discounts, rebates and taxes including consumption taxes.

(i) Sale of goods

Revenue from the sale of goods is recognized when all of the following conditions are met:

- Significant risks and rewards of ownership of the goods have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold have been retained;
- The amount revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(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 the expenses, which the grant is intended to compensate, are recognized.

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) 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, etc.").

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.

(19) 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

New or revised Standards and Interpretations that were issued by the date of approval of the consolidated financial statements but were not adopted by the Group are as follows. The Company is currently assessing but cannot estimate at the present time the possible impact of these new Standards and Interpretations on its consolidated financial statements.

Standards	Title	Date of mandatory adoption (Fiscal year of commence-ment thereafter)	Fiscal year of application by the Group	Overview of new/revised Standard
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending March 31, 2019	Revisions of the classification, measure-ment and impairment of financial instruments; and hedge accounting
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Revision of accounting relating to the recognition of revenue
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Revision of accounting relating to lease arrangements

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 control and management system for the three operating regions of the Americas (the U.S., Canada, Mexico and Brazil), China (China and Hong Kong) and Asia and Europe (Thailand, the Philippines, India, Indonesia, the U.K. and Hungary). The Company appoints an officer responsible for control and management in each region. Policies, plans, 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 reporting segments.

In the reporting 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 reporting 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 by 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 figures based on the consolidated statements of profit or loss and comprehensive income.

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

FY2016 (April 1, 2015–March 31, 2016)

(Unit: Million yen)

	Reportable segments						
	Japan	Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Revenue							
External revenue	¥64,936	¥246,194	¥88,975	¥58,624	¥458,732	¥ —	¥458,732
Inter-segment revenue	27,135	892	7,537	632	36,197	(36,197)	—
Total	¥92,071	¥247,087	¥96,513	¥59,257	¥494,929	¥(36,197)	¥458,732
Segment profits	¥ 9,152	¥ 14,327	¥16,171	¥ 4,671	¥ 44,322	¥ (5,043)	¥ 39,279
Finance income and finance costs	—	—	—	—	—	—	1,004
Return on investment using the equity method	—	—	—	—	—	—	482
Income before tax	—	—	—	—	—	—	40,766

Note: Adjustments of -¥5,043 million for segment profits included an inter-segment elimination of ¥98 million and operating expenses of -¥5,141 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						
	Japan	Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Depreciation and amortization	¥2,696	¥4,609	¥1,473	¥2,112	¥10,890	¥(71)	¥10,819
Impairment loss	—	—	14	—	14	—	14
Capital expenditures	2,233	7,026	6,153	1,650	17,064	—	17,064

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

FY2017 (April 1, 2016–March 31, 2017)

(Unit: Million yen)

	Reportable segments						
	Japan	Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Revenue							
External revenue	**¥66,430**	**¥211,849**	**¥88,350**	**¥59,162**	**¥425,794**	**¥ —**	**¥425,794**
Inter-segment revenue	**25,399**	**1,158**	**6,639**	**662**	**33,860**	**(33,860)**	**—**
Total	**¥91,830**	**¥213,008**	**¥94,990**	**¥59,825**	**¥459,654**	**¥(33,860)**	**¥425,794**
Segment profits	**¥ 7,343**	**¥ 12,365**	**¥16,425**	**¥ 3,313**	**¥ 39,447**	**¥ (4,890)**	**¥ 34,557**
Finance income and finance costs	**—**	**—**	**—**	**—**	**—**	**—**	**910**
Return on investment using the equity method	**—**	**—**	**—**	**—**	**—**	**—**	**324**
Income before tax	**—**	**—**	**—**	**—**	**—**	**—**	**35,792**

Note: Adjustments of -¥4,890 million for segment profits included an inter-segment elimination of ¥97 million and operating expenses of -¥4,987 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						
	Japan	Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Depreciation and amortization	**¥2,701**	**¥4,385**	**¥1,687**	**¥1,900**	**¥10,675**	**¥(72)**	**¥10,602**
Impairment loss	**—**	**—**	**64**	**220**	**284**	**—**	**284**
Capital expenditures	**2,804**	**3,733**	**3,495**	**1,165**	**11,199**	**—**	**11,199**

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

(4) Information related to products and services

FY2016 (April 1, 2015–March 31, 2016)

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.

FY2017 (April 1, 2016–March 31, 2017)

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 regions

(i) Revenue

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Japan	¥ 63,160	**¥ 63,813**
U.S.	176,996	**150,879**
Canada	60,388	**51,890**
China	89,219	**88,800**
Other	68,966	**70,410**
Total	¥458,732	**¥425,794**

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)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Japan	¥29,996	**¥30,463**
U.S.	18,833	**20,334**
China	12,182	**13,184**
Other	26,792	**24,288**
Total	¥87,805	**¥88,271**

(6) Information according to major customers

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Honda Motor Co., Ltd. Group	¥423,410	**¥385,753**

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

6. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows.

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Cash and cash equivalents	¥90,437	**¥96,008**

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

7. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows.

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Notes and accounts receivable–trade	¥55,400	**¥63,335**
Others	1,467	**4,699**
Allowance for doubtful accounts	(17)	**(10)**
Total	¥56,849	**¥68,024**

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

8. OTHER FINANCIAL ASSETS

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Deposits with maturities of three months or more	¥ 6,336	**¥ 4,839**
Short-term loans receivable	6	**3**
Long-term loans receivable	517	**520**
Lease receivables	6,450	**4,376**
Equity instruments	13,283	**14,579**
Derivative financial assets	4	**6**
Others	3,930	**5,004**
Allowance for doubtful accounts	—	**(3)**
Total	¥30,529	**¥29,327**
Current assets	¥ 8,948	**¥ 7,307**
Non-current assets	21,580	**22,019**
Total	¥30,529	**¥29,327**

Notes: 1. Deposits with maturities of three months or more, short-term loans receivable, long-term loans receivable and lease receivables 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 a fair value through net profit or loss.

9. INVENTORIES

The breakdown of inventories is as follows.

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Merchandise and finished goods	¥ 2,558	**¥ 2,161**
Work in progress	3,690	**2,526**
Raw materials and supplies	21,515	**24,371**
Total	¥27,763	**¥29,059**

10. PROPERTY, PLANT AND EQUIPMENT

(1) Schedule of property, plant and equipment

The following are the changes in the cost, accumulated depreciation and impairment loss, and the 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, 2015	¥55,619	¥64,395	¥33,579	¥11,312	¥ 9,214	¥174,119
Acquisition cost	507	1,302	1,044	—	14,961	17,815
Sales or disposal	(1,489)	(1,932)	(4,053)	(192)	—	(7,667)
Reclassification to other account	3,682	5,745	1,853	8	(13,044)	(1,754)
Effects of foreign currency translation	(2,948)	(4,118)	(1,788)	(319)	(974)	(10,150)
Other	0	302	458	15	(69)	707
Balance as of March 31, 2016	¥55,372	¥65,694	¥31,093	¥10,823	¥10,086	¥173,070
Acquisition cost	**583**	**1,228**	**568**	**—**	**8,381**	**10,762**
Sales or disposal	**(1,070)**	**(3,961)**	**(1,431)**	**(0)**	**(0)**	**(6,464)**
Reclassification to other account	**5,916**	**5,366**	**1,824**	**93**	**(13,623)**	**(422)**
Effects of foreign currency translation	**111**	**(833)**	**(289)**	**(14)**	**(732)**	**(1,759)**
Other	**—**	**—**	**77**	**1**	**—**	**78**
Balance as of March 31, 2017	**¥60,913**	**¥67,493**	**¥31,842**	**¥10,903**	**¥ 4,111**	**¥175,265**

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, 2015	¥22,669	¥48,383	¥28,715	¥—	¥ 2	¥99,770
Depreciation	2,069	4,443	2,163	—	—	8,675
Impairment loss	—	(6)	(7)	—	—	(14)
Sales or disposal	(1,249)	(1,722)	(3,930)	—	—	(6,901)
Reclassification to other account	75	(199)	(160)	—	(2)	(287)
Effects of foreign currency translation	(828)	(2,727)	(1,380)	—	—	(4,937)
Other	0	37	389	—	—	427
Balance as of March 31, 2016	¥22,735	¥48,207	¥25,788	¥—	¥—	¥96,732
Depreciation	**2,270**	**4,170**	**2,102**	**—**	**—**	**8,543**
Impairment loss	**212**	**30**	**14**	**—**	**—**	**257**
Sales or disposal	**(877)**	**(3,642)**	**(1,332)**	**—**	**—**	**(5,852)**
Reclassification to other account	**3**	**(104)**	**144**	**—**	**—**	**43**
Effects of foreign currency translation	**(81)**	**(749)**	**(210)**	**—**	**—**	**(1,041)**
Other	**—**	**(0)**	**5**	**—**	**—**	**5**
Balance as of March 31, 2017	**¥24,264**	**¥47,912**	**¥26,512**	**¥—**	**¥—**	**¥98,688**

Note: Depreciation of property, plant and equipment is included in the cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

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, 2015	¥32,950	¥16,011	¥4,863	¥11,312	¥ 9,211	¥74,349
Balance as of March 31, 2016	32,636	17,486	5,304	10,823	10,086	76,338
Balance as of March 31, 2017	**36,649**	**19,580**	**5,330**	**10,903**	**4,111**	**76,576**

(2) Leased assets

The carrying amounts of leased assets included in property, plant and equipment are as follows.

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Balance as of April 1, 2015	¥1,188	¥76	¥249	¥1,514
Balance as of March 31, 2016	1,053	58	214	1,326
Balance as of March 31, 2017	**869**	**31**	**195**	**1,097**

11. 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	Other	Total
Balance as of April 1, 2015	¥4,540	¥10,714	¥2,496	¥17,751
Acquisition cost	145	—	48	193
Increase due to internal development	—	2,419	—	2,419
Disposal	(114)	(1,446)	(4)	(1,565)
Effects of foreign currency translation	(82)	(94)	(232)	(409)
Other	164	—	(157)	6
Balance as of March 31, 2016	¥4,652	¥11,592	¥2,150	¥18,396
Acquisition cost	**218**	**—**	**272**	**491**
Increase due to internal development	**—**	**1,786**	**—**	**1,786**
Disposal	**(32)**	**(376)**	**(0)**	**(409)**
Effects of foreign currency translation	**(25)**	**(2)**	**(110)**	**(138)**
Other	**162**	**—**	**(266)**	**(103)**
Balance as of March 31, 2017	**¥4,975**	**¥13,000**	**¥2,046**	**¥20,022**

Accumulated amortization and impairment loss

(Unit: Million yen)

	Software	Development expenses	Other	Total
Balance as of April 1, 2015	¥3,538	¥2,812	¥240	¥6,591
Amortization	426	1,505	56	1,988
Disposal	(107)	(1,446)	(0)	(1,554)
Effects of foreign currency translation	(61)	—	(27)	(89)
Other	(3)	—	(3)	(6)
Balance as of March 31, 2016	¥3,791	¥2,871	¥264	¥6,928
Amortization	**384**	**1,565**	**42**	**1,992**
Disposal	**(31)**	**(376)**	**(0)**	**(408)**
Effects of foreign currency translation	**(23)**	**1**	**(12)**	**(34)**
Other	**(157)**	**—**	**6**	**(151)**
Balance as of March 31, 2017	**¥3,962**	**¥4,063**	**¥300**	**¥8,327**

Note: Amortization of intangible assets is included in the 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	Other	Total
Balance as of April 1, 2015	¥1,002	¥7,901	¥2,256	¥11,160
Balance as of March 31, 2016	860	8,721	1,885	11,467
Balance as of March 31, 2017	**1,012**	**8,937**	**1,745**	**11,695**

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

(2) Development expenses

The breakdown of development expenses is as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
R&D expenditures incurred during the period	¥13,168	**¥12,382**
Reclassification to capitalized development expenses	(2,419)	**(1,786)**
Amortization of capitalized development expenses	1,505	**1,565**
Total	¥12,254	**¥12,162**

12. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows.

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Notes and accounts payable–trade	¥47,788	**¥48,165**
Other	18,435	**21,310**
Total	¥66,224	**¥69,476**

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

13. BORROWINGS

The breakdown of borrowings is as follows.

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**	Average interest rates
Current borrowings	¥1,070	**¥ 967**	0.45%
Non-current borrowings scheduled for payment within one year	15	**5**	0.55%
Non-current borrowings	21	**315**	0.74%
Total	¥1,107	**¥1,288**	—
Current liabilities	¥1,086	**¥973**	
Non-current liabilities	21	**315**	
Total	¥1,107	**¥1,288**	

Notes: 1. Borrowings are classified as financial liabilities measured at amortized cost.

2. "Average interest rates" of borrowings indicate the weighted-average interest rate on the balance of borrowings at the end of FY2017.

3. Repayments of non-current borrowings at the end of FY2017 are due from 2018 to 2021.

14. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows.

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Lease obligations	¥3,227	**¥2,217**
Derivative financial liabilities	0	**22**
Total	¥3,227	**¥2,239**
Current liabilities	¥1,452	**¥ 709**
Non-current liabilities	1,775	**1,530**
Total	¥3,227	**¥2,239**

Notes: 1. Lease obligations are classified as financial liabilities measured at amortized cost.

2. 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, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

	Balance at the beginning of the fiscal year	Recognized through net profit or loss	Recognized through other comprehensive income	Balance at the end of the fiscal year
Deferred tax assets				
Inventories	¥ 2,086	¥(362)	¥ —	¥ 1,723
Property, plant and equipment	905	(279)	—	626
Intangible assets	866	(5)	—	861
Investments in equity instruments	—	—	1	1
Accrued expenses and provisions	1,261	186	—	1,447
Net defined benefit liability	165	29	(13)	180
Unused tax losses	13	(8)	—	5
Other	754	(28)	—	726
Total deferred tax assets	¥ 6,054	¥(468)	¥ (12)	¥ 5,573
Deferred tax liabilities				
Property, plant and equipment	¥ 1,068	¥ 57	¥ —	¥ 1,125
Intangible assets	2,559	129	—	2,689
Investments in equity instruments	4,614	—	(1,321)	3,292
Net defined benefit asset	165	99	(89)	175
Undistributed earnings of foreign subsidiaries	730	(74)	—	655
Other	881	(296)	—	585
Total deferred tax liabilities	¥10,019	¥ (84)	¥(1,411)	¥ 8,523
Net deferred tax liabilities	¥ (3,965)	¥(384)	¥ 1,399	¥(2,949)

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, 2017 (April 1, 2016 to March 31, 2017)

(Unit: Million yen)

	Balance at the beginning of the fiscal year	Recognized through net profit or loss	Recognized through other comprehensive income	Balance at the end of the fiscal year
Deferred tax assets				
Inventories	**¥ 1,723**	**¥ (96)**	**¥ —**	**¥ 1,627**
Property, plant and equipment	**626**	**130**	**—**	**757**
Intangible assets	**861**	**(704)**	**—**	**156**
Investments in equity instruments	**1**	**—**	**(1)**	**—**
Accrued expenses and provisions	**1,447**	**1,259**	**—**	**2,707**
Net defined benefit liability	**180**	**46**	**(6)**	**220**
Unused tax losses	**5**	**(5)**	**—**	**—**
Other	**726**	**135**	**—**	**862**
Total deferred tax assets	**¥ 5,573**	**¥ 766**	**¥ (8)**	**¥ 6,331**
Deferred tax liabilities				
Property, plant and equipment	**¥ 1,125**	**¥ (126)**	**¥ —**	**¥ 999**
Intangible assets	**2,689**	**(801)**	**—**	**1,887**
Investments in equity instruments	**3,292**	**—**	**383**	**3,675**
Net defined benefit asset	**175**	**103**	**282**	**560**
Undistributed earnings of foreign subsidiaries	**655**	**238**	**—**	**894**
Other	**585**	**1,994**	**—**	**2,580**
Total deferred tax liabilities	**8,523**	**1,409**	**665**	**10,598**
Net deferred tax liabilities	**¥(2,949)**	**¥ (643)**	**¥(673)**	**¥(4,266)**

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)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Deferred tax assets	¥ 1,897	**¥ 1,906**
Deferred tax liabilities	4,847	**6,173**
Net deferred tax liabilities	¥(2,949)	**¥(4,266)**

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)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Deductible temporary differences	¥864	**¥456**

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)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Within 1 year	¥ —	**¥ 26**
Between 1 and 2 years	41	**423**
Between 2 and 3 years	401	**807**
Between 3 and 4 years	2	**158**
Between 4 and 5 years	159	**30**
More than 5 years	103	**55**
Total	¥708	**¥1,502**

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)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Taxable temporary differences	¥101,124	**¥105,133**

(2) Income tax expenses

The breakdown of income tax expenses is as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Current tax expense		
Taxable amount for the fiscal year	¥11,333	**¥10,151**
Adjustment for prior years	(43)	**(25)**
Total current tax expense	¥11,290	**¥10,126**
Deferred tax expense		
Accrual and reversal of temporary differences	¥ (360)	**¥ (439)**
Changes in tax rates	67	**—**
Changes in unrecognized temporary differences, etc.	355	**1,018**
Total deferred tax expense	¥ 61	**¥ 579**
Total income tax expense	¥11,352	**¥10,705**

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: %)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Effective statutory tax rate	32.3%	**30.1**
Differences with tax rates applied to foreign subsidiaries	(7.2)	**(4.3)**
Undistributed earnings of foreign subsidiaries	(0.2)	**0.7**
Permanent differences including dividend income	(5.3)	**(6.2)**
Differences due to factors including elimination of intra-group transactions	9.0	**8.7**
Tax credits	(1.6)	**(1.2)**
Changes in unrecognized deferred taxes	0.9	**2.8**
Changes in tax rates	0.2	**—**
Other	(0.3)	**(0.7)**
Average actual tax rate	27.8%	**29.9**

Note: In conjunction with the revision of Japanese tax laws, the effective statutory tax rate was changed from 32.3% to 30.1%.

16. PROVISIONS

Changes in the amounts of provisions are as follows.

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

	Provision for product warranties (Note)	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	¥—	¥229	¥34	¥263
Increase during the period	—	5	10	15
Decrease during the period (provision used)	—	(74)	(14)	(88)
Effects of foreign currency translation	—	—	(5)	(5)
Balance at the end of the fiscal year	¥—	¥160	¥24	¥185
Current liabilities	¥—	¥107	¥—	¥107
Non-current liabilities	—	53	24	78
Total	¥—	¥160	¥24	¥185

For the year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Unit: Million yen)

	Provision for product warranties (Note)	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	**¥ —**	**¥160**	**¥24**	**¥ 185**
Increase during the period	**3,803**	**36**	**—**	**3,839**
Decrease during the period (provision used)	**—**	**(106)**	**(13)**	**(119)**
Effects of foreign currency translation	**134**	**—**	**1**	**136**
Balance at the end of the fiscal year	**¥3,937**	**¥ 91**	**¥13**	**¥4,042**
Current liabilities	**¥3,937**	**¥ 3**	**¥—**	**¥3,940**
Non-current liabilities	**—**	**87**	**13**	**101**
Total	**¥3,937**	**¥ 91**	**¥13**	**¥4,042**

Note: In conjunction with a recall by a major customer, a provision for product warranties has been recorded in the amount which the Group is expected to bear with respect to said customer. The amount which the Group is expected to bear has been estimated based on the latest repair information. The timing of the payment will depend on factors including when the payment invoice is received from the major customer. A portion of the amount of the provision for product warranties is expected to be compensated pursuant to an agreement with business partners. The amount to be compensated in the year ended March 31, 2017 is estimated to be ¥3,544 million, which has been included in "Trade and other receivables."

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)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Ending balance of defined benefit obligations	¥15,982	**¥15,851**
Ending balance of plan assets	(15,634)	**(16,649)**
Net amount of defined benefit obligations and assets	347	**(798)**
Net defined benefit liability	945	**1,098**
Net defined benefit asset	(598)	**(1,896)**
Net amount of liabilities and assets recorded in the consolidated statement of financial position	¥ 347	**¥ (798)**

(ii) Reconciliation of present value of defined benefit obligations

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Beginning balance of defined benefit obligations	¥15,185	**¥15,982**
Service cost	1,034	**1,127**
Interest cost	126	**89**
Past service cost	5	**37**
Actuarial differences (due to changes in demographic assumptions)	—	**(2)**
Actuarial differences (due to changes in financial assumptions)	464	**(619)**
Actuarial differences (due to adjustments)	(149)	**60**
Benefits paid	(602)	**(822)**
Effects of foreign currency translation	(81)	**(0)**
Ending balance of defined benefit obligations	¥15,982	**¥15,851**

Notes: 1. Service cost, interest cost and past service cost are included in the 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)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Beginning balance of plan assets	¥14,825	**¥15,634**
Interest income	60	**81**
Return on plan assets other than interest	55	**421**
Contributions from the employer	1,302	**1,314**
Benefits paid	(593)	**(798)**
Effects of foreign currency translation	(15)	**(4)**
Ending balance of plan assets	¥15,634	**¥16,649**

Notes: 1. Interest income is included in the 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)

	FY2016 (As of March 31, 2016)		**FY2017 (As of March 31, 2017)**	
	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	¥ 7,250	¥ —	**¥ 8,024**	**¥ —**
Debt instruments	5,977	—	**6,578**	**—**
General accounts	—	1,294	**—**	**1,379**
Other	76	1,035	**81**	**586**
Total	¥13,305	¥2,329	**¥14,683**	**¥1,965**

(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: %)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Discount rate	0.3%	**0.7%**

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

(Unit: Million yen)

		Effects on defined benefit obligations	
	Changes in assumptions	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Discount rate	Rise by 0.5%	¥(814)	**¥(847)**
	Fall by 0.5%	894	**930**

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 ¥1,227 million to the plan assets in the year ending March 31, 2018.

(viii) Maturity analysis of defined benefit plans

Maturity analysis of defined benefit plans is as follows.

(Unit: Year)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Weighted-average duration	11.3	**11.6**

(3) Defined contribution plans

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

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Amounts recorded as expenses	¥548	**¥542**

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)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Shareholders' equity		
Total equity attributable to owners of parent	¥197,060	**¥212,417**
Total liabilities and equity	303,948	**322,202**
Equity ratio (%)	64.8%	**65.9%**

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 "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

Changes in ownership interest in subsidiaries that do not involve loss of control are accounted for as capital transactions and amounts equivalent to goodwill and negative goodwill arising from such transactions are recorded in other capital surplus.

(3) Details of retained earnings

(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) Change in fair value of available-for-sale financial assets

Valuation difference between the cost and fair value of equity instruments designated as available-for-sale financial assets

(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, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

	Change in fair value of available-for-sale financial assets	Remeasurements of net defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	¥9,972	¥(596)	¥12,195	¥21,571
Other comprehensive income	(2,294)	(195)	(11,517)	(14,007)
Ending balance	¥7,678	¥(792)	¥ 677	¥ 7,563

For the year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Unit: Million yen)

	Change in fair value of available-for-sale financial assets	Remeasurements of net defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	**¥7,678**	**¥(792)**	**¥ 677**	**¥7,563**
Other comprehensive income	**926**	**676**	**(1,549)**	**53**
Ending balance	**¥8,604**	**¥(115)**	**¥ 871**	**¥7,617**

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

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

(Unit: Number of shares)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Total number of shares authorized to be issued	272,000,000	**272,000,000**
Number of shares issued	68,000,000	**68,000,000**

Note: All shares issued by the Company are common stock with no par value and no restrictions on the shareholders' rights.

(7) Treasury stock

The number of treasury stock is as follows.

(Unit: Number of shares)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Number of treasury stock	1,974	**2,050**

Note: The number of treasury stock increased by 166 shares in FY2016 and by 76 shares in FY2017 due to the purchase of shares constituting less than one unit.

19. 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)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Depreciation and amortization	¥10,819	**¥10,602**
Employee benefit expenses	71,763	**69,027**

20. OTHER INCOME AND OTHER EXPENSES

The breakdown of other income is as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Land and building rent received	¥ 171	**¥156**
Gain on disposal of non-current assets	1,031	**156**
Gain on government grants	66	**30**
Other	423	**383**
Total	¥1,693	**¥726**

The breakdown of other expenses is as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Loss on disposal of non-current assets	¥379	**¥ 656**
Impairment loss	14	**284**
Other	78	**91**
Total	¥472	**¥1,032**

21. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Interest income	¥1,145	**¥1,067**
Dividends income	388	**552**
Other	59	**78**
Total	¥1,593	**¥1,699**

Notes: 1. Interest income is interest income associated with financial assets measured at amortized cost.
2. Dividends income is dividend income associated with financial assets measured through other comprehensive income.

The breakdown of finance costs is as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Interest expense	¥182	**¥158**
Foreign exchange losses	378	**630**
Other	28	**0**
Total	¥589	**¥788**

Note: Interest expense is interest expense associated with financial liabilities measured at amortized cost.

22. 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)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Income attributable to owners of parent	¥23,528	**¥19,622**
Average number of common shares for the period (1,000 shares)	67,998	**67,997**
Basic earnings per share (yen)	¥346.01	**¥288.58**

23. OTHER COMPREHENSIVE INCOME

The breakdown of each component of other comprehensive income is as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of net defined benefit plans		
Gains (losses) during the year	¥ (265)	**¥ 972**
Income tax benefit (expense)	69	**(297)**
Subtotal	(196)	**674**
Components that may be reclassified subsequently to net profit or loss		
Change in fair value of available-for-sale financial assets		
Gains (losses) during the year	(3,605)	**1,373**
Reclassification adjustments	(32)	**(76)**
Before tax	(3,637)	**1,296**
Income tax benefit (expense)	1,323	**(384)**
Subtotal	(2,314)	**912**
Differences on translation from foreign operations		
Gains (losses) during the year	(14,498)	**(2,248)**
Share of other comprehensive income of associates accounted for using the equity method		
Gains (losses) during the year	(65)	**(86)**
Total other comprehensive income, net of tax	¥(17,074)	**¥ (747)**

24. DIVIDENDS

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(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 23, 2015	Common shares	¥2,039	¥30.00	March 31, 2015	June 24, 2015
Board of Directors' meeting held on November 4, 2015	Common shares	¥2,243	¥33.00	September 30, 2015	November 30, 2015

(2) Dividends whose record date is in the current fiscal year 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, 2016	Common shares	Retained earnings	¥2,243	¥33.00	March 31, 2016	June 27, 2016

For the year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(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 24, 2016	Common shares	¥2,243	¥33.00	March 31, 2016	June 27, 2016
Board of Directors' meeting held on October 28, 2016	Common shares	¥2,379	¥35.00	September 30, 2016	November 28, 2016

(2) Dividends whose record date is in the current fiscal year 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 23, 2017	Common shares	Retained earnings	¥2,379	¥35.00	March 31, 2017	June 26, 2017

25. NON-CASH TRANSACTIONS

Details of significant non-cash transactions are as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Acquisition of assets through a finance lease arrangement	¥1,436	**¥654**

26. 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.

(2) Matters concerning subsidiaries

The Group does not have significant subsidiaries in which the Group has non-controlling interests.

(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)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Carrying amount of equity interest	¥1,016	**¥1,028**

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
The Group's equity interest in		
Net income	¥482	**¥324**
Other comprehensive income	(65)	**(86)**
Comprehensive income	416	**237**

27. 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 the procurement of funds, the Group procures its necessary funds through bank loans and similar financial instruments.

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)

Trade and other receivables are exposed to the credit risk of customers.

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 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 FY2016 and FY2017, the impact of a 1% appreciation of the Japanese yen against the U.S. dollar and Chinese yuan on the income before tax is as follows.

(Unit: Million yen)

	Impact on income before tax	
	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
1% appreciation of Japanese yen against the U.S. dollar	¥(29)	**¥(25)**
1% appreciation of Japanese yen against the Chinese yuan	(36)	**(47)**

(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 FY2016 and FY2017, the impact of a 1% decline in market prices on other comprehensive income is as follows.

(Unit: Million yen)

	Impact on other comprehensive income	
	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
1% decline in market price	¥(131)	**¥(144)**

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 procures necessary funds from bank loans and other means, it is exposed to the risk of not being able to execute payment on the payment date due to deterioration of the fund-raising environment and other factors.

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.

The outstanding balance of financial liabilities by contractual maturity is as follows.

Trade and other payables, short-term loans payable and derivative finance liabilities have been omitted as their contractual maturities are all less than one year.

Lease obligations are stated Note 28, "Leases."

Long-term loans payable (including those scheduled for payment within one year)

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Within 1 year	¥15	**¥ 5**
Between 1 and 5 years	21	**315**
More than 5 years	—	**—**
Total	¥36	**¥321**

(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 FY2017.

(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.

(Long-term loans payable)

Long-term loans payable are measured at the present value of the total of principal and interest discounted by an interest rate that would be used for a similar loan.

(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)

FY2016 (As of March 31, 2016)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Equity instruments	¥13,283	¥13,198	¥—	¥84	¥13,283
Financial assets measured at a fair value through net profit/loss					
Derivative financial assets	4	—	4	—	4
Financial liabilities measured at a fair value through net profit/loss					
Derivative financial liabilities	0	—	0	—	0

FY2017 (As of March 31, 2017)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Equity instruments	**¥14,579**	**¥14,492**	**¥—**	**¥86**	**¥14,579**
Financial assets measured at a fair value through net profit/loss					
Derivative financial assets	**6**	**—**	**6**	**—**	**6**
Financial liabilities measured at a fair value through net profit/loss					
Derivative financial liabilities	**22**	**—**	**22**	**—**	**22**

(Financial instruments measured at amortized cost)

FY2016 (As of March 31, 2016)

(Unit: Million yen)

	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Loans and receivables					
Long-term loans receivable (including those scheduled for payment within one year)	¥517	¥—	¥489	¥—	¥489
Financial liabilities measured at amortized cost					
Long-term loans payable (including those scheduled for payment within one year)	36	—	36	—	36

FY2017 (As of March 31, 2017)

(Unit: Million yen)

	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Loans and receivables					
Long-term loans receivable (including those scheduled for payment within one year)	**¥520**	**¥—**	**¥526**	**¥—**	**¥526**
Financial liabilities measured at amortized cost					
Long-term loans payable (including those scheduled for payment within one year)	**321**	**—**	**320**	**—**	**320**

(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)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Gross amount of financial assets recognized	¥188,527	**¥203,010**
Offset amount	10,711	**9,650**
Amount of financial assets presented in consolidated statement of financial position	177,816	**193,360**
Gross amount of financial liabilities recognized	81,270	**82,654**
Offset amount	10,711	**9,650**
Amount of financial liabilities presented in consolidated statement of financial position	¥ 70,559	**¥ 73,004**

28. LEASES

(1) Lease as lessee

(i) Minimum total lease payments

The breakdown of the minimum total lease payments (present value) under finance leases is as follows.

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Within 1 year	¥1,452	**¥ 687**
Between 1 and 5 years	1,342	**1,227**
More than 5 years	433	**302**
Total	¥3,227	**¥2,217**

Notes: 1. The outstanding balance of minimum total lease payments is included in "Other financial liabilities" in the consolidated statement of financial position.

2. Certain major lease contracts have renewal and purchase options. However, there are no lease contracts with contingent rent, escalation clauses (a provision to increase lease obligations) or specific contractual restrictions (such as restrictions on dividends, additional borrowing or additional lease contracts).

(ii) Non-cancelable operating leases

The breakdown of the minimum total lease payments under non-cancelable operating leases is as follows.

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Within 1 year	¥ 414	**¥296**
Between 1 and 5 years	718	**475**
More than 5 years	—	**—**
Total	¥1,133	**¥772**

(iii) Operating lease payments recognized as expenses during the fiscal year

Operating lease payments recognized as expenses during the fiscal year are as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Operating lease payments	¥687	**¥569**

(2) Lease as lessor

Minimum total lease payments to be received

The breakdown of the minimum total lease payments to be received under finance leases is as follows.

(Unit: Million yen)

	FY2016 (As of March 31, 2016)	**FY2017 (As of March 31, 2017)**
Within 1 year	¥2,470	**¥2,326**
Between 1 and 5 years	3,980	**2,050**
More than 5 years	—	**—**
Total	¥6,450	**¥4,376**

Notes: 1. The outstanding balance of minimum total lease payments to be received is included in "Other financial assets" in the consolidated statement of financial position.

2. There are no lease contracts with renewal and purchase options, contingent rent and escalation clauses (a provision to increase lease receivables).

29. 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.

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(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	¥47,692	Accounts receivable–trade	¥7,507

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, 2017 (April 1, 2016 to March 31, 2017)

(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	**¥45,958**	Accounts receivable–trade	**¥5,760**

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.

(i) TS TECH USA CORPORATION

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(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	¥69,515	Accounts receivable–trade	¥4,756

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, 2017 (April 1, 2016 to March 31, 2017)

(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	**¥55,243**	Accounts receivable–trade	**¥4,328**

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, 2016 (April 1, 2015 to March 31, 2016)

(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	¥46,536	Accounts receivable–trade	¥4,149

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, 2017 (April 1, 2016 to March 31, 2017)

(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	**¥38,870**	Accounts receivable–trade	**¥2,916**

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, 2016 (April 1, 2015 to March 31, 2016)

(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	¥58,633	Accounts receivable–trade	¥3,404

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, 2017 (April 1, 2016 to March 31, 2017)

(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	**¥50,206**	Accounts receivable–trade	**¥5,780**

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.

(iv) TS TECH (THAILAND) CO., LTD.

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Automobile (Thailand) Co., Ltd.	Sale of the Company's products	¥13,646	Accounts receivable–trade	¥3,009

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, 2017 (April 1, 2016 to March 31, 2017)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Automobile (Thailand) Co., Ltd.	Sale of the Company's products	**¥16,911**	Accounts receivable–trade	**¥3,407**

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

The remuneration to the Directors and Auditors of the Company is as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Basic remuneration and bonuses	¥552	**¥505**

30. CONTINGENT LIABILITIES

The Company provides guarantees to financial institutions on the borrowings by employees. The guarantee amounts are as follows.

(Unit: Million yen)

	FY2016 (April 1, 2015–March 31, 2016)	**FY2017 (April 1, 2016–March 31, 2017)**
Employees (Company housing and mortgage loans)	¥74	**¥59**

31. SUBSEQUENT EVENTS

Not applicable

OTHER

Quarterly information for the fiscal year under review.

(Unit: Million yen)

Cumulative period	1st quarter	2nd quarter	3rd quarter	4th quarter
Net sales	**¥103,817**	**¥202,067**	**¥311,073**	**¥425,794**
Income before income taxes	**7,527**	**14,861**	**24,562**	**35,792**
Income attributable to owners of parent	**3,964**	**8,059**	**14,606**	**19,622**
Earnings per share (yen)	**¥ 58.30**	**¥ 118.52**	**¥ 214.80**	**¥ 288.58**

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings per share (yen)	**¥58.30**	**¥60.22**	**¥96.28**	**¥73.78**

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 23, 2017

To the Board of Directors of TS TECH Co., Ltd.

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Hirohisa Kato

Designated Unlimited Liability Partner
Engagement Partner,
Certified Public Accountant: Kenji Morita

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kazuyoshi Kuramoto

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2017 of TS TECH Co., Ltd. (the "Company") and its consolidated subsidiaries, and the consolidated statements of comprehensive income, changes in equity and cash flows for the fiscal year from April 1, 2016 to March 31, 2017, and notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TS TECH Co., Ltd. and its consolidated subsidiaries as of March 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Audit of Internal Control]
Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of TS TECH Co., Ltd. as of March 31, 2017.

Management's Responsibility for the Report on Internal Control
Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility
Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of TS TECH Co., Ltd. as of March 31, 2017 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest
Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

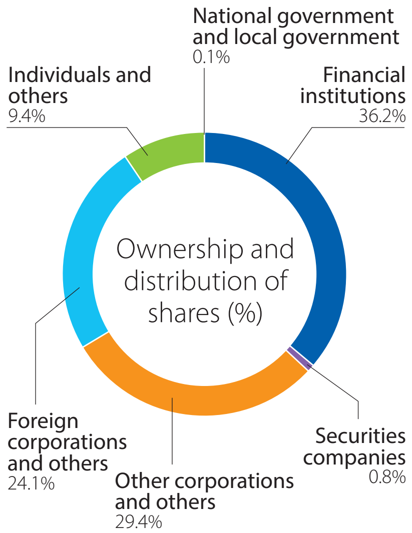
The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Corporate Data (as of March 31, 2017)

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
Corporate Representative	President, Michio Inoue
Lines of Business	Manufacture and sale of seats for automobiles; interior trim and interior components for automobiles; motorcycle seats; and motorcycle parts and accessories
Number of Employees	16,335 (consolidated) 1,710 (non-consolidated)
Closing of Accounts	March 31
Securities Traded	Tokyo Stock Exchange (First Section)
Main Banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. / Sumitomo Mitsui Banking Corporation / Saitama Resona Bank, Limited
Main Customers	Honda Motor Co., Ltd. / Honda R&D Co., Ltd. / Honda Trading Corporation / Honda Access Corp. / Suzuki Motor Corporation / Yamaha Motor Co., Ltd. / Kawasaki Heavy Industries, Ltd. / PARAMOUNT BED CO., LTD.
Member Organization	Japan Auto Parts Industries Association

Stock Information (as of March 31, 2017)

Total Number of Shares Authorized to Be Issued	272,000,000
Total Number of Shares Outstanding	68,000,000
Number of Shareholders	11,549



* Treasury stock is included in "Individuals and others".

Major Shareholders (as of March 31, 2017)

	Equity participation	
	Number of shares held (thousands)	Voting stake (%)
Honda Motor Co., Ltd.	15,360	22.6
Japan Trustee Services Bank, Ltd. (Trust Account)	3,225	4.7
Mitsui Sumitomo Insurance Company, Limited	2,451	3.6
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited Retrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust Account)	2,199	3.2
Sumitomo Life Insurance Company	1,940	2.9
Saitama Resona Bank, Limited	1,720	2.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,710	2.5
Bridgestone Corporation	1,536	2.3
Taiyo Life Insurance Company	1,400	2.1
Mitsubishi UFJ Trust and Banking Corporation	1,360	2.0

Third-Party Opinion

Mizue Unno
Managing Director,
So-Tech Consulting Inc.

Ms. Unno was in charge of marketing strategy and environmental business development support at an economic consulting company.

In 1996, she went independent and founded So-Tech Consulting Inc. The company works in the environmental and sustainability sectors and is building a network of professionals around the world. With a focus on the global strategies of Japanese companies, So-Tech Consulting uses its unique eye for analysis to carry out ambitious recommendations regarding management in the areas of ESG and sustainability.

We live in an age that demands promotion of ESG-related issues

In response to the commitment made last year by President Inoue, the TS TECH Group positioned ESG management as the main pillar of its Medium-Term Management Plan, making it clear that it is working to address this matter at all of their global locations.

With respect to governance, TS TECH not only properly addresses the governance code and creates internal mechanisms, but also adopts measures that form the foundation for its business. Among these measures, TS TECH should be commended for having a stance that seeks value creation through partnerships with stakeholders in the areas of customer quality and expansion of sales to new customers.

Regarding environmental and social matters, TS TECH is highly regarded for its strategic approach to human resources—the heart of the company—as it works to realize its vision to become an "Innovative Quality Company." This is the company's underlying strength. Please continue to create success stories that utilize your diversity, not just in Japan but also around the world.

Environmental and social contribution efforts are the "E" and "S" of ESG—the activities that build trust with regional stakeholders. I hope that you consider strategic environmental and social efforts that benefit not only society but also your business efforts and that you develop them in ways that raise employee awareness.

From this point on, it will be necessary to determine specific approaches to the eight corporate initiatives stipulated in the 13th Medium-Term Business Plan and to create a results assessment for the purpose of the measures' ongoing development. Please reconcile these with your current value creation processes and non-financial measures, and systematically organize and report on them. It is also important to choose issues from among the SDGs that are relevant to your company and incorporate them into your activities, so I, therefore, recommend that you consider doing so.

Response to the Third-Party Opinion

We have been exchanging views regarding our efforts for continuous corporate growth with Ms. Unno since last year. In response to feedback from our stakeholders, we shifted the focus of our 13th Medium-Term Management Plan, which went into effect this fiscal year, to ESG management in order to become a company with even higher expectations from a global society.

In particular, in terms of our highly regarded measures concerning human resources, in order to pass on our company's underlying strength (corporate culture) to the next generation, we are implementing educational programs for our TS Philosophy, created under the 12th Medium-Term Management Plan, on a global scale. We have already completed the first phase, educating our managers at all locations; we are currently educating all employees worldwide, taking into account respective cultures and customs, and promoting localization of management in each region. We are also doing what we can to conduct environmental conservation and social contributions in accordance with local needs.

Just as you suggested, from this point on, we will focus on contributing to the SDGs that are challenges for the Earth as a whole. At the same time, we will work to promote ESG management through means that enable us to organize results and evaluations of corporate measures in easy-to-understand ways to deliver systematic reports.

Yoshitaka Nakajima
Managing Director,
Corporate Administration Division
Executive General Manager,
TS TECH Co., Ltd.

TS TECH Co.,Ltd.

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URL: http://www.tstech.co.jp

VEGETABLE OIL INK

July 2017
Printed in Japan