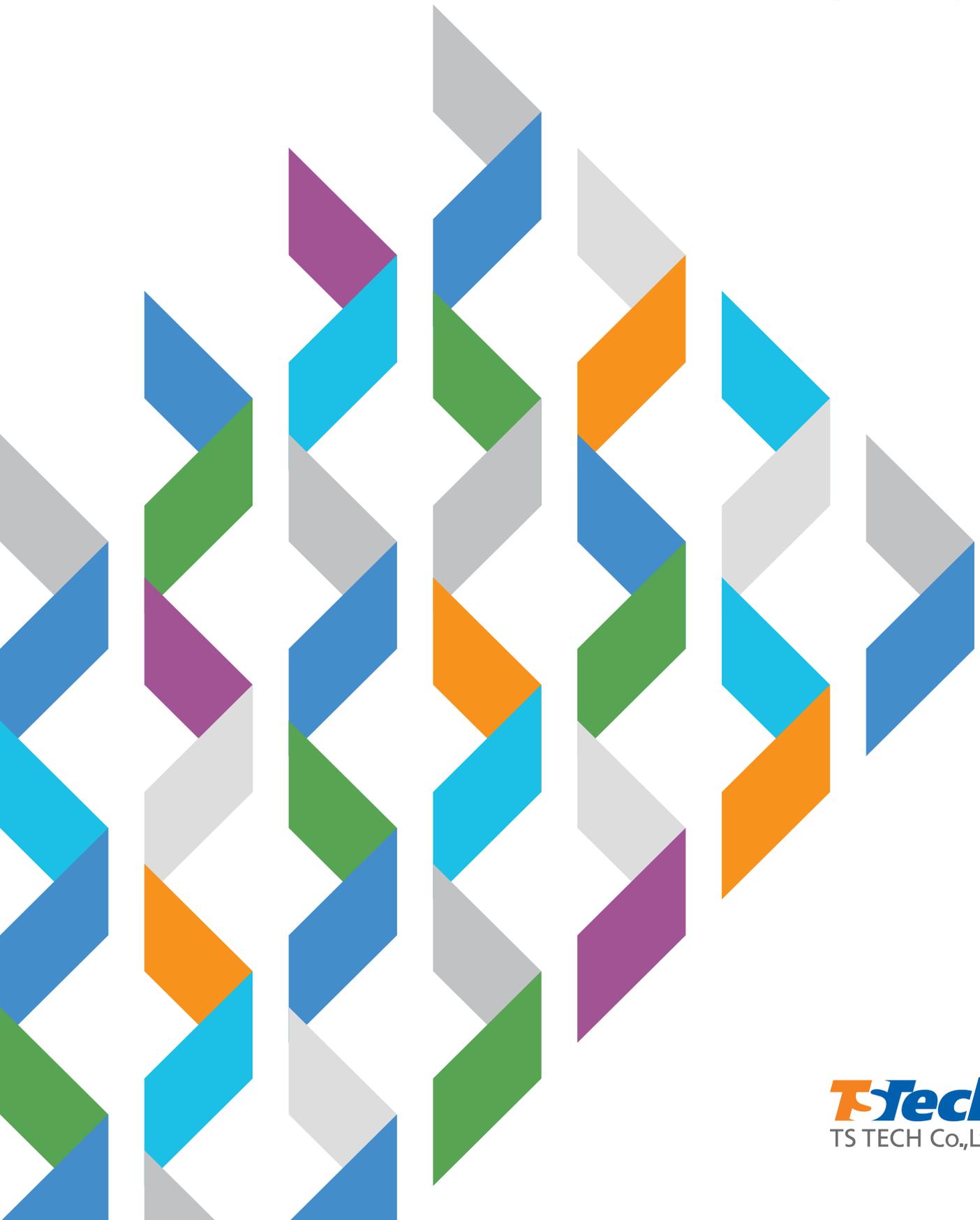


2021

TS TECH
Integrated Report



2030 Vision

Innovative quality company

Continued creation of new value

In a society where mobility is ever-changing, we continuously pursue the creation of safe, comfortable cabin spaces to provide innovative, attractive products.

TS TECH Philosophy

Vision Statement

A company dedicated to realizing people's potential

A company sincerely appreciated by all

Mission Statement

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

Operational Directives

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

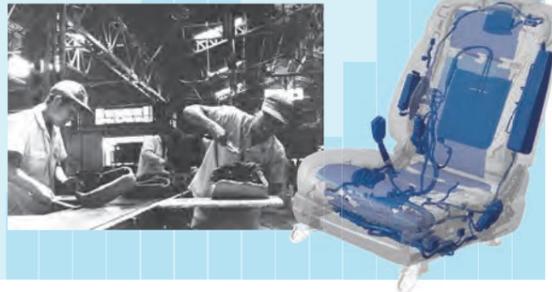
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Unafraid of change in an increasingly uncertain business environment, we will make capital investments to create new value.



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Editorial Policy

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

About the Report's Formats

Integrated Report



TS TECH Website

Non-Financial Information

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

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

Financial Information

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

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

Scope of the Report

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

About the Report's Designations

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

Term Covered

Fiscal 2021 (April 1, 2020–March 31, 2021)

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

Reference Guidelines

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

Disclaimer

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

From Producing Work Uniforms to Manufacturing Seats for Motorcycles and Automobiles

TS TECH's predecessor, Teito Fuhaku Kogyo Corporation, manufactured work uniforms for Honda, who recognized the quality of our sewing technology and asked us to begin manufacturing motorcycle seats.



Honda's Super Cub scooter became a runaway hit and our production system expanded. We then began to manufacture lightweight seats for racing motorcycles, developing technologies early on to make seats lighter.

We later made seats for the Honda T360 pickup truck, which marked the start of TS TECH's full-fledged manufacture of seats for automobiles. From then on, the scale of our operations grew steadily.

Honda T360 seat



Seat for the original Honda Super Cub



Early Establishment of a Manufacturing Base in North America

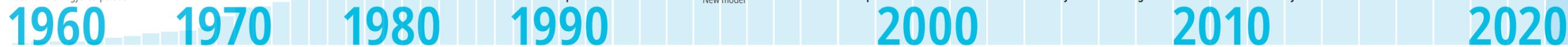
TS TECH first expanded its business outside of Japan in 1977, setting up a production subsidiary in Nebraska, U.S.A. to manufacture motorcycle seats locally for Kawasaki.

We later began production for Honda. A series of orders for automobile seats and leisure vehicle seats came in from American automakers, and the scale of local production was expanded. Today, the Group has production centers in Japan, the Americas, Europe, China, and other parts of Asia.

1960
Established Tokyo Seat Co., Ltd.
Took over the motorcycle seat business from predecessor Teito Fuhaku Kogyo Corporation

1963
Began producing automobile seats

1977
Expanded operations to North America



1996 Honda Step WGN swivel seats in face-to-face mode

Seat Arrangements Created Using Structural Design Technology

The 1990s saw a minivan boom. The interior was seen as a space to enjoy spending one's time, generating demand for more comfortable seats. We then began a multi-pronged pursuit of comfort. One result of this pursuit was seat arrangement technology. We employed structural design technologies and a wealth of expertise

to develop arrangements with various kinds of usability. TS TECH's designs have earned a solid reputation among European automakers, who have long been leaders in the industry.

Honda's top-of-the-line sports car, the (Acura) NSX, debuted in 1990. Making the car lighter was essential to achieving its phenomenal performance. We worked to develop a seat frame that only used aluminum instead of steel, the conventional material used for seats. We experimented with processing methods, rustproofing technologies, and more. Our wealth of technical expertise resulted in seats that greatly reduced the weight of the vehicle. The same technology was utilized for the newest NSX seats to develop a frame that blends aluminum with cutting-edge materials.

The Relentless Quest for Weight Reduction: The Honda (Acura) NSX Aluminum Seat Frame



Honda (Acura) NSX seat

Original model

New model

1994
Expanded operations to Asia

Aiming for Incomparable Quality and Achieving World-Class Quality

In order to compete alongside the world's mega-suppliers, in the early 2000s, TS TECH first set its goal of achieving world-class quality. Under the slogan at the time, "Incomparable Quality," we set out to not only improve production efficiency and quality through the installation of facilities such as jig lines but also to change people's way of thinking about manufacturing. More recently, TS TECH has been a highly ranked supplier by vehicle size class in a seat quality and satisfaction survey conducted by an American research firm.

Safety Evaluation Technology Obtained through High-Performance Dynamic Sled Testing

In 2004, TS TECH introduced a new cutting-edge dynamic sled testing facility to reliably reproduce car crash impacts. The facility was the first of its kind in Japan. Over 1,000 tests are conducted annually, and the safety assessment technologies have led to TS TECH's seats receiving top-class safety assessments from vehicle safety assessment organizations around the world.

1996
Expanded operations to South America

1997
Changed company name to TS TECH Co., Ltd.

1999
Expanded operations to Europe

2001
Expanded operations to China

2007
Stock listed on the First Section of the Tokyo Stock Exchange

2010
TS TECH's 50th anniversary



More Electrical Devices for More Comfortable, Safer Seats

Seats used to be simple, consisting mainly of a frame and cushion with leather covering. They have since evolved, and today many electrical devices are built into seats to add greater safety, comfort, and appeal. TS TECH has a department dedicated to the research and development of electrical devices. The department is a self-contained entity, handling everything from proposals of new features to control settings and system verification.

Electrical devices (Shown in blue)



Creating New Value for Seating by Fusing the IoT with Sensing Technology

Sensing technology, which uses sensors attached to seating to obtain a range of biometric data, has evolved significantly in recent years. TS TECH is working on the development of seat systems that are not bound by conventional thinking, including a system that automatically adjusts the seat position and firmness according to the passenger's physique to provide comfortable seating, and a system that senses passenger movements to enable anyone to enjoy sports while seated.



Assuring Quality

The seats for the original Honda Civic could be considered the starting point for TS TECH's manufacture of automobile seats. When the model was launched, however, there were frequent issues involving seam tears in the covering and bent seat frames when used by people with larger body types. The system we established at that time to facilitate the immediate sharing of quality issues among departments and quick improvements is still in place today. We have turned this rough start into a legacy of a strong commitment to the perfection of quality.



Seat for the original Honda Civic Launched 1972

Pursuing Comfort

TS TECH continues to pursue comfortable seats that prevent fatigue by translating subjective judgments of comfort and fatigue, which vary by person, into quantifiable figures and conducting repeated research based on ergonomics. This approach is reflected in our unique theory of a comfortable posture.



Honda Civic Seat Launched 1995

The first use of a mechanism to adjust seat height. This seat made it possible for smaller drivers to adjust to a more comfortable driving position.

Honda Odyssey Seat Launched 2013

The seat bottom tilts upward as the backrest is lowered to close in on the perfect posture for maximum comfort.



Establishing a Strong Profit Structure

As business has expanded, we have been severely impacted by changes in the external environment, including a global financial crisis and natural disasters in different countries.

TS TECH has streamlined development and manufacturing through production line automation and other technologies. This has enabled our company to withstand external changes, laying the foundation for the current highly profitable structure of the TS TECH Group.



Automated welding equipment

Creating New Value

As the automotive industry enters a period of major transformation, the functions and value demanded of automobiles are also undergoing great change. Against this backdrop, TS TECH will not simply focus on developing seats and doors as single components but also aim to become an interior system supplier that can coordinate an entire automobile cabin space. We will work to create new value by leveraging corporate partnerships and joint development projects.



Next-generation touch switch jointly developed with Canatu Oy, which has technology for touch sensor films

Value Creation Story

TS TECH's Products and Accumulated Capital

For nearly 60 years, the TS TECH Group has been involved with the development and manufacture of seats and interior components for automobiles, seats, and resin-based parts for motorcycles. We offer a wide range of products related to seating that makes the most of our strength, which is a global network that spans 14 countries around the world.



Intellectual Capital

A wealth of technological capabilities that aim for better manufacturing
 Automobile seats are products that are required to combine both safety and comfort, as well as to provide attractive "added value." We provide products that exceed our customers' expectations, and the proprietary technologies and research outcomes with which these products are imbued represent important capital for TS TECH in the form of accumulated knowledge and experience.

One element of said capital is patents, and we have been engaging in a proactive patent strategy to manage and effectively utilize new technologies created around the world. Our patents have been highly evaluated in terms of comprehensive patent strength as calculated by Patent Result Co., Ltd.



Manufactured Capital

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

Looking ahead, in addition to investment focused on expanding capabilities and boosting efficiency, we will further enhance sustainability through investment in environmental equipment and technologies.



Human Capital

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

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



Financial Capital

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

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





Unafraid of change in an increasingly uncertain business environment, we will make capital investments to create new value

保田 真成
Masanari Yasuda
President and Representative Director

Introduction

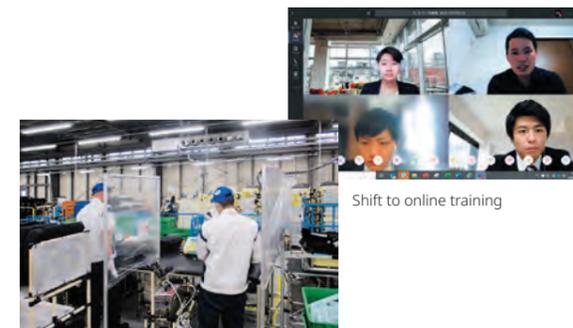
I would like to extend my deepest sympathy to all those who have been affected by COVID-19. I would also like to offer my heartfelt respect and gratitude to the medical personnel and essential workers who are giving their all to treat those with the virus and to all workers who help support us in our everyday lives. It is my hope that this situation will be brought under control and tranquility will return as soon as possible.

Fighting COVID-19

The impact of COVID-19 created a very challenging business environment at the beginning of fiscal 2021, with a succession of plant shutdowns in the Americas and the Asia and Europe regions. Nevertheless, profit steadily rebounded with the resumption of production in China, which recovered quickly, and the restoration of plant operations in other regions between May and July as the spread of infection slowed. Although production volume fell, impacted by the semiconductor shortages that occurred at the end of 2020, we enacted thorough cost containment measures and reviewed the timing of non-urgent capital investment. As a result, profit increased year on year in fiscal 2021, and we secured a solid profit even amid the difficult circumstances.

The response to COVID-19 inevitably changed conventional ways of working and thinking, but not all changes were negative. Even in departments where it was deemed difficult to implement a work-from-home system, the percentage of employees working on-site has been reduced thanks to creative ideas, and there has been dramatic progress in digitalizing operational workflows and in moving meetings and training online. These steps have contributed to improved labor productivity in many areas.

We expect the situation will continue to be unstable going forward. However, we will build systems for the post-COVID-19 era to ensure that our response is not merely an emergency measure but one that facilitates work-style reforms and even greater efficiency.



Partitions to prevent the spread of infection

Shift to online training

Practicing ESG Management

Under the 13th Medium-Term Management Plan (fiscal 2018–fiscal 2020), we promoted the “Creation of a foundation for ESG management” as our management policy. In the 14th Medium-Term Management Plan (fiscal 2021–fiscal 2023), which commenced in fiscal 2021, we will accelerate the implementation of various measures under our management policy of “Corporate evolution through ESG management” without shifting the axis from the previous Medium-Term Management Plan.

In fiscal 2022, the most important topic is the implementation of corporate governance reforms, which had been under consideration for some time. TS TECH's Board of Directors has been chaired by an outside director since fiscal 2020 in order to ensure transparency and eliminate arbitrariness. In addition, following its approval at the 75th Annual General Meeting of Shareholders held on June 25, 2021, the company transitioned to a “company with an Audit and Supervisory Committee” structure, and now has directors who are Audit and Supervisory Committee members with voting rights on the Board of Directors in order to further enhance the supervisory function of the Board of Directors and the corporate governance structure. As a result, the ratio of independent outside directors on the Board of Directors has increased to one-third. At the same time, the Nomination and Compensation Committee, with a majority of independent outside directors, was also newly established as an advisory body to the Board of Directors to reflect the objective views of outside directors in management more than in the past and to improve the transparency and fairness of management. In addition to the executive officer system that was implemented previously, the Board of Directors will delegate decision-making on important matters of business execution to the directors to the extent legally permitted to ensure swift decision-making in the face of a rapidly changing business environment.

Under this new management structure, which includes greater diversity with the addition of a newly appointed female director, we will accelerate our efforts to achieve higher quality management that is not constrained by the past, increase corporate value over the medium to long term, and further enhance diversity.

Moreover, in March 2021 the TS TECH Group identified the key material issues (materiality) we will prioritize in order to achieve sustainable growth, and both internally and externally announced our main issues and goals from the three perspectives of society, environment, and corporate foundation. We also declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)* in August 2021. Going forward, we will keep

working hard to reduce CO₂ emissions and actively disclose information based on the TCFD recommendations in order to help achieve carbon neutrality by 2050. Our disclosure of information is currently limited to the identification of material issues. However, we are working diligently to formulate key performance indicators (KPIs) for each issue in line with the TCFD and other factors.

In order to further accelerate these initiatives, we plan to establish a new Sustainability Committee. As an advisory body to the Executive Committee, it will serve as the basis for considering, implementing, and leading the measures the TS TECH Group should work on with respect to sustainability-related issues. Going forward, the entire TS TECH Group will continue working to help achieve a decarbonized society and resolve social issues related to sustainability.

Driving Further Corporate Growth

Although our 2030 Vision faced major challenges from the outset in the form of COVID-19, we have made no changes to the approach and policies at this time.

As “Innovative quality company—Continued creation of new value” stipulates, our mission is to create unprecedented new value by leveraging the technologies that the Group has cultivated over many years in a changing business

environment, and to achieve continuous growth together with society.

However, over the past few years, technological innovation in the automobile industry geared toward new forms of mobility in society has advanced at a remarkable pace. This has had a significant impact not only on automobile manufacturers but also on the automobile component industry. Manufacturers of components related to engine drivetrains are developing their businesses using technological and capital alliances to survive this era of upheaval.

The automotive interior component domain to which the TS TECH Group belongs is no exception. To date, we have been creating new value by seeking to improve the safety and comfort of individual seats and add greater appeal to door components. In the future, however, automotive interior components will play a more important role than ever before as the human-machine interface (HMI) that connects the occupants with a vehicle. Looking ahead to the advent of automated driving, there will soon be a time when the entire cabin space will be considered a single module, rather than separate components, such as seats and doors.

In order to achieve sustainable growth in such a changing business environment, we believe that we must transform our company into a “car interior manufacturer” that can coordinate and propose an automobile cabin space as a whole. In order to achieve this, we will identify our strengths and weaknesses, and then expand our business domains by considering what can evolve within the Group using existing resources and how to efficiently bring the missing parts in-house, acting swiftly to make adjustments as necessary. The TS TECH Group has pursued safety and comfort in automotive interior components for more than 60 years. Our greatest assets are the technical capabilities and know-how we have cultivated over the years as well as the source of these



* Task Force on Climate-related Financial Disclosures
A task force on climate-related financial disclosures established by the Financial Stability Board (FSB) at the request of the G20. The task force recommends assessment of the financial impact of climate change risks and opportunities on management and presents a framework for climate change-related disclosure structured around the areas of governance, strategy, risk management, and metrics and targets.

14th Medium-Term Management Plan Order Targets for New Commercial Rights by Region from Customers Other than Main Customers



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

capabilities, the skills of our employees, and our solid financial base. In addition to this, we aim to realize our vision through a generous commitment of managerial resources, including alliances with other companies and active utilization of venture companies.

Moreover, as the result of some 10 years of proactive efforts to expand sales beyond our main customers in order to grow our business, we have begun to gain greater trust from European and American automakers. The number of inquiries we receive has increased significantly, and we are gradually starting to win substantial orders. As a result, the scale of our business in Europe and the Americas has been steadily expanding. However, in drawing up our growth strategy, we believe we need to move swiftly to grow sales even further.

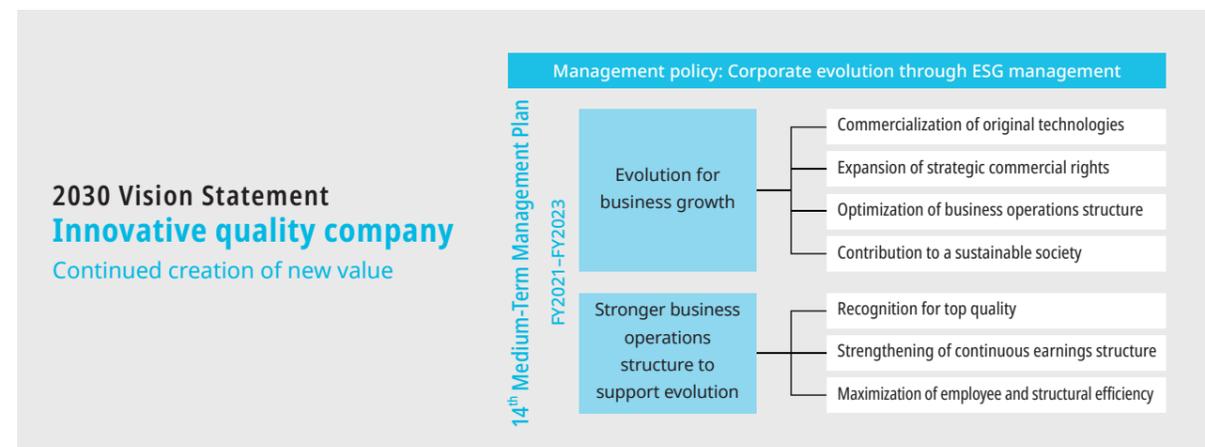
In the face of unavoidable competition with the global mega-suppliers in each region, we believe we must not only expand using the Group's resources alone but also form strong alliances with new business partners to grow sales. To this end, we will quickly ascertain the business environment and any changes in each region around the world and make the most of our strong financial base to carry out the necessary investment for business expansion. One way we intend to achieve this is by actively pursuing friendly M&As and alliances.

To Our Stakeholders

The environment surrounding the TS TECH Group is constantly changing, illustrated by the demands of society, the structure of the automotive industry, and new risks such as COVID-19. Considering the speed of these and other changes, the Group has now started to review the specific strategies and the KPIs at each stage from the management vision to the Medium-Term Management Plan and single-year business plans of each department, as well how we should address non-financial areas.

In an era when it is rather difficult to anticipate the future, we believe corporate management must constantly look ahead and always make the utmost effort to do what is needed at the time without closely following precedents.

One of my favorite words is *yuzumuge*, which means being able to respond flexibly to a situation based on various perspectives without being bound by a single viewpoint or approach. We do not fear change; it is by leveraging change that we will become a company whose presence is appreciated by even more stakeholders.



Value Creation Story

TS TECH's Value Creation Model

Our goal is to become a seat and interior system supplier that is trusted and appreciated worldwide. To achieve this goal, we will work to build a value creation model that will enable us to continue to provide value to society by taking advantage of our strengths and to adapt that model in response to the changing expectations and demands of society.

External factors

Exchange rate fluctuations

Material price fluctuations

Economic and business trends

Competitive environment

Technological innovation

Changes in the structure of the industry

Vision Statement

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

2030 Vision

INNOVATIVE QUALITY COMPANY
— Continued creation of new value —

To become a seat and interior system supplier that is trusted worldwide

BUSINESS MODEL

INPUT Strengths

Technological prowess

- Creation of expertise related to "the philosophy and science of seating"
- High degree of stability in all QCDDM* domains
- Competitive patents
Number of patents held in Japan: **1,260**
Number of patents held outside of Japan: **704**
- Research and development expenses **12.5 billion yen (3.6% of revenue)**

Global business development

- A system arranged into the four regions of Japan, the Americas, China, and Asia and Europe
- Operations in **14** countries
Number of companies: **46**
Number of sites: **77**
- Global promotion of TS TECH Philosophy education

Sustainable management base

- A philosophy for debt-free management since our establishment
- A sound financial base
Consolidated equity: **301.4** billion yen
Revenue: **346.1** billion yen
Operating margin: **7.7** %
(Transport equipment industry average: 4.4%)

Intellectual capital

Manufactured capital

Human capital

Financial capital

BUSINESS ACTIVITIES Value chain

Sales

Research and development

Purchasing

Manufacturing

Quality control

OUTPUT Main products

Products for automobiles

Seats

Door trim

Resin-based products

Products for motorcycles

Seats

Resin-based products

Other products

Seats for multipurpose off-road vehicles

Seats for personal watercraft

Chairs for medical use

VALUE

FOR STAKEHOLDERS Social value

Safety

A high level of safety achieved with data gathered from a variety of collision tests, highly accurate simulation analysis and expertise, and cutting-edge technology developed over many years

Attractiveness

Comfort and convenience born of our unique theory on ideal posture to prevent fatigue even over long periods, as well as a wide range of proprietary seat arrangement technology that is versatile, functional, and easy to use

Environment

Lower environmental impact over the entire process from development through production, thanks to research and development of new materials that are both high quality and eco-friendly, lighter-weight products that help improve the fuel efficiency of automobiles, and energy-saving equipment to reduce CO₂ emissions

FOR TS TECH Value provided

Customers
(Customer companies and end users)

Shareholders and investors

Business partners

Employees

Society and local communities

The environment

Intellectual capital

Manufactured capital

Human capital

Financial capital

MISSION Social responsibility

Corporate evolution through ESG management

Beyond Comfort

Contribution to the creation of a sustainable society

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

Social issues

Changes in comfort sought for automobile interiors

Car safety

The creation of workplaces that promote diversity

Response to climate change

Value Creation Story

The TS TECH Group's Materiality

In March 2021, TS TECH identified the key material issues (materiality) it will prioritize as sustainability-related matters to help contribute to the creation of a sustainable world.

By accelerating our initiatives to address materiality, including the formulation of KPIs, we aim to continuously improve corporate value.

Policy for Identifying Materiality

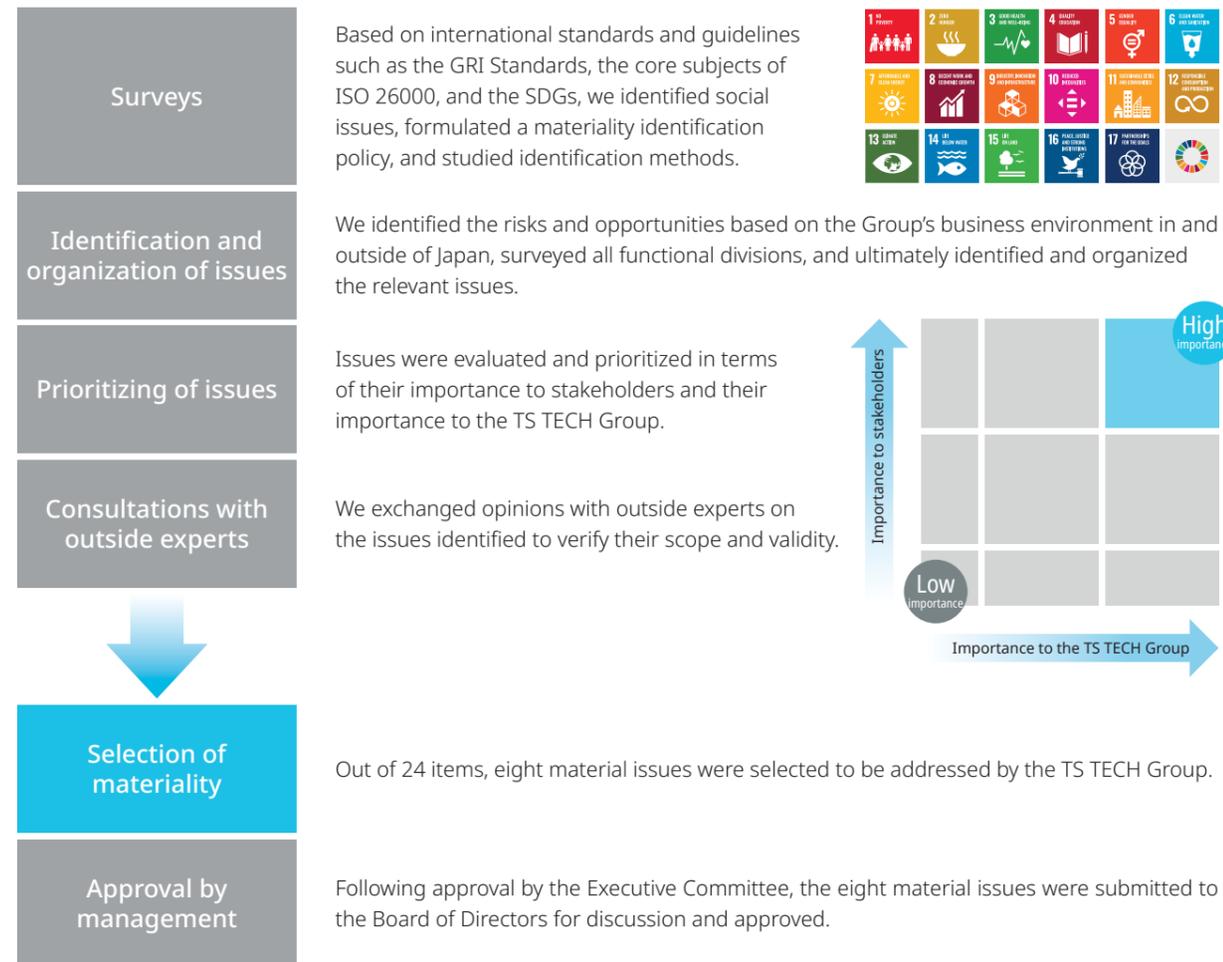
The TS TECH Group has consistently worked to grow our business and nurture a corporate culture based on our two-pronged vision statement of being "a company dedicated to realizing people's potential," which expresses our belief that people are the decisive factor in a company, and "a company sincerely appreciated by all" stakeholders and society. We identified and established our materiality policy based on this vision and a sustainability perspective that promotes our management policy of "corporate evolution through ESG management."

Under our materiality policy, we have identified material issues by organizing and reflecting on social challenges, the business environment, and the opinions and expectations of stakeholders.

TS TECH Materiality Identification Policy

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

Procedure for Identifying Material issues



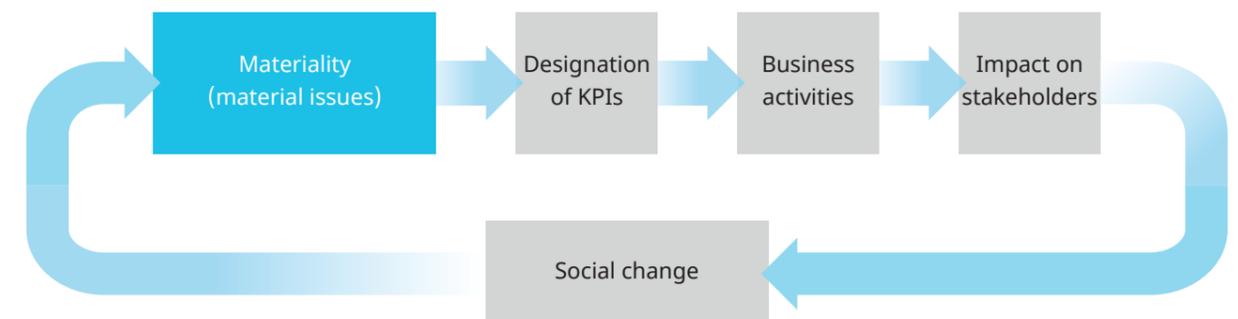
Identified materiality

With the goal of achieving ESG management, we organized the identified material issues into three categories: society, environment, and corporate foundation.

	Material issues and main challenges	Vision	Related SDGs
Society	<p>Providing attractive, innovative new products and technologies that exceed society's expectations</p> <ul style="list-style-type: none"> • Developing attractive, innovative technologies • Improving product quality 	<ul style="list-style-type: none"> • We will create new value that exceeds the expectations of customers and help to build safe, secure, and prosperous societies by providing attractive, high-quality automobile interiors. 	
Environment	<p>Reducing impact by practicing environmentally friendly manufacturing to build a sustainable world</p> <ul style="list-style-type: none"> • Responding to climate change • Recycling and effectively using resources • Harmoniously co-existing with nature 	<ul style="list-style-type: none"> • Aiming for a decarbonized society, we will work to contribute to reducing our environmental impact by pursuing energy-savings and effective use of resources, starting with product design and continuing throughout every stage of the product life cycle. • We will strive to ensure that all of our employees have a high level of environmental awareness, while working to protect the environment and conserve ecosystems based on the concept of "giving greenery back to the earth." 	
Corporate foundation	<p>Respecting diversity and developing structures to maximize individual abilities</p> <ul style="list-style-type: none"> • Respecting human rights • Reforming work styles to make the most of diversity • Strengthening governance 	<ul style="list-style-type: none"> • We will respect the human rights of all stakeholders and offer rewarding working environments in which each and every employee makes the most of their diverse talents. • We will engage in diversity-positive, highly transparent management to fulfill our corporate social responsibility (CSR), achieve sustainable business growth, and enhance corporate value. 	

Having identified eight material issues in the three categories of society, environment, and corporate foundation, we are currently formulating KPIs. Through initiatives to tackle these material issues, we aim to enhance medium- to long-term corporate value and be a company whose presence is appreciated by stakeholders.

Going forward, we will constantly review these material issues through a plan-do-check-act (PDCA) cycle, while also taking into account the opinions of internal and external stakeholders and a fast-changing external environment, and in so doing further enhance our measures.



Value Creation Story

14th Medium-Term Management Plan Overview

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

Management policy	Priority measure	Measure	Notable initiatives
Corporate evolution through ESG management Fiscal 2021–fiscal 2023	Evolution for business growth	Commercialization of original technologies	<ul style="list-style-type: none"> Acceleration of development of sensing and other technologies that lead to attractive products Active incorporation of joint development and other types of open innovation Application of advanced processing technology, such as production line automation projects, in mass production
		Expansion of strategic commercial rights	<ul style="list-style-type: none"> Steady receipt of orders from major customers for target commercial rights through spec proposals that leverage our strengths and enhanced development collaboration Strategic order development through precise selection of target models for new customers and establishment of a large project leader (LPL) system for key commercial rights
		Optimization of business operations structure	<ul style="list-style-type: none"> Streamlining and increased efficiency through allocation reviews and restructuring of business operations both in Japan and overseas based on reorganization of production
		Contribution to a sustainable society	<ul style="list-style-type: none"> Stronger global CO₂ emission reduction activities and related management to help achieve a low-carbon society Maintenance of recycling-oriented operations through risk analysis of water resources Implementation of social contribution activities in line with local needs
		Recognition for top quality	<ul style="list-style-type: none"> Enhanced know-how and support from startup base during global rollout of new models Prevention of defects by strengthening verification in the beginning stages of development Stronger quality control systems at Group and business partner locations
	Stronger business operations structure to support evolution	Strengthening of continuous earnings structure	<ul style="list-style-type: none"> Establishment of a lowest-cost procurement structure by enhancing our global procurement system More efficient administrative and indirect operations through active use of IT Strengthening of our consolidated earnings management system through the continued evolution of financial strategy aimed at medium- to long-term growth Minimization of global tax risk
		Maximization of employee and structural efficiency	<ul style="list-style-type: none"> Establishment of a system to promote advancement of diverse human resources Evolution of our evaluation system to accommodate various work styles Review of our training system for next-generation human resources development

TS TECH's Value Chain

Development and Engineering

Basic Policies on Value Creation

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

Internal Environment

S trengths	W eaknesses
<ul style="list-style-type: none"> • Development and technological capabilities that support a wide range of products from product planning through development and performance evaluation • Active incorporation of wide-ranging open innovation 	<ul style="list-style-type: none"> • Development framework aimed at global expansion of sales
O pportunities	T hreats
<ul style="list-style-type: none"> • Provision of new value for car interiors in line with new visions for automobiles related to the advent of CASE and MaaS 	<ul style="list-style-type: none"> • Intensifying competition in technological development and changes in product development styles driven by the entry of companies from other industries into the automotive industry

External Environment

Fiscal 2021 Initiatives

Accelerated advanced technology development and provided products that exceeded global expectations

Accelerated advanced technology development <ul style="list-style-type: none"> • Accelerated the development of advanced technologies through collaborative ventures with TS TECH technology seeds* and external resources 	Creation of new appeal and value <ul style="list-style-type: none"> • Deployment of dedicated projects that aim to create appeal and value that exceed customer expectations
Further improved development efficiency <ul style="list-style-type: none"> • Enhanced global development structures (Strengthened the supplementary development resource structure in each global region) • Active incorporation of open innovation 	Further enhancement of development quality <ul style="list-style-type: none"> • Through the construction of mechanisms and systems, ensured that necessary requirements were reflected from the outset of development to prevent defects from occurring in mass production

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

Future Initiatives

Develop new products and technologies to realize by 2030 the goal of becoming a seat and interior system supplier that is trusted worldwide

Further acceleration of advanced technology development <ul style="list-style-type: none"> • Accelerate creation of technology seeds and maximize utilization of internal and external resources 	Creation of new appeal and value <ul style="list-style-type: none"> • Always anticipate future changes, continuing to engage in activities that constantly create the required appeal and value
Creation of products that exceed global expectations <ul style="list-style-type: none"> • Advancement of development systems to respond swiftly to customer needs and changing values • Accelerated development of technologies with a reduced environmental impact to contribute to the realization of a sustainable society 	Development quality that is trusted worldwide <ul style="list-style-type: none"> • Build technology that wins trust so that customers can use diversified product functions with peace of mind



Takahiro Kobori

Director, Corporate Development and Engineering Division
Executive General Manager

Corporate Sales and Purchasing



Sales

- Basic Policies on Value Creation**
- Offer appealing products that exceed customer expectations at competitive prices
 - Permanently secure customers' unwavering trust
 - Provide added value to customers in line with the changing times by integrating regional and functional departments

Internal Environment

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

External Environment

Fiscal 2021 Initiatives

Development of a solid foundation for sales expansion

<p>Increased share of main customers' business</p> <ul style="list-style-type: none"> • Surveyed the needs of main customers from an early stage in model development and implemented proposals in line with customers' long-term policies 	<p>Acquired new customers and new commercial rights</p> <ul style="list-style-type: none"> • Identified target commercial rights by collecting and analyzing marketing information, understanding customer needs, and proposing product specifications
<p>Generated competitiveness through consolidation of sales and purchasing divisions</p> <ul style="list-style-type: none"> • Eliminated organizational boundaries to create a speedy cycle that covers everything from identification of through response to customer needs 	<p>Acquisition of new commercial rights through collaborations with suppliers</p> <ul style="list-style-type: none"> • Launched joint order development activities to create synergies with Imasen Electric Industrial Co., Ltd. and build a more in-depth cooperative system

Future Initiatives

Deploy measures to expand strategic sales, with the aim of realizing further corporate growth

<p>Maximum utilization of investment opportunities</p> <ul style="list-style-type: none"> • Aim to steadily acquire new commercial rights, utilizing investment opportunities such as the establishment of new plants, expansion of existing plants, and collaborations with suppliers 	<p>Enhance marketing for next-generation vehicles</p> <ul style="list-style-type: none"> • Enhance research on market trends and customer demands, and take the lead in innovative product planning geared toward a new phase
<p>Efforts to maximize added value</p> <ul style="list-style-type: none"> • Expand sales by enhancing front-loading* and proposing products that feature proprietary technologies 	<p>Further strengthen development of new commercial rights</p> <ul style="list-style-type: none"> • Aim to acquire commercial rights by strengthening activities for advance orders and creating a sales environment advantageous to the TS TECH Group

* Front-loading: The moving up of scheduled development and ordering activities

Purchasing

- Basic Policies on Value Creation**
- Mutual trust with business partners through fair and equitable transactions based on the Four Principles of TS Procurement
 - Work with business partners to strengthen their procurement structures and create a sustainable supply chain
 - Joint CSR activities with business partners

Internal Environment

S trengths	W eaknesses
<ul style="list-style-type: none"> • Development of activities to strengthen structures together with business partners • Global information gathering capabilities that maximize purchasing resources 	<ul style="list-style-type: none"> • Inflexibility of an aging purchasing structure • Slow conformity with rapidly changing customer needs and social trends
O pportunities	T hreats
<ul style="list-style-type: none"> • Propose and adopt new technology components that respond to technological innovation, with a view to CASE and the realization of a carbon-neutral society 	<ul style="list-style-type: none"> • Changes in the profit distribution structure of the automobile components industry brought about by smart mobility

External Environment

Fiscal 2021 Initiatives

Construction of procurement structures to gain a global advantage

<p>Strengthening and reorganization of procurement structures</p> <ul style="list-style-type: none"> • Strengthened alliances with suppliers to jointly implement cost improvement activities 	<p>Evolution of activities aimed at the development of new models</p> <ul style="list-style-type: none"> • Identification of areas of weakness inside the company through analysis of competitor procurement sources
<p>Improved supplier risk management systems</p> <ul style="list-style-type: none"> • Swift initial response and implementation of production maintenance activities in the event of natural disasters or other emergency situations 	<p>Stronger supply chain management</p> <ul style="list-style-type: none"> • Expanded the scope of the compliance survey for the TS TECH Supplier Sustainability Guidelines* for domestic suppliers and enhanced the survey content on human rights

* TS TECH Supplier Sustainability Guidelines: Guidelines that compile basic items that should be promoted together with suppliers to achieve a sustainable world. All suppliers are asked to comply.

Future Initiatives

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

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



Yuji Otani
 Managing Officer, Corporate Sales and Purchasing Division
 Executive General Manager

TS TECH's Value Chain
Manufacturing

Basic Policies on Value Creation

- Achieve environmentally friendly manufacturing
- Pursue automation and high-efficiency lines through the evolution of molds and equipment
- Disseminate manufacturing technology through a "global mother plant" in Japan
- Develop production technicians capable of competing worldwide

Internal Environment

S trengths	W eaknesses
<ul style="list-style-type: none"> • Advanced technology development and mass production verification capabilities through in-house production of molds and equipment • A QCD^{*1} structure that ensures a minimum of above-average QCD at all locations worldwide 	<ul style="list-style-type: none"> • Still in the process of building a resilient manufacturing framework^{*2} and advancing environmental initiatives • Defective output from manufacturing processes due to weak points in the system to assure defect-free processes
O pportunities	T hreats
<ul style="list-style-type: none"> • Greater market expansion in emerging countries • Maintain and expand production volume by acquiring commercial rights from new customers in Japan and overseas 	<ul style="list-style-type: none"> • Response to changes in demand due to shrinkage and diversification of Japan's market • Intensifying cost competition with competitors

External Environment

Fiscal 2021 Initiatives

Strengthened competitive global production structure by advancing the "global mother plant" functions

<p>Rebuilt competitive production structures and functions</p> <ul style="list-style-type: none"> • Reorganized domestic production plants (Resilience measures/consolidation), expanded production control functions • Further improvements in capabilities to assure defect-free processes 	<p>Evolution of equipment and technologies to further improve efficiency</p> <ul style="list-style-type: none"> • Further improved the mass production efficiency of resin molds • In-house production of high tensile strength steel^{*3} molds • Installed a next-generation, high-efficiency automated assembly line for door linings
<p>Disseminated manufacturing technology through a "global mother plant" in Japan</p> <ul style="list-style-type: none"> • Standardized the build requirements for 2021 models to achieve uniform quality worldwide • Advanced the system for sharing in-house improvements globally 	<p>Development of production technicians capable of competing worldwide</p> <ul style="list-style-type: none"> • Organized training programs aimed at producing production technicians

*3 High tensile strength steel: Steel that is harder and stronger than standard steel

Future Initiatives

Accelerate the evolution of environmentally friendly manufacturing and improve global production structures

<p>Create production structures and functions with the environment in mind</p> <ul style="list-style-type: none"> • Development of environmentally friendly production facilities • Measures for a diversity-positive production line^{*4} 	<p>Advanced equipment and technologies to further improve efficiency</p> <ul style="list-style-type: none"> • Greater in-house production of mold technologies • Accelerate installation of automation technology for tasks that rely on intuition or specific know-how
<p>Disseminate manufacturing technology through a "global mother plant" in Japan</p> <ul style="list-style-type: none"> • Boost automation and efficiency of production lines through utilization of DX^{*5} technologies 	<p>Develop production technicians globally</p> <ul style="list-style-type: none"> • Deploy global training structure for production technicians

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

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

TS TECH's Value Chain
Quality Control

Basic Policies on Value Creation

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

Internal Environment

S trengths	W eaknesses
<ul style="list-style-type: none"> • A globally consistent quality control and assurance system based on international standards • Development of TC Circles (improvement activities undertaken by small groups) worldwide • High ratings in initial quality surveys (IQS) 	<ul style="list-style-type: none"> • Inadequate mechanisms to respond to changes in manufacturing and maintain stable production • Shortage of human resources with expertise in global quality assurance
O pportunities	T hreats
<ul style="list-style-type: none"> • Increasingly sophisticated demands for quality assurance accompanying a trend toward multifunctionality in products • Diversification of customer quality requirements due to expansion of sales beyond Honda business • Quality control for changes in manufacturing systems as typified by Industry 4.0^{*1} 	<ul style="list-style-type: none"> • Increased market problems and delivery defects accompanying globalization • Shrinkage of the workforce due to a declining birthrate and an aging population

External Environment

Fiscal 2021 Initiatives

Strengthened the chain from development to the workplace to create a foundation for inherent quality

<p>Created an expert verification system to address the multifunctionality of products</p> <ul style="list-style-type: none"> • Verification by experts from a third-party perspective to evaluate specification feasibility 	<p>Enhancement of control items in response to changes in manufacturing</p> <ul style="list-style-type: none"> • Extracted manufacturing requirement items without omissions from FTA/FMEA^{*2}
<p>Enhanced the global quality assurance structure</p> <ul style="list-style-type: none"> • Regular QAV-1^{*3} inspections and expert training 	<p>Global elimination of quality defects</p> <ul style="list-style-type: none"> • Ensured control of requirements at production sites • Strengthened quality control at suppliers of functional components

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

Future Initiatives

Improve quality globally by balancing development quality and manufacturing quality

<p>Operation of an expert verification system</p> <ul style="list-style-type: none"> • Improve development quality by constructing a verification process from a third-party perspective 	<p>Strengthen verification of process control items at manufacturing sites</p> <ul style="list-style-type: none"> • Reliable verification that manufacturing requirements extracted from FTA/FMEA are being reflected in processes
<p>Enhance the global quality assurance structure</p> <ul style="list-style-type: none"> • Verify quality assurance systems through continuous QAV-1 inspections 	<p>Global elimination of quality defects</p> <ul style="list-style-type: none"> • Strengthen monitoring and correction of functional component defects



Yasushi Suzaki

Director,
 Corporate Manufacturing Division
 Executive General Manager

*1 QCD: Quality, Cost, and Delivery
 *2 Resilient manufacturing framework: Framework to create a financial structure that generates a certain amount of profit even when earnings drop



Yoshiaki Kida

Operating Officer,
 Corporate Quality Assurance Division
 Executive General Manager

*1 Industry 4.0: A term referring to a technological strategy that the German government came up with in 2012. In Japan it is also called "The 4th Industrial Revolution."

Value Creation Story

Financial Strategies

Under our management policy of “Corporate evolution through ESG management,” we aim to achieve further business growth and enhance corporate value through proactive growth-oriented investment and by improving the efficiency of Group capital and asset management.



Atsushi Igaki

Director, Managing Officer
Corporate Business Administration
Division Executive General Manager

the technologies, know-how, and collaborative relationships necessary for future business growth.

Going forward, as we look ahead to the achievement of the Medium-Term Management Plan and further business growth beyond, we will effectively and strategically utilize the funds of the entire TS TECH Group in regions and fields where growth is anticipated.

A Solid Financial Foundation Supporting Business Activities

At the end of fiscal 2021, the Group's consolidated capital adequacy ratio was 70.9%, ensuring an extremely high level of safety, and the Group has sufficient liquidity on hand to handle growth investments or M&A using its own funds.

The TS TECH Group operates in 14 countries around the world, and by formulating “safe funding guidelines” that take into account risks in each region, country, and location, we have developed a cash management system that ensures reserve capital is retained at all times and facilitates flexible procurement of funds in an emergency.

At the end of fiscal 2021, the Group as a whole held 153.0 billion yen in cash and cash equivalents. We will work to develop a flexible cash management system and respond to any measures and growth investments with a sense of speed by appropriately controlling the cash that is dispersed around the world, while also taking into account various financial conditions, remittance regulations, interest and exchange rate standards, and other factors.

Management with a Focus on Capital Efficiency and Shareholder Returns

Historically, the TS TECH Group has earned a return on equity attributable to owners of parent (ROE) in excess of 10%. However, in the midst of the prolonged severe business environment, which included a series of plant stoppages at various sites due to the COVID-19 pandemic, the ROE for fiscal 2021 dropped to 7.8% (5.3% excluding gain on negative goodwill^{*1}). In fiscal 2022, we are forecasting an 8.3% ROE, as we anticipate being able to link the increase in orders from our customers to earnings through the optimization of fixed costs and other efforts, based on the same standards applied throughout the TS TECH Group. In the future, we will not only maximize profits but also improve corporate value while emphasizing efficiency indicators for capital and asset management and promote the goal of achieving a 10% ROE.

Moreover, the Group considers the return of profits to our shareholders to be a top priority for management, and our basic policy is to maintain stable dividends by comprehensively taking into account consolidated business performance and the dividends payout ratio. The dividend forecast for fiscal 2022 is a 9 yen increase in real terms^{**2} over the previous period to 54 yen per share (108 yen pre-stock split), which will be the 10th consecutive year of dividend increases since fiscal 2012.

Moving forward, we will continue to strive to enhance our corporate value by providing stable, continuous dividends and actively utilizing internal reserves for further business growth.

^{*1} Arising from the addition of Imasen Electric Industrial Co., Ltd. an equity-method affiliate

^{**2} On April 1, 2021, the company enacted a 2-for-1 stock split of ordinary shares. The actual dividend for fiscal 2021 before the stock split was 90 yen per share, and after the stock split it was 45 yen per share, so the new dividend is an increase of 9 yen per share in real terms.

Aiming for Sustainable Improvements to Corporate Value

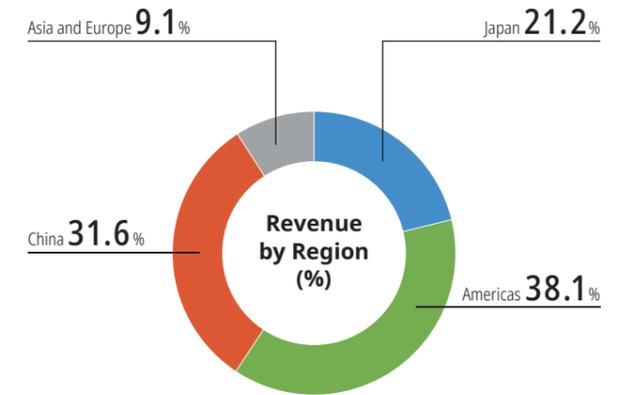
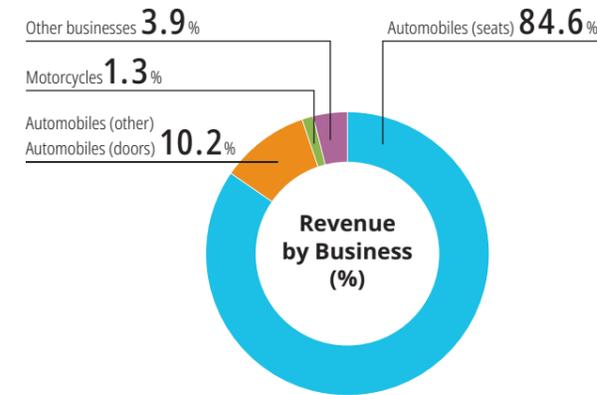
Aiming to be a value-creating company that contributes to the realization of a sustainable society, under the 14th Medium-Term Management Plan management policy of “Corporate evolution through ESG management,” the TS TECH Group is advancing two priority measures from two distinct angles: “Evolution for business growth” from a proactive angle, and a “Stronger business operations structure to support evolution” from a protective angle. We recognize that the mission of the Corporate Business Administration Division is to make medium- to long-term proposals from a financial perspective that take into account such proactive and protective angles, and to sound the alarm if necessary.

The automotive industry is currently facing a once-in-a-century period of transformation, and the market environment is also experiencing major upheavals. The TS TECH Group has built a sound financial foundation to date, supported by high profitability. Even in the midst of such a fast-changing market environment, we aim to enhance our corporate value by making our capital and asset management more efficient than ever before.

Toward Further Growth

During fiscal 2021, the automobile industry faced an extremely harsh operating environment, with the impact of the COVID-19 pandemic compounded by supply chain disruptions due to semiconductor supply shortages. The TS TECH Group had no choice but to drastically curtail production, resulting in a substantial decrease in revenues and profits compared to the initial medium- to long-term business outlook. However, while scrutinizing each and every capital investment and expenditure item, we have proactively invested in growth through rationalization and other means and also focused on investment in R&D to create new value.

Utilizing M&A, for example, to make Honda Cars SAITAMAKITA a consolidated subsidiary and Imasen Electric Industrial Co., Ltd. an equity method affiliate, we are allocating funds to build and develop



Results by Segment for FY2021

Japan

In the fiscal year under review, the Group worked to build a highly efficient production system by constructing a production line to enable production of new models and beginning work on a new plant as part of the consolidation of production in the Hamamatsu District.

While production did not stop due to the COVID-19 pandemic, select locations made adjustments to production volume.



Americas

In the fiscal year under review, the Group launched production of seats for the new Acura TLX.

The Group worked to build a highly profitable structure through enhanced quality assurance capabilities in each process.

Production stoppages caused by the COVID-19 pandemic began in late March 2020, but production largely resumed by mid-May.



China

In the fiscal year under review, the Group launched production of seats for the new Honda Fit (Guangzhou) and the new Life (Wuhan), the sister model to the Fit.

In addition to increasing our market share of Honda business, we aggressively deployed sales activities aimed at acquiring new customers.

Production in fiscal 2021 was unaffected by the COVID-19 pandemic. Production in fiscal 2020 was stopped from early February through early March 2020.

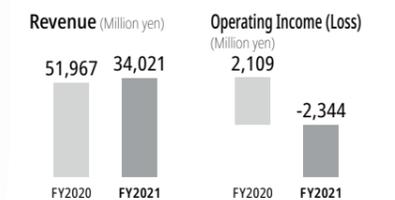


Asia and Europe

In the fiscal year under review, the Group began production of seats for the new Honda City in India, Thailand, and Indonesia.

We worked to improve our business structure by consolidating bases, including the reorganization of our automobile business in India, and engaging in thorough streamlining efforts, all of which are anticipated to lead to earnings in fiscal 2022.

Production stoppages caused by the COVID-19 pandemic began in late March 2020. Segment production resumed in early May, with the timing of the restart of operations varying by country.

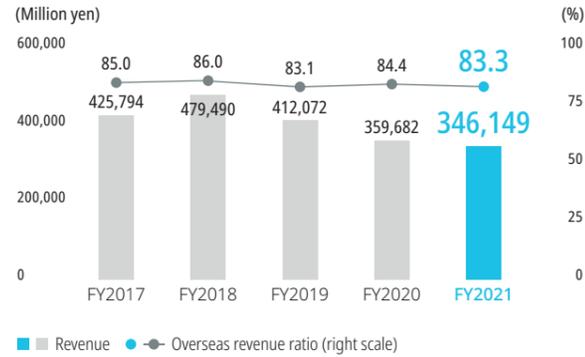


Value Creation Story

Financial Highlights

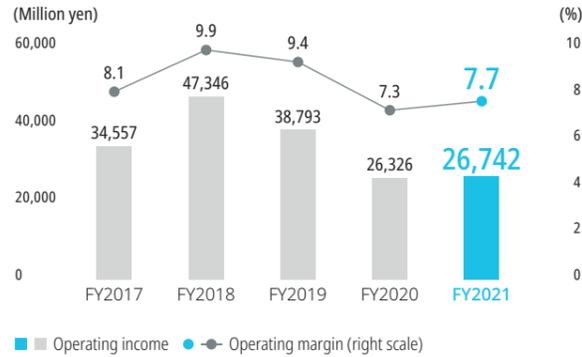
Revenue/Overseas Revenue Ratio (Consolidated)

We operate in 14 countries around the world, and more than 80% of our revenue is from outside Japan.



Operating Income/Operating Margin (Consolidated)

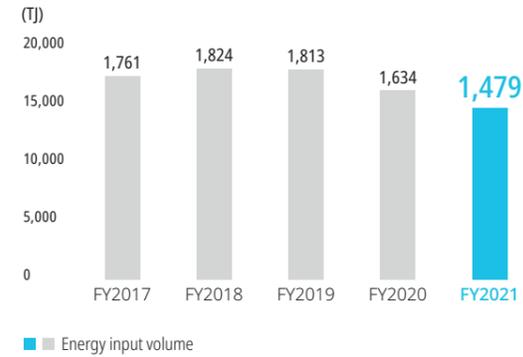
We have worked to thoroughly enhance our revenue structure, and we maintain a higher operating margin than our competitors.



Non-Financial Highlights

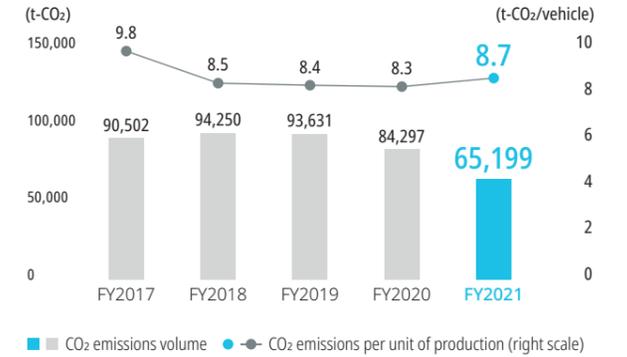
Energy Input (Consolidated)

We are actively working to conserve energy in our global operations through means such as ISO 50001 certification for energy management systems.



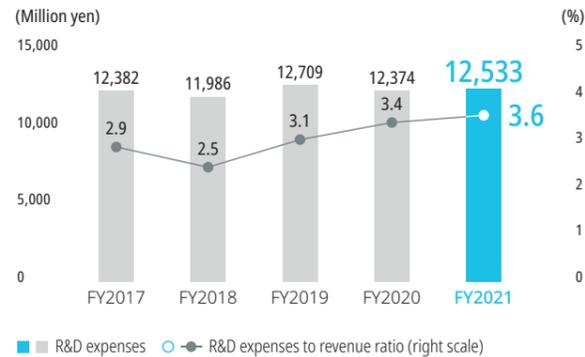
CO2 Emissions per Unit of Production/CO2 Emissions Volume (Consolidated)

We are working to further reduce and appropriately manage CO2 emissions in all processes, from product development to production.



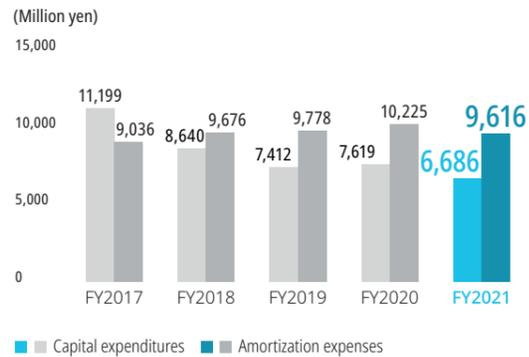
R&D Expenses/R&D Expenses to Revenue Ratio (Consolidated)

Even when revenue declines, we devote generous amounts of management resources to research and development that will lead to the creation of new value, including the development of next-generation technologies.



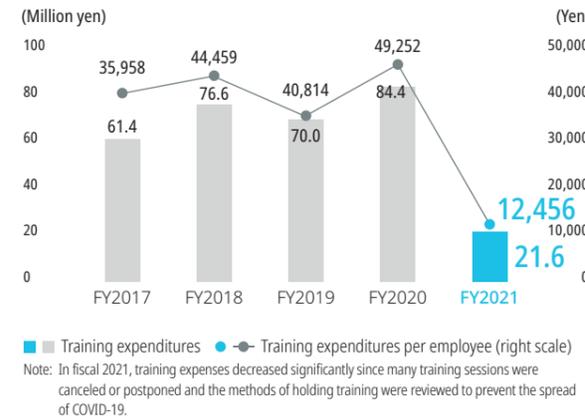
Capital Expenditures and Amortization Expenses (Consolidated)

We are proactively making investments that contribute to enhancing our corporate value, which include measures related to new customers, automating production, and installing environmentally friendly facilities.



Training-Related Expenses (Non-consolidated)

Under our vision statement of being "a company dedicated to realizing people's potential," we are actively working to create opportunities and environments that encourage employee growth and development.



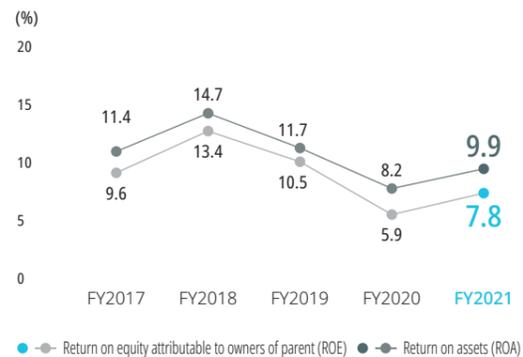
Percentage of Employees Taking Paid Leave (Non-consolidated)

For many years, labor and management have worked together to promote the use of paid leave, and we have maintained a high rate of paid leave utilization.



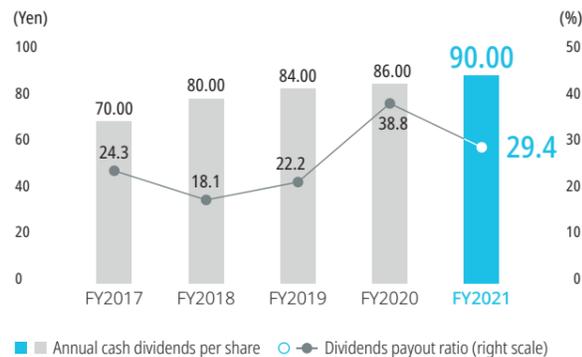
Return on Equity Attributable to Owners of Parent (ROE)/Return on Assets (ROA) (Consolidated)

We will strive for efficient management of invested capital to further improve profitability.



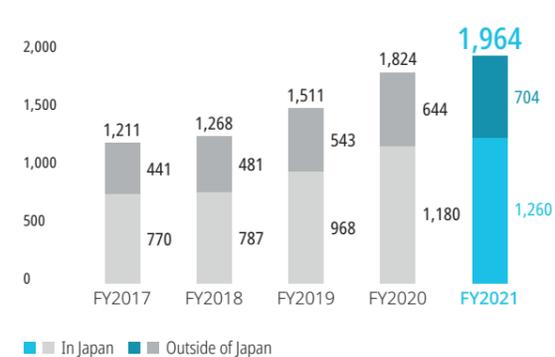
Annual Cash Dividends per Share/Dividends Payout Ratio (Consolidated)

As we strive to increase corporate value, we continue to pay out stable dividends, taking into account a comprehensive range of factors, including consolidated performance and the dividends payout ratio.



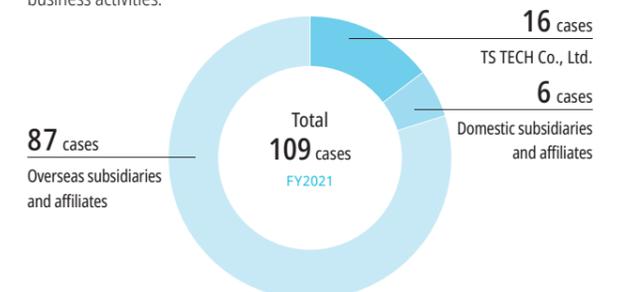
Number of Patents Held (Consolidated)

In addition to creating more of the technology that is the source of our competitiveness, we are working to maximize the value of our intellectual property and minimize losses through appropriate management.



Ethics and Compliance Issues Number of Issues Recorded (Consolidated)

In fiscal 2021, there were a total of 109 ethics and compliance issues recorded by the TS TECH Group, including those brought for consultation to the TS Corporate Ethics Compliance Consultation Office. Investigations into each case found no violations of laws or regulations that would have a significant impact on our business activities.



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Supply Chain Initiatives

- 47 Supply Chain Management Policy
Application of TS TECH Supplier Sustainability Guidelines
- 48 Human Rights Due Diligence
Basic Policy on Procurement
Other Major Initiatives for Supply Chain Management

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- 50 Japan
Americas
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Changes to the Organizational Layout

Transition to a “Company with an Audit and Supervisory Committee” Structure

Following its approval at the 75th Annual General Meeting of Shareholders held on June 25, 2021, TS TECH transitioned to a “company with an Audit and Supervisory Committee” structure in order to further enhance the supervisory function of the Board of Directors and the corporate governance system itself by appointing directors who are Audit and Supervisory Committee members with voting rights to the Board of Directors.

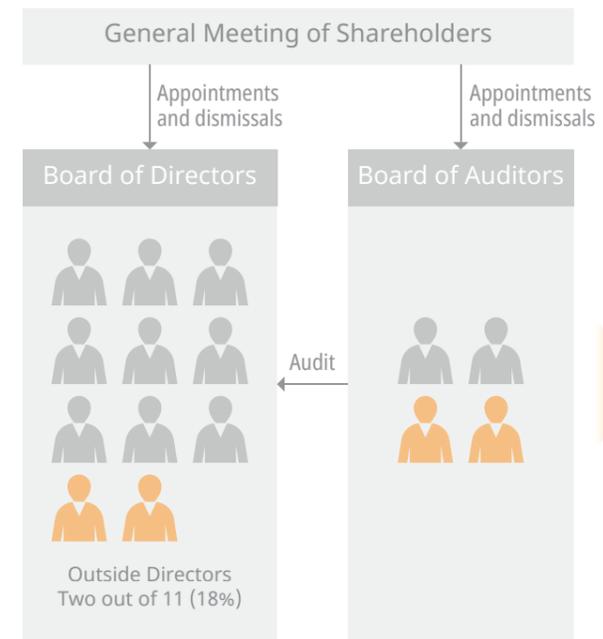
The newly established Audit and Supervisory Committee directly supervises the internal audit department in its auditing operations. This creates a system that enables efficient organizational auditing of the state of business execution for the entire Group. In addition to the executive officer system that was implemented previously, the Board of Directors will delegate decision-making on important matters of business execution to the directors to the extent legally permitted to ensure swift decision-making in the face of a rapidly changing business environment.

With this change in the organizational layout, the ratio of outside directors on the Board of Directors has been increased to one-third, which is expected to further improve the transparency and objectivity of decision-making.

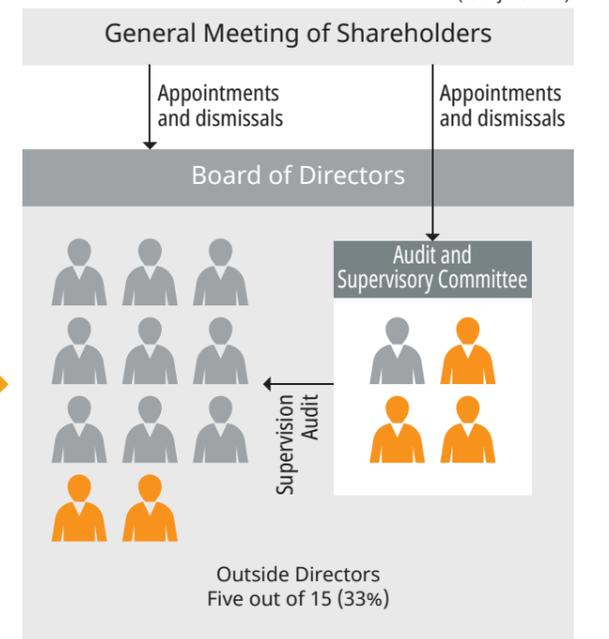
Establishment of the Nomination and Compensation Committee

In conjunction with the transition to a “company with an Audit and Supervisory Committee” structure, we established the Nomination and Compensation Committee as an advisory body to the Board of Directors. Outside directors account for a majority of the members of this committee, which is chaired by an outside director. The Nomination and Compensation Committee will be involved in decisions on nomination of and compensation for directors and executive officers to enhance the objectivity, transparency, and fairness of the relevant processes.

Company with a Board of Auditors



Company with an Audit and Supervisory Committee (as of June 2021)



Internal Directors Outside Directors

Audit and Supervisory Committee Roundtable Discussion



Tatsuo Sekine
Director, Audit and Supervisory Committee Member

Tatsuya Motoda (Outside Director)
Director, Audit and Supervisory Committee Member

Hajime Hayashi (Outside Director)
Director, Audit and Supervisory Committee Member

Tomoko Nakada (Outside Director)
Director, Audit and Supervisory Committee Member

Driving Corporate Evolution through ESG Management That Draws Upon a Diverse Array of Knowledge

Along with the transition to a “company with an Audit and Supervisory Committee” corporate governance structure in June 2021, TS TECH also established the voluntary Nomination and Compensation Committee, thereby forming a system that ensures that the objective opinions of outside directors are more readily reflected in corporate management than before. We invited the four members of the new Audit and Supervisory Committee to a roundtable discussion to discuss the new corporate governance system, which is designed to achieve more transparent, impartial corporate management, and to share their aspirations for the future.



Tatsuo Sekine

Director, Audit and Supervisory Committee Member

Apr. 1982 Joined TS TECH
Apr. 2004 Accounting Department, Administration Division, General Manager, TS TECH
Apr. 2010 Operating Officer, Business Supervision Division Deputy Executive General Manager, TS TECH
Apr. 2011 Operating Officer, Corporate Business Administrative Division Deputy Executive General Manager, TS TECH
Apr. 2017 Managing Officer, Corporate Managerial Planning Office General Manager, TS TECH
Apr. 2020 Managing Officer, TS TECH
June 2020 Auditor, TS TECH
June 2021 Director, TS TECH (Audit and Supervisory Committee Member) (current)

Assessing the Board of Directors

Sekine: The TS TECH Board of Directors is currently in the process of becoming a more effective body. Since fiscal 2021, the meetings have been chaired by an outside director, and this has led to more objective proceedings and more active discussions than in the past.

The content of the meeting reports and discussions is also starting to involve higher-level management decisions. With the transition to a “company with an Audit and Supervisory Committee” structure, the Board of Directors has delegated an increasing number of business decisions to directors, which I feel has improved the quality of the institution.

Motoda: Adopting a “company with an Audit and Supervisory Committee” structure has not only increased the percentage and number of outside directors at TS TECH, I believe it has also made it easier for each of the outside directors to participate in Board proceedings. Directors receive detailed materials on matters to be reported or resolved at the Board

of Directors’ meetings, and detailed supplementary explanations are also provided for technical terms that are difficult for those outside the company to understand.

Hayashi: I agree with Mr. Motoda. I very much appreciate the thorough briefings on agenda items that we receive before these meetings. We are briefed in detail on agenda items for the Audit and Supervisory Committee meetings, which are held in advance of the Board of Directors’ meetings, so this allows us to be fully prepared when the Board meets.

I am also very impressed with the Board meetings. That is, each agenda item is well focused on the salient points. Looking at any of the items, it is clear that each has been fully discussed before being brought to the Board of Directors. This approach means we waste no time, and the Board meetings are, I believe, conducted in an efficient, productive manner.

Nakada: Having only recently been appointed, I have only attended a few meetings, but I was initially surprised to see how everyone, both internal and outside directors alike, actively participated. I feel that discussions at every meeting are very lively.

Employees waste no time giving their reports, speaking in a well-organized manner and presenting carefully prepared materials. Seeing this, my impression is that TS TECH operations are firmly underpinned by a group of talented people.

A New Corporate Governance Structure

Sekine: In addition to the Audit and Supervisory Committee, the company also established the voluntary Nomination and Compensation Committee in June 2021 to increase transparency and fairness by incorporating the independent perspectives of outside directors in management decisions. The primary purpose of transitioning from a “company with a Board of Auditors” structure to a “company with an Audit and Supervisory Committee” structure was to further strengthen its supervisory function. Although we will largely perform the same duties as the auditors from the previous structure, such as reviewing the execution of duties by directors and preparing audit reports, the auditing methods will change significantly. The previous structure was based on individual auditing, in which each member has the right to examine company business reports and review operations and assets as a single-person entity. The Audit and Supervisory Committee, on the other hand, is based on organizational auditing, which involves cooperation between the internal audit departments and departments in charge of internal control. TS TECH will place the Corporate Business Audit Department under the direct control of the Audit and Supervisory Com-



Tatsuya Motoda (Outside Director)

Director, Audit and Supervisory Committee Member

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

mittee and take other measures to strengthen lines of reporting in order to ensure that organizational auditing is both efficient and effective.

Motoda: As an advisory body to the Board of Directors, the Nomination and Compensation Committee, which I chair, consults with the Board of Directors and reports to the Board on matters related to the appointment and dismissal of directors and executive officers, as well as compensation and other issues. There were, of course, criteria in place before for selecting director and executive officer candidates, as well as for determining compensation. However, these matters were decided based on deliberations among top management, which made it difficult, I think, for those on the outside to understand the process. Under the new structure, the committee, made up of a majority of outside directors, operates under the kind of objective, transparent, and fair system required of a global company. This, I believe, will further enhance TS TECH’s corporate governance structure.

Sekine: The Audit and Supervisory Committee and the Nomination and Compensation Committee are both new to TS TECH, so for these committees to fulfill their auditing and monitoring functions as expected, we must resolve a number of issues as we move forward.

With regard to the Audit and Supervisory Committee, I am the only full-time member, so in order to effectively conduct direct audits (involving visits to subsidiaries), we must work with the Corporate Business Audit Department, which is now under the committee’s control as a result of organizational layout changes, and overseas corporate business audit departments to establish auditing procedures. It is the responsibility of the Nomination and Compensation Committee to establish the most appropriate procedures for the recommendation of appointments and remuneration for directors as well as for the expression of those recommendations.

Diversity on the Board of Directors

Sekine: One advantage of a diverse Board of Directors is the ability to make decisions not bound by convention. Internal directors who have built their careers entirely inside the company tend to have trouble looking critically at proposals presented at Board meetings because of their familiarity with the trajectory of previous operations as well as the corporate culture. I believe that the presence of outside directors who are able to speak from an independent perspective increases the Board's diversity, which leads to more objective and creative discussions when making decisions.

Motoda: I agree. The Group is making great strides toward achieving its 2030 vision goal of becoming "a seat and interior system supplier that is trusted worldwide." To achieve this, new values need to be the driving force. If you look at TS TECH Group companies outside Japan, however, most of the management positions are still filled by employees posted from Japan. The goal for the future should be to have director and executive officer positions held by people from the countries in which these Group companies operate. The entire Group, not just TS TECH, needs to be involved with this matter.

At TS TECH, Ms. Nakada became the first woman appointed to the Board of Directors in June 2021, further increasing the Board's diversity. Going forward, I hope that more women who are building careers inside the company will help lead the Group to growth by serving in executive positions.

Nakada: For many women, there are phases in their careers when childbirth and child-rearing inevitably take time from work. It is therefore vital to create an environment that supports women who are raising children. I respect the top management's commitment to actively work to create an environment that makes it easy for anyone, regardless of gender, to work by expanding internal systems such as childcare leave and reduced working hours. I am very much in favor of this corporate policy.

Hayashi: It would be great if the efforts to promote women's careers led to more women appointed as directors, following in Ms. Nakada's footsteps. However, diversity is not simply a matter of gender, nationality, or age. Diversity in management experience will be especially important for the Board of Directors moving forward. Japan's Corporate Governance Code, which was revised in June 2021, also calls for appointing independent outside directors with management experience at other companies in its "Preconditions for Board and Kansayaku Board Effectiveness" principle. There are currently outside directors with management experience in other areas of the manufacturing industry on the Board, but adding directors with management experience in a wider range of industries should be considered in the future.



Hajime Hayashi (Outside Director)

Director, Audit and Supervisory Committee Member

Apr. 1983 Joined Mie Labor Management Center
 Apr. 1986 Registered as an attorney
 Joined Owaki & Sumi Law Office
 Apr. 1989 Joined Meiwa Law Office
 May 1996 Representative, Sazanka Law Office (current)
 June 2020 Auditor, TS TECH
 June 2021 Director, TS TECH (Audit and Supervisory Committee Member) (current)

Further Enhancing Corporate Value

Sekine: The TS TECH Group has focused on a number of initiatives in line with the management policy articulated in the 13th Medium-Term Management Plan (fiscal 2018–fiscal 2020), the "Creation of a foundation for ESG management," as well as the policy in its 14th Medium-Term Management Plan (fiscal 2021–fiscal 2023), "Corporate evolution through ESG management." Over this period, the Group has worked to strengthen ESG management using the Dow Jones Sustainability Indices (DJSI), international standards for measuring corporate sustainability, as its benchmark. There have not, however, been any significant changes to the organizational layout which supports the "G" for "governance" in ESG. However, as the revisions to the Corporate Governance Code and the restructuring of the Tokyo Stock Exchange stock market (to a prime market) demonstrate, demand is now strong for highly transparent, impartial corporate governance systems.

With the transition to a "company with an Audit and Supervisory Committee" structure and the establishment of the voluntary Nomination and Compensation Committee, the time has come to test the true value of TS TECH's corporate evolution through ESG management. It is crucial that we not be satisfied with merely changing the organizational layout but that we continue to promote efforts centering on the social and environmental domains in order to enhance corporate value through ESG management.

Motoda: Indeed. ESG management leads to higher stock values and otherwise enhances corporate value. Of the three ESG components, the "E" for "environmental" looks to become increasingly important. The number of natural disasters caused by global warming-driven climate change is increasing, and governments are now imposing stricter industrial regulations to protect the environment. As a global company and manufacturer involved in the automotive industry, the Group must further accelerate its efforts to protect the environment. Proactive investment is required to ensure that business activities have less impact on the global

environment, utilizing means such as the use of raw materials with a low environmental impact, the establishment of manufacturing methods with lower CO₂ emissions, and an expanded use of renewable energy.

Hayashi: I am also keenly aware of how important the environment is. However, as someone who specializes in legal affairs and compliance, I strongly believe that we must take care of people, as well as the environment and natural world. The first goal of the SDGs is to end poverty. This is a focus that goes hand in hand with valuing people. As a group that operates in many different countries, TS TECH should be keenly aware of issues that affect people worldwide, the most symbolic being poverty, as it conducts its business activities. I believe that increased corporate value comes from thinking not only of the Group but of the entire supply chain, and addressing the Group's responsibilities at each step along the way.

Aspirations as Audit and Supervisory Committee Members

Hayashi: Having been promoted from auditor to director, it is both an honor and a privilege to have become a member of the "management team" with voting rights on the Board of Directors.

Under the management policy of "Corporate evolution through ESG management," the Group has established priority measures from both proactive and protective angles. "Evolution for business growth" is the proactive angle, and "stronger business operations structure to support evolution"

is the protective angle. As a specialist in the legal field, I will take responsibility for "protection" by scrutinizing each aspect of Group growth and exercising my voting rights at the Board of Directors meetings from a "protective" viewpoint.

Nakada: This is my first experience serving as an outside director. I have heard that simply having a woman on the top management team of the company is very encouraging for the female employees, so I will do my best to inspire everyone.

I also recognize that my role is to offer suggestions from a legal perspective as an attorney, as well as opinions from both a global perspective that incorporates my experience outside Japan and a woman's perspective. I will contribute to the company's development by offering ideas that other directors may not have considered.

Motoda: As chair of the Nomination and Compensation Committee, my goal is to run the newly established committee as a highly effective organization to ensure that is more than a mere formality.

I recognize that it is very difficult for outside directors such as ourselves who are not full-time members to properly evaluate candidates for director or executive officer positions based only on a limited amount of data and interviews. This is why I will work closely with our full-time director and the executive officers to ensure that we are able to identify the personal qualities and qualifications of the talent who will become the next generation of leadership at TS TECH.

Sekine: Now that I am a member of the Audit and Supervisory Committee, I am responsible for carrying out more in-depth auditing duties.

Previously, I mainly performed audits from a legality standpoint to determine whether directors were in compliance with laws, regulations, and the Articles of Incorporation in the execution of their duties. Now, however, I will also be responsible for audits from a validity standpoint to determine the rationality of the decision-making process and the business activities being executed.

In addition, as a director with voting rights at Board of Directors' meetings, I will be involved in the process of making decisions regarding the execution of business matters, and I am looking forward to assuming these new responsibilities.

As a full-time Audit and Supervisory Committee member, I will also play a role in making sure the other outside directors on the committee have sufficient information, working with them and playing a supervisory role to support sustainable growth at TS TECH.



Tomoko Nakada (Outside Director)

Director, Audit and Supervisory Committee Member

Apr. 1997 Appointed as an Assistant Judge (Tokyo District Court)
 June 2000 Registered as an attorney (affiliated with Dai-ni Tokyo Bar Association)
 Aug. 2002 Admitted to the New York State Bar Association
 Mar. 2015 Elected as an International Fellow of the American College of Trust and Estate Counsel (current)
 Apr. 2017 Elected as an Academician of the International Academy of Estate and Trust Law (current)
 Dec. 2020 Representative, Tokyo Heritage Law Firm (current)
 June 2021 Director, TS TECH (Audit and Supervisory Committee Member) (current)

Board of Directors



REPRESENTATIVE DIRECTOR, PRESIDENT
Masanari Yasuda
 Joined TS TECH Co., Ltd. in 1982
 Representative Director, President, TS TECH Co., Ltd.
 Director in Charge of Overseas Segments, Quality Assurance, and Development
 Number of shares of the company held: 58,813 shares
 Meetings of the Board of Directors attended: 100% (15/15 times)



REPRESENTATIVE DIRECTOR, SENIOR MANAGING DIRECTOR
Yoshitaka Nakajima
 Joined TS TECH Co., Ltd. in 1982
 Representative Director, Senior Managing Director, TS TECH Co., Ltd.
 Director in Charge of Corporate Managerial Planning, Administration, and Business Administration, Compliance Officer
 Number of shares of the company held: 19,932 shares
 Meetings of the Board of Directors attended: 100% (15/15 times)



DIRECTOR, OPERATING OFFICER
Yasushi Suzuki
 Joined TS TECH Co., Ltd. in 1990
 Director, Operating Officer, TS TECH Co., Ltd
 Corporate Manufacturing Division Executive General Manager
 Number of shares of the company held: 1,258 shares
 Meetings of the Board of Directors attended: 100% (12/12 times)



DIRECTOR (Outside Director)
Teruyasu Mutaguchi
 Joined TS TECH Co., Ltd. as an Outside Director in 2016
 Chairperson of the Board of Directors, TS TECH Co., Ltd.
 Number of shares of the company held: 600 shares
 Meetings of the Board of Directors attended: 100% (15/15 times)



REPRESENTATIVE DIRECTOR, SENIOR MANAGING DIRECTOR
Kenichi Hasegawa
 Joined TS TECH Co., Ltd. in 1982
 Representative Director, Senior Managing Director, TS TECH Co., Ltd.
 Director in Charge of Sales, Purchasing, and Manufacturing, Risk Management Office
 Number of shares of the company held: 11,004 shares
 Meetings of the Board of Directors attended: 100% (15/15 times)



DIRECTOR, SENIOR MANAGING OFFICER
Akihiko Hayashi
 Joined TS TECH Co., Ltd. in 1978
 Director, Senior Managing Officer, TS TECH Co., Ltd.
 Americas Segment Executive General Manager, President of TS TECH AMERICAS, INC.
 Number of shares of the company held: 14,199 shares
 Meetings of the Board of Directors attended: 100% (15/15 times)



DIRECTOR (Outside Director)
Takeshi Ogita
 Guest Professor, Graduate School of Creative Science and Engineering, Waseda University (current)
 Outside Director, Japan Hades Co., Ltd. (current)
 Joined TS TECH Co., Ltd. as an Outside Director in 2020
 Number of shares of the company held: 0 shares
 Meetings of the Board of Directors attended: 100% (12/12 times)

Directors, Audit and Supervisory Committee Members



DIRECTOR, SENIOR MANAGING OFFICER
Yutaka Arai
 Joined TS TECH Co., Ltd. in 1982
 Director, Senior Managing Officer, TS TECH Co., Ltd.
 China Segment Executive General Manager, Chairman and President, TS TECH (HONG KONG) CO., LTD.
 Number of shares of the company held: 10,679 shares
 Meetings of the Board of Directors attended: 100% (15/15 times)



DIRECTOR, MANAGING OFFICER
Atsushi Igaki
 Joined TS TECH Co., Ltd. in 2016
 Director, Managing Officer, TS TECH Co., Ltd.
 Corporate Business Administration Division Executive General Manager
 Number of shares of the company held: 4,586 shares
 Meetings of the Board of Directors attended: 100% (15/15 times)



DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Full-Time)
Tatsuo Sekine
 Joined TS TECH Co., Ltd. in 1982
 Director, Audit and Supervisory Committee Member, TS TECH Co., Ltd.
 Number of shares of the company held: 9,411 shares
 Meetings of the Board of Directors attended: 100% (12/12 times)
 Meetings of the Board of Auditors attended: 100% (11/11 times)



DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Tatsuya Motoda
 President of Motoda Tax & Accounting Office
 Joined TS TECH Co., Ltd. as an Auditor in 2014
 Director, Audit and Supervisory Committee Member (Outside Director) (2021), TS TECH Co., Ltd.
 Number of shares of the company held: 2,755 shares
 Meetings of the Board of Directors attended: 93% (14/15 times)
 Meetings of the Board of Auditors attended: 100% (13/13 times)



DIRECTOR, MANAGING OFFICER
Eiji Toba
 Joined TS TECH Co., Ltd. in 1994
 Director, Managing Officer, TS TECH Co., Ltd
 Asia and Europe Segment Executive General Manager, President of TS TECH ASIAN CO., LTD., Chairman of TS TECH BANGLADESH LIMITED and TS TECH UK LTD
 Number of shares of the company held: 3,981 shares
 Meetings of the Board of Directors attended: 100% (12/12 times)



DIRECTOR, OPERATING OFFICER
Takahiro Kobori
 Joined TS TECH Co., Ltd. in 1994
 Director, Operating Officer, TS TECH Co., Ltd
 Corporate Development and Engineering Division Executive General Manager
 Number of shares of the company held: 3,308 shares
 Meetings of the Board of Directors attended: 100% (12/12 times)



DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Hajime Hayashi
 Sazanka Law Office
 Joined TS TECH Co., Ltd. as an Auditor in 2020
 Director, Audit and Supervisory Committee Member (Outside Director) (2021), TS TECH Co., Ltd.
 Number of shares of the company held: 0 shares
 Meetings of the Board of Directors attended: 100% (12/12 times)
 Meetings of the Board of Auditors attended: 100% (11/11 times)



DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Tomoko Nakada
 Representative, Tokyo Heritage Law Firm
 Joined TS TECH Co., Ltd. as a Director, Audit and Supervisory Committee Member (Outside Director) in 2021
 Number of shares of the company held: 0 shares
 Meetings of the Board of Directors attended: —%
 Meetings of the Board of Auditors attended: —%

Note Career and positions: As of June 30, 2021
 Number of shares of the Company held: As of the date of submission of the Annual Securities Report (June 28, 2021)
 Attendance at meetings of the Board of Directors and Board of Auditors: April 1, 2020 to March 31, 2021

Efforts to Improve Corporate Governance and Compliance

Basic Policies

(1) Securing the Rights and Equal Treatment of Shareholders

We respect the rights of all stockholders, who are important 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 a company sincerely welcomed by all of 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.

Basic Policy on Corporate Governance

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

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

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

Group Governance Structure

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

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

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

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

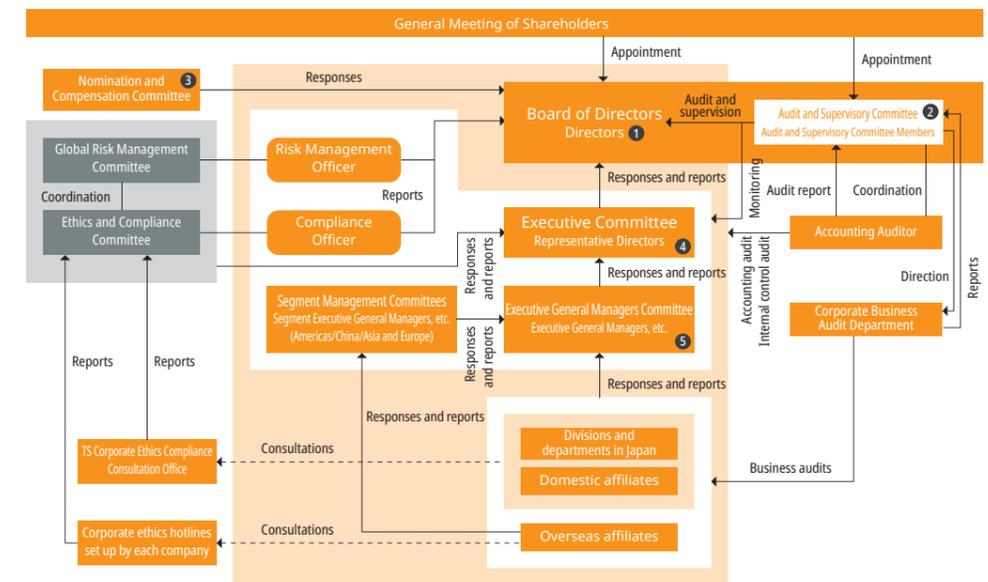
Appointments of Outside Directors

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

When selecting outside directors, in addition to satisfying the criteria for independence set forth in the Companies Act, the Ordinance for Enforcement of the Companies Act, and by Tokyo Stock Exchange, Inc., the company makes its decisions in accordance with internal regulations, taking into consideration factors such as candidates' independence from the company and their past performance and insight in their particular areas of expertise.

Outside directors are also expected to help ensure the soundness of the Group and strengthen the audit system.

Governance System Diagram



1 Board of Directors

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

2 Audit and Supervisory Committee

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

3 Nomination and Compensation Committee

The Nomination and Compensation Committee is composed of two directors (excluding directors who are Audit and Supervisory Committee members) and three outside directors. It deliberates on matters related to the appointment and dismissal of directors and executive officers and their compensation.

4 Executive Committee

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

5 Executive General Managers Committee

The Executive General Managers Committee is made up of 10 executive general managers and regional general managers. This committee discusses policies, plans, and governance related to operations in each division to maintain efficient operations.

Reasons for Appointments of Outside Directors

Teruyasu Mutaguchi

Mr. Mutaguchi has provided valuable opinions and advice related to our management practices as an outside director based on his abundant experience and broad insight as a corporate manager at a manufacturing company and at research and educational institutions. He has also served as the Chairman of the Board of Directors of the company since fiscal 2021, and we selected him to serve as an outside director in the expectation that he will continue helping to ensure the soundness of our management.

Takeshi Ogita

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

Tatsuya Motoda

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

Hajime Hayashi

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

Tomoko Nakada

We selected Ms. Nakada to serve as an outside director (Audit and Supervisory Committee member) in the expectation that her extensive experience overseas and broad insight as a lawyer, as well as her global and female perspectives, will enhance the diversity of our Board of Directors, help to ensure the soundness of our management, and contribute to auditing and supervision.

Operation of an Internal Control System

Following the inclusion of regulations on internal controls in Japan's Companies Act in 2006, TS TECH passed a resolution on the basic policies of its internal control system at a Board of Directors' meeting. Since then, the Board of Directors has reviewed the implementation of this system each fiscal year and passed resolutions on changes to these policies as necessary at Board of Directors' meetings. Additionally, in accordance with Japan's Financial Instruments and Exchange Act, the TS TECH Group has established an internal control system to ensure the reliability of its financial reporting. The effectiveness of this system is maintained and internal control is enhanced through regular evaluations of improvements and operations and corrective actions as needed.

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

Compliance Framework

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

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

We have established a whistleblower hotline called the TS Corporate Ethics Compliance Consultation Office, which enables employees to bring issues before compliance officers, who respond with rapid, effective investigations and corrective guidance in the event of a problem. Including affiliates in and outside of Japan, the Group receives approximately 100 ethics and compliance inquiries a year, which includes consultations and other cases handled by the TS Corporate Ethics Compliance Consultation Office. In fiscal 2021, the Group had a total of 109 cases. Continuous operation of this framework promotes internal self-improvement.

Remuneration Policy

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

We established the Nomination and Compensation Committee, chaired by an outside director and composed of three outside directors and two internal directors, as an

advisory body to the Board of Directors. When reviewing the level and calculation method of compensation in consideration of the basic policy and social conditions, revising the compensation structure, or determining the individual compensation for directors for each fiscal year, the Board of Directors makes resolutions based on consultations with the Nomination and Compensation Committee and the deliberations of the Audit and Supervisory Committee.

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

Strengthening the Sustainability Promotion Framework

The Group plans to establish a Sustainability Committee as an advisory body to the Executive Committee in order to further accelerate its efforts to address social issues related to sustainability. Three subcommittees will be established under the Sustainability Committee, covering social, environmental, and corporate foundation aspects, and they will work closely with related departments to ensure flexible management. At the same time, by newly establishing the Sustainability Section of the Corporate Communications Department as a dedicated organization, we will further strengthen the Group's sustainability promotion framework and contribute to the long-term enhancement of corporate value and the resolution of social issues, including efforts to build a decarbonized society.

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.

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



Emergency response training

Global Risk Management Committee

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

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

Four Major Risks	1. Stoppage of parts supply
	2. Crisis management
	3. IT equipment failure
	4. Welding fire

In fiscal 2021, TS TECH identified four major risks and pursued the appropriate corresponding risk mitigation measures.

Response to the COVID-19 Pandemic

The company's Risk Management Officer spearheaded the Group-wide emergency response to the COVID-19 pandemic.

A Group-wide COVID-19 emergency response committee was established in Japan to quickly collect information from all Group companies. For parts where the supply chain was considered vulnerable to the impact of COVID-19, various efforts to maintain production, including alternate production of parts and intra-Group supply, were implemented from an early stage, and these efforts helped to prevent shortages and other issues.

Although fixed costs continued to be incurred at sites that had to suspend operations due to the impact of COVID-19, the Group was able to respond to the situation using funds in hand in accordance with Group-wide safe funding guidelines, and, as a result, no production sites experienced major cash flow issues.

As it strives for continued business growth, not only will TS TECH continue to monitor the situation closely and review capital investment and cost-containment measures, it will also implement thorough measures to prevent the spread of infection in line with guidance from national and local governments.

Emergency Response System for COVID-19



Tax Policy

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

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

TS TECH Group Tax Policy

(1) Tax Governance

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

(2) Compliance

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

(3) Tax Planning and Tax Havens

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

(4) Transfer Pricing

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

(5) Minimal Tax Risk

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

(6) Relationship with Tax Authorities

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

Policy and Action against Antisocial Forces

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

Intellectual Property Management

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

Disclosure Policy

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

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

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

ESG Management Environmental
Environmental Initiatives

Endorsement of Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

The Group has designated "Corporate evolution through ESG management" as its management policy. Under this policy, we have accelerated our initiatives related to materiality (material issues) to help build a sustainable society. With respect to the environment, we recognize climate change

action as a pressing issue and take our responsibility as a company in the automotive industry seriously. In August 2021, we announced our endorsement of the TCFD recommendations.

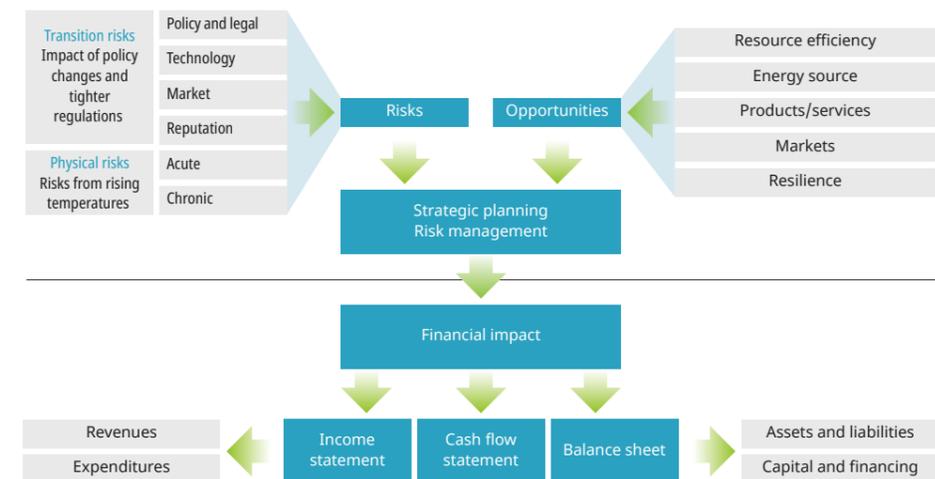


Response to the TCFD

At present, we are formulating our long-term vision (KPIs) based on our material issues with the aim of achieving carbon neutrality. In the future, we will provide appropriate disclosure related to governance, strategy, risk management, and metrics and targets, the four areas recommended for disclosure by the TCFD, and will continue to communicate the Group's initiatives internally and externally.

<p>Governance</p> <ul style="list-style-type: none"> • System of monitoring by the Board of Directors • Role of management in assessment and administration 	<p>Risk management</p> <ul style="list-style-type: none"> • Identification and assessment processes • Management processes • Integration into overall risk management
<p>Strategy</p> <ul style="list-style-type: none"> • Short-term, medium-term, and long-term risks and opportunities • Impact on business, strategy, and financial plans • Scenario analysis 	<p>Metrics and targets</p> <ul style="list-style-type: none"> • Risk assessment and establishment of metrics • Greenhouse gas emissions and related risks • Targets and KPI results

In terms of "strategy," we will assess and analyze business risks and opportunities, financial impact, and business continuity based on specific scenarios set in a future in which climate change is more pronounced to ensure the Group's sustained business growth.



Source: Final Report, Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)

Basic Environmental Policy

Policy

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

Environmental Action Plan

(1) Compliance with Legal and Other Requirements

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

(2) Reduction of Environmental Impact

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

(3) Continuous Improvement of Environmental Management

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

Initiatives to Strengthen Environmental Management

Our Group is promoting environmental management system ISO 14001 certification not just in Japan but at all of our facilities around the world. We are united in our efforts to continuously reduce the burden on the environment. Seeking additional measures to efficiently reduce CO₂ emissions, TS TECH adopted the ISO 50001 energy management system at all of its sites in Japan in fiscal 2019 and obtained certification in March 2019. Going forward, we will continue with efforts to bolster our environmental and energy management not only to reduce the burden on the environment but also to decrease costs by using resources more efficiently.

Internal Environmental Audits

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

facilities at each site for the teams in charge of energy-conservation and management at each of those sites. Since 2019, we have been developing and providing education on how to make worksites and products more energy efficient by introducing our own energy-saving diagnosis system that focuses on improving facility operations.

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



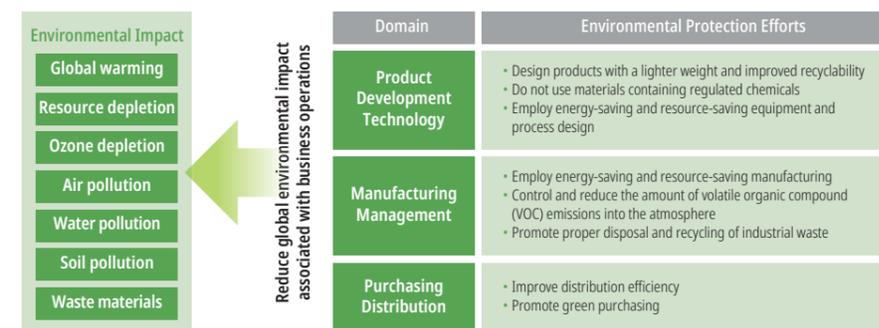
ISO 50001 seminar

Compliance with Environment-Related Laws and Regulations

Under our environmental and energy management systems, TS TECH has prepared a list of legal and other requirements at each site and reviews the laws and requirements that we must comply with at the beginning of each fiscal year. We also evaluate the status of compliance every six months. In fiscal 2021, there were no omissions of notifications under relevant laws and regulations, deviations from mandatory standards, or submissions of external complaints.

Environmental Impact of Business Activities and Environmental Initiatives

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



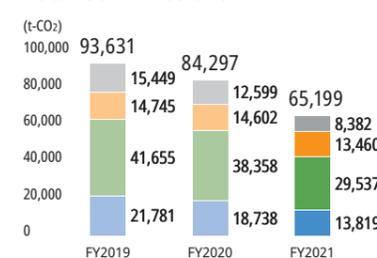
Main Environmental Targets and Results in Fiscal 2021 and Targets for Fiscal 2022

Under the 14th Medium-Term Management Plan (fiscal 2021–fiscal 2023), we have set targets for the TS TECH Group for CO₂ emissions, waste, and water, and we are implementing initiatives to achieve reductions at each site.

Item	FY2021			FY2022	
	Targets	Measures	Results	Targets	Measures
CO ₂ ^{*2}	CO ₂ emissions reduction 935 t-CO ₂ lower than FY2020 Basic unit per vehicle ^{*1} 1% lower than FY2020 FY2020 performance: 8.3 t-CO ₂ /thousand vehicles	<ul style="list-style-type: none"> Shift to energy-saving production equipment Promote a shift to LEDs Shift to energy-saving air conditioning Introduction of renewable energy 	CO ₂ emissions reduction 10,786 t-CO ₂ lower than FY2020 Basic unit per vehicle 5% higher than FY2020 FY2021 performance: 8.7 t-CO ₂ /thousand vehicles	CO ₂ emissions reductions 1,870 t-CO ₂ lower than FY2020 Basic unit per vehicle 2% lower than FY2020	<ul style="list-style-type: none"> Shift to energy-saving production equipment Promote a shift to LEDs Shift to energy-saving air conditioning Introduction of renewable energy
Waste ^{*2}	Recycling rate 0.5% higher than FY2020	<ul style="list-style-type: none"> Promote recycling Reduce product defect rate Reduce packaging materials 	Recycling rate 1.2% lower than FY2020	Recycling rate 1% higher than FY2020	<ul style="list-style-type: none"> Promote recycling Reduce product defect rate Reduce packaging materials
Water ^{*2}	FY2020 Maintain water intake level	<ul style="list-style-type: none"> Conserve water at all worksites Inspect and repair water supply equipment for leakage Updating of equipment such as coolers 	Water intake 29% lower than FY2020	FY2020 Maintain water intake level	<ul style="list-style-type: none"> Conserve water at all worksites Inspect water supply equipment for leakage

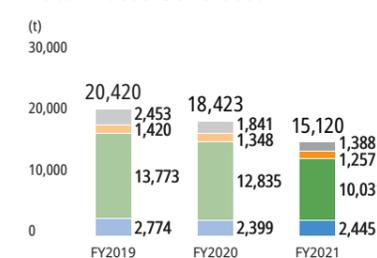
*1 "Per unit" figures are calculations performed according to TS TECH's standards and indicate CO₂ emissions, volume of waste generated, and water intake relative to production volume during business activities.
 *2 We have deployed initiatives to achieve reductions at sites agreed upon under the Group's own criteria. [Target sites] CO₂: 38 sites/waste and water: 37 sites

Total CO₂ Emissions



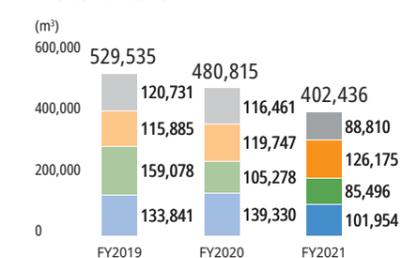
Total CO₂ Emissions from Reporting Sites
 Scope of data: Consolidated sites excluding TS TECH ASIAN CO., LTD.

Total Waste Generated



Total Waste Generated from Reporting Sites
 Scope of data: Consolidated sites excluding TS TECH ASIAN CO., LTD. and TS TECH (HONG KONG) CO., LTD.

Water Intake



Total Water Intake from Reporting Sites
 Scope of data: Consolidated sites excluding TS TECH ASIAN CO., LTD. and TS TECH (HONG KONG) CO., LTD.

■ Japan ■ Americas ■ China ■ Asia and Europe

Efforts to Reduce Our Environmental Footprint

Development-Focused Measures

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

In addition to weight-reducing technologies, we are focusing on reducing CO₂ contained in our products through technologies utilizing CNF^{*1} and other naturally derived biomass materials^{*2}. Compared to conventional door trims made from petroleum-derived materials, we have succeeded in reducing the amount of CO₂ contained in these products by 60% by using biomass synthetic leather and CNF, and we are continuing our research with the goal of applying this technology to mass-produced products.

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

*1 CNF: Cellulose nanofiber

*2 Materials made from renewable biological resources



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

Production-Focused Measures

With a policy to “build production plants that are sincerely welcomed by the local community,” our Manufacturing Division, which oversees our production plants, aims to contribute to a recycling-oriented society and promotes efforts to

build “people-friendly, environment-friendly production plants.” Through the use of Japan’s traditional *karakuri* mechanisms, we have been able to simultaneously save energy, reduce workloads, and improve production efficiency through the promotion of a plant-wide framework that aims to automate work without consuming energy.

In fiscal 2020, we exhibited for the first time at Japan’s Karakuri Kaizen Exhibition* and showcased examples of our in-house improvements to scores of visitors. In addition to the Karakuri Presentation Conference we hold at the Saitama Plant, our “mother plant,” we are aiming to encourage improvement activities and the implementation of successful improvements at other sites by holding a domestic competition for multiple sites starting in fiscal 2021.

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



Karakuri activities at the Saitama Plant

Purchasing-Focused Measures

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

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

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

Installing Environmentally Friendly Equipment

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

For example, at the new Head Office building completed in March 2018, we reduced the amount of electricity purchased by approximately 40% compared with the previous building and achieved a Nearly ZEB^{*1} rating under the Building-Housing Energy-efficiency Labeling System (BELS^{*2}). We did this by installing a range of energy-saving equipment, such as LEDs and systems to automatically control the operation of air conditioning and lighting using various sensors. In recognition of the building’s outstanding energy-saving performance, it received the METI Minister’s Award in the 2019 Energy Conservation Grand Prize project. In December 2020, TS TECH (THAILAND) CO., LTD. completed the Group’s largest installation of solar panels. The 2,600 solar panels will make it possible to supply approximately 15% of the electricity consumed at the production site using solar power, thereby helping to reduce CO₂ emissions.

Furthermore, TS TECH INDIANA, LLC, where an expansion project will be completed in June 2022, is aiming to cut its CO₂ emissions virtually to zero by actively incorporating energy-saving equipment and renewable energy.

*1 Certification rank

ZEB: A building with zero or negative net annual primary energy consumption
Nearly ZEB: A building that comes as close as possible to ZEB by nearing zero annual primary energy consumption

*2 Building-Housing Energy-efficiency Labeling System (BELS): A system in which a third party evaluates and certifies the energy-saving performance of new and existing buildings based on the Ministry of Land, Infrastructure, Transport and Tourism’s guidelines for indicating the energy consumption performance of buildings



Solar panels at TS TECH (THAILAND) CO., LTD.

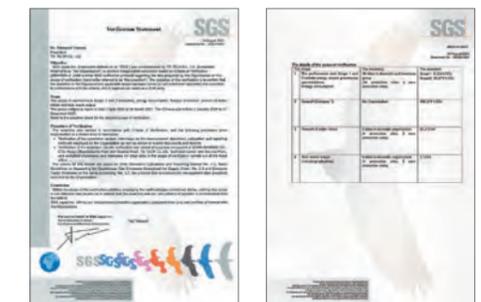
In addition to these efforts, in line with international efforts to reduce the impact on the global environment, such as the regulations of the Minamata Convention on Mercury and the CFC emission controls set forth in the Montreal Protocol, we are moving forward with efforts to remove mercury lamps, switch from fluorescent bulbs to LEDs, and replace equipment that uses R-22 CFCs. The Group as a whole has been continually pursuing removal of mercury lamps since

the 13th Medium-Term Management Plan (fiscal 2018–fiscal 2020). On a non-consolidated basis, TS TECH has completely removed mercury lamps, switched to LEDs, and replaced air conditioners that use R-22 CFCs.

Implementing Third-Party Verification

TS TECH Group receives third-party verification from SGS Japan Inc. in order to ensure the reliability of environmental data disclosure.

In fiscal 2021, we started verifying waste output and water intake on a non-consolidated basis at TS TECH sites. This built upon our existing efforts to verify GHG emissions—actual GHG emissions in fiscal 2021 at 10 domestic and 28 overseas sites, including Scope 1 and Scope 2 (energy-derived CO₂ emissions), and Scope 3, Category 1 (procurement of raw materials and parts) emissions.



Green Ecosystem Conservation Activities

The TS TECH Group conducts forest and biodiversity preservation activities in regions around its business facilities in Japan and overseas. These efforts are driven by the concept of creating new green spaces from company grounds borrowed from the earth for the TS TECH Group to conduct its business activities around the world and give greenery back to the earth through environmental preservation activities. As of the end of fiscal 2020, TS TECH had exceeded its target to conduct forest and biodiversity preservation activities on an area of land worldwide equivalent to two million m² by 18%, but the Group will continue with these activities in and outside of Japan.



TS TECH Afforestation Program event

Creating Employee-Friendly Workplaces

A Company Dedicated to Realizing People's Potential

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

Fostering a Greater Awareness of Human Rights

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

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



The manual distributed to all employees

TS TECH's Code of Conduct

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

Work-Life Balance

TS TECH has established a system that enables employees to balance work and family life and adopt a variety of work styles to suit their particular stage of life.

In addition to allowing employees to take up to six days of paid leave in half-day increments, we introduced a flex-time system with no core time in 2018. Promoting flexible, varied work styles makes it possible to improve work productivity through efficient time allocation and helps support employees balancing work with childcare, nursing care, or other personal obligations. In addition, in 2019 we extended our system for shortened working hours for parents to cover children until they graduate elementary school.

As a result of these and other efforts, TS TECH placed fifth (seventh in the previous year) in a 2021 ranking by Toyo Keizai Inc. of the 800 companies in Japan with the highest rate of paid leave use.

In addition to the measures above, we are working to diversify work styles and support work-life balance by enhancing our childcare and nursing care leave system and by establishing a new system of up to five days of refreshment leave for every 10 years of service.

Work-Style Reforms That Promote Diversity

The TS TECH retirement age was extended to 65 in 2019, allowing employees to choose their own retirement age after the age of 60. We are providing employees with opportunities to continue working as the population ages and the birthrate falls, as well as providing a time frame for veteran employees to pass on their skills and knowledge, thereby enhancing business continuity.

In addition, we introduced a work-from-home system in 2020 as a means to help our diverse workforce thrive. By combining this system with the existing flextime system, we aim to improve labor productivity while ensuring employee safety and business continuity during the COVID-19 pandemic.

We are also making maximum use of online communication tools to strengthen communication among employees. We will continue to build systems to facilitate more active participation by a diverse workforce in a diverse environment.



Selective training for management using the work-from-home system and online tools

Diversity Initiatives

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

As part of our efforts to promote diversity among our employees, we have incorporated content designed to deepen understanding of diversity into each training program. In particular, the training for managers includes a full-day diversity lecture by an outside expert so that they can learn in detail how to work with diverse human resources. In addition, we collect opinions through various methods, such as the annual employee satisfaction survey and interviews with young employees, and we reflect them in our management in order to create an environment where all employees can use their respective knowledge, experience, and abilities to the fullest to play active roles.

Initiatives for Hiring Persons with Disabilities

In addition to regularly communicating with Hello Work*, employment support centers, and special needs schools, we actively recruit persons with disabilities by offering work experience with the aim of matching persons with disabilities with our company and furthering their understanding of work.

As part of our employee retention efforts, we regularly conduct interviews with and surveys of employees with disabilities. We also strive to create employee-friendly workplaces by acting on feedback about the issues our employees face at work.

* An employment service operated by the Japanese government that has offices nationwide

Educating Employees about the TS TECH Philosophy

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

We began TS TECH Philosophy Education at Group companies outside Japan in 2015. In order to ensure that employees of diverse backgrounds as well as nationalities have a deeper understanding of the TS TECH Philosophy, promoters selected from Group companies outside Japan or managers who have been trained by promoters take the lead in educating local employees about the philosophy.

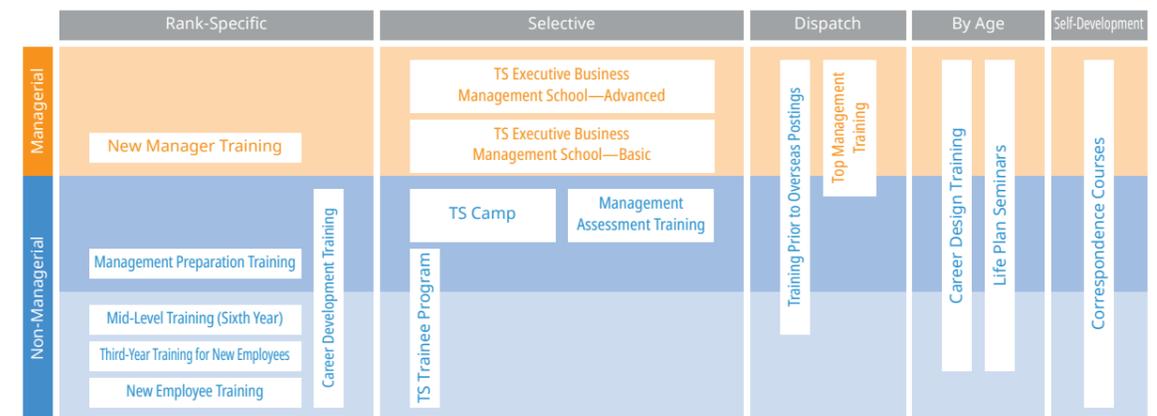
Also, in Japan, to foster a sense of solidarity with the TS TECH Philosophy and encourage employees to put it into practice, we have begun to send out company messages to employees and share episodes related to employees' practice of the TS TECH Philosophy. Based on the new initiatives in Japan, we will work with Group companies outside Japan to promote education that leads to the understanding and practice of the essence of the TS TECH Philosophy.

Human Resources Development

In 2020, we restructured our training system with the aim of developing management candidates and further improving the motivation and capabilities of all employees.

Under the new training system, basic management-related content such as finance/accounting and marketing was added to each curriculum in rank-specific training, and a new selective training for management-level employees was introduced to gradually develop the next generation of managers.

In addition, we are actively working to make training more efficient through online training and other means, and to expand educational opportunities for employees who want to learn more.



Education and training programs

Creating Employee-Friendly Workplaces

Workplaces Where Women Can Thrive

After hearing from a wide range of female employees, we introduced maternity uniforms and established an on-site day care center. We have also created a child-rearing support handbook and are working hard to ensure that TS TECH is a company where everyone can thrive.

In recognition of these efforts, we were certified in 2015 by the Minister of Health, Labour and Welfare (Kurumin Certification) as a company that supports childcare based on the Act on Advancement of Measures to Support Raising Next-Generation Children. In addition, we were certified in 2016 by the Minister of Health, Labour and Welfare (highest level Eruboshi Certification) as a company with outstanding measures to promote participation by women in the workplace based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

Fair Assessment of Personnel

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

In Japan, for example, we have adopted a system for evaluating how well an employee "demonstrates and applies their abilities compared with what is expected of them." With a precise understanding of the skills and accomplishments of our individual employees and compensation provided through salary, rank, and other forms of remuneration, we are able to motivate employees and encourage them to fully demonstrate their abilities and take on new challenges. We also incorporate elements of the TS TECH Philosophy into our assessments in order to encourage the behavior and practices we expect from our employees. In addition, employees receive feedback from superiors at least twice a year regarding work performance and the acquisition and demonstration of skills in order to make them aware of their performance and encourage growth.

Communicating with Employees

Conducting Employee Satisfaction Surveys

We conduct an employee satisfaction survey annually at TS TECH. The survey assesses job satisfaction, workplace atmosphere, the depth of education provided, and more. Through these surveys, we gauge levels of satisfaction with the company from a broad, diverse range of perspectives.

We believe that continuing to survey employees, identify issues, and make improvements helps to bolster employee motivation and organizational strength.

Talking with the Union

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

Promoting Occupational Safety and Health

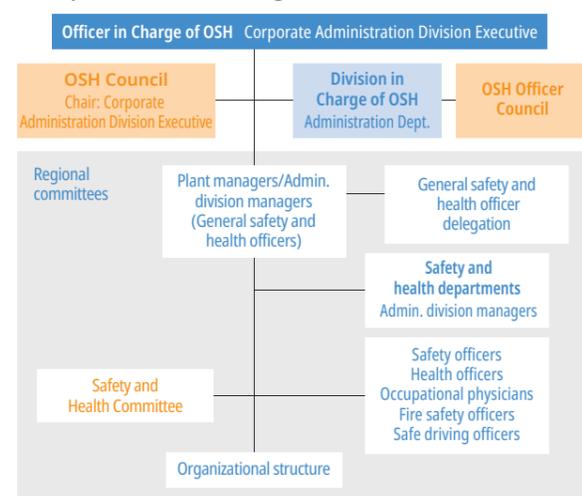
Our basic safety and health policy is based on a dedication to realizing people's potential and prioritizing safety in our business activities. Under a management system led by safety and health officers, TS TECH continually performs a PDCA cycle in accordance with its occupational safety and health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

Specific initiatives include risk assessment, *kiken yochi* training (KYT; hazard prediction training), and *hiyari-hatto* (near-miss reporting) activities*, which we conduct at all business sites. We take countermeasures like these in anticipation of potential workplace risks as part of our efforts to prevent work-related accidents. We have also held training sessions led by lecturers from the Japan Industrial Safety and Health Association annually since 2007, helping to enhance the skills of risk management advocates (safety officers, production site managers, etc.).

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

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

Group-Wide OSHMS Diagram



Supply Chain Management Policy

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

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

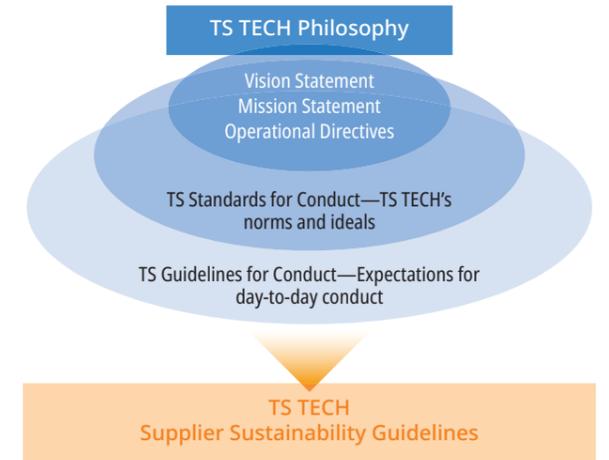
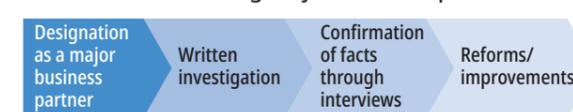
Application of TS TECH Supplier Sustainability Guidelines

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

These guidelines are posted on our website and shared with all business partners. We also use a survey to verify compliance with these guidelines by our business partners in Japan. We surveyed a total of 40 partners in fiscal 2020 and 112 partners in fiscal 2021. As a result, we were able to confirm that all partner companies maintain the same understanding of these guidelines as the TS TECH Group. For particularly important business partners, we conduct a survey that includes more items on human rights in order to raise their awareness of human rights issues. We will continue to implement this initiative once a year and prepare to expand it to business partners outside Japan to ensure that these guidelines are observed throughout the Group's supply chain.



Workflow for handling major business partners



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

Human Rights Due Diligence

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

Basic Policy on Procurement

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

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

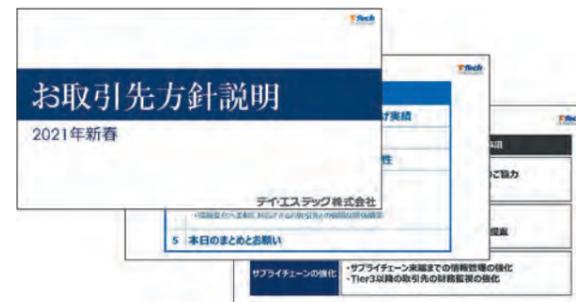
Four Principles of TS Procurement

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

Other Major Initiatives for Supply Chain Management

Annual Conference with Major Business Partners

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



Content used for the annual conference

Supply Chain Surveys

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

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

Business Partner Assessments

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

Survey on Conflict Minerals

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

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

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

Promotion of Environmental Initiatives

TS TECH presents its business partners with targets for lowering CO₂ emissions to reduce environmental impact and works with these partners to achieve them.

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

Compliance with the Antimonopoly Act and Prohibition of Corruption

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

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

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

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



Compliance education at rank-specific training

Comment

Further Strengthening Relationships as a Trusted Partner

For half a century, we have been supplying steel materials used in various parts of the seats manufactured by TS TECH. The automotive industry is currently experiencing a once-in-a-century transformation. Guided by the TS TECH Supplier Sustainability Guidelines, we have been striving constantly to help build a sustainable world. Our initiatives include strengthening compliance, and accordingly we have set up a dedicated committee and hotline within the company. We are also continuing to promote thorough awareness of the matters to be observed, as set out in the compliance program, by offering training for all of our employees and sharing content via the company intranet.

In recent years, the challenge of achieving carbon neutrality has been positioned as a key part of the fight against climate change. In light of this, the very manufacturing process for automotive components and steel materials will need to be reconsidered in the future. However, as a company that plays a part in its supply chain, we hope to continue growing together with TS TECH in the future through flexible ideas and agility.



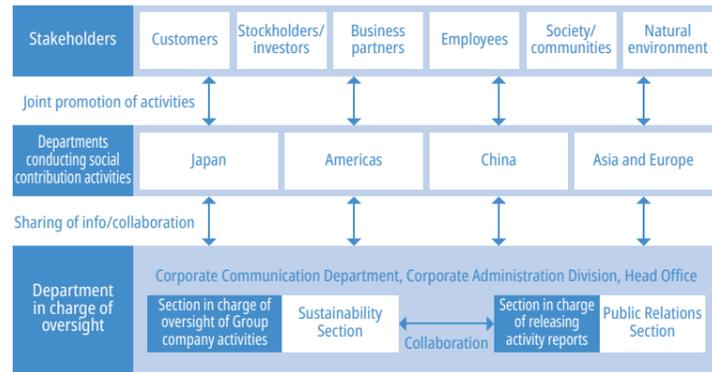
Shigehito Ito
President and CEO
Benichu Steel Inc.

Based on our vision statement of being a company “dedicated to realizing people’s potential” and “sincerely appreciated by all,” the TS TECH Group strives to be a community-based company. It engages in philanthropic activities tailored to regional characteristics around the world through means such as providing support for children’s education, teaching traffic safety, performing relief work, and protecting the environment.

The implementation of these activities is shared with and documented by the Head Office in Japan, and this information is used to coordinate and collaborate among our locations around the world.

We will continue to strive to implement unique activities that make the most of the Group’s resources.

Note: Activities reported here generally took place between April 1, 2020 and March 31, 2021. However, some activities were conducted after this time frame.



Number of Fiscal 2021 Philanthropic Activities

Japan	Americas	China	Asia and Europe	Consolidated
66	82	16	24	188

Japan

Social Welfare Activities

In the Asaka and Suzuka districts, TS TECH donated wheelchairs to the respective local city halls. The donated wheelchairs will be delivered to public facilities in each city and used to help residents, including those who have difficulty walking independently.

In addition, with the aim of helping to build a society where people with disabilities can thrive at work, we are putting efforts into ongoing welfare activities, such as operating in-house cafes in the Asaka and Tochigi districts in cooperation with local facilities that provide employment for people with disabilities.

Efforts to Address Food Loss

In the Tochigi district, we held a food drive and donated the collected items to the Takanazawa Council of Social Welfare. A food drive is an activity in which households bring in surplus food, such as items they cannot eat, for donation rather than throwing it away. In addition to food, our in-house volunteers also collected daily necessities and monetary donations and presented them to the council.



Americas

Activities to Provide Support for Local Children

TS TECH AMERICAS, INC. donated toys to local children. A portion of the toys were brought in by employees, and money collected through fundraising activities was used to buy more. All toys were given to local children from low-income households.

Fundraising Activities for Animal Welfare

TS TECH CANADA INC. participated in the National Cupcake Day initiative organized by a local humane society. This event is an activity to raise funds for animal welfare through the sale of cupcakes and other baked goods. Proceeds from the cupcakes and other sweet treats that were sold at the company were donated to the humane society.



China

Activities to Provide Support for Local Children

GUANGZHOU TECH INTERIOR TRIM MANUFACTURING CO., LTD. donated daily necessities to local children. School supplies, such as book bags and stationery, and hygienic supplies, including face masks and soap, were given to local children from low-income families.



Book Donation to Provide Support for People with Disabilities

TS TECH (HONG KONG) CO., LTD. held a book drive in conjunction with a support group for people with disabilities. The company collected books and other materials that employees had finished reading and donated them to a library established by the group to support children with hearing impairments.



Asia and Europe

Activities to Provide Support for Local Children

TS TECH (THAILAND) CO., LTD. provided scholarships that do not need to be repaid to children attending local schools. Many children in the local community have difficulty receiving an education due to financial reasons, so the company routinely offers financial support in order to provide them with better learning opportunities.



Donating Food for the Needy

TS TECH Hungary Kft. took part in a food donation project organized by a local social welfare group. To help meet a growing need for aid in the community caused by the COVID-19 pandemic, the company held an in-house food drive and donated the collected food to the social welfare group.



Preventing the Spread of COVID-19

In fiscal 2021, amid the rampant spread of COVID-19, we conducted a variety of initiatives tailored to the needs of each community to help everyone in each region feel a little safer in their daily lives.



Face mask donation to a local elementary school (Hamamatsu district)



Fundraising for a nursing home (TST MANUFACTURING DE MEXICO, S. DE R.L. DE C.V.)



Food donation to healthcare workers (NINGBO TS AUTOMOTIVE INTERIOR INC.)



Face mask donation to a local city municipality (TS TECH BANGLADESH LIMITED)

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1. Analysis of Financial Condition

Assets at the end of fiscal 2021 stood at 390,478 million yen, increasing 48,657 million yen from the end of fiscal 2020. This change is primarily the result of an increase in trade and other receivables driven by higher order volume from major customers and an increase in investments accounted for using the equity method resulting from the acquisition of shares of Imasen Electric Industrial Co., Ltd.

Total liabilities at the end of fiscal 2021 amounted to 89,027 million yen, up 21,759 million yen from the end of fiscal 2020. This change resulted mainly from an increase in trade and other payables stemming from higher order volume from major customers and an increase in other current liabilities due primarily to the addition of Honda Cars SAITAMAKITA as a subsidiary.

Equity at the end of fiscal 2021 totaled 301,450 million yen, increasing 26,898 million yen from the end of fiscal 2020. This change is primarily the result of an increase in retained earnings stemming from the allocation of net income and an increase in other components of equity driven by an increase in differences on translation from foreign operations.

2. Overview of Cash Flows

Cash and cash equivalents (hereinafter “cash”) at the end of fiscal 2021 amounted to 153,034 million yen, up 3,406 million yen from the end of the previous fiscal year.

Cash flows from operating activities amounted to 25,151 million yen, showing a year-on-year decrease of 19,041 million yen. This is primarily the result of a change in trade and other receivables from a decrease of 23,721 million yen in the previous fiscal year to an increase of 15,863 million yen in fiscal 2021. This offset a change in trade and other payables from a decrease of 10,532 million yen in the previous fiscal year to an increase of 6,192 million yen in fiscal 2021.

Cash flows from investing activities came to 11,709 million yen, an increase of 6,343 million yen year on year. This primarily reflects a 7,199 million yen increase in purchase of investments accounted for using the equity method.

Cash flows from financing activities totaled 14,647 million yen, an increase of 1,729 million yen year on year. This primarily reflects an increase of 2,596 million yen in purchase of treasury stock, offsetting a decrease of 1,070 million yen in dividend payments (including payments to non-controlling interests).

3. Analysis of Operating Performance

The global economic environment proved very difficult during the period under review due to the COVID-19 pandemic. Although each country showed signs of recovery during the period under review, with China being the first to recover, given concerns over another widespread outbreak, a global shipping container shortage coupled with port congestion, and supply chain disruptions, including a semiconductor shortage at the end of the fiscal year, the outlook for the operating environment remains uncertain.

At the start of the period, the Group was forced to make drastic production cuts through measures such as production stoppages in all regions except China. While subsequent rapid economic recovery in China and a rebound in production in other regions were indicative of a steady recovery, the impact of the semiconductor shortage at the end of the period resulted in sharp production decreases in each segment. Amid this backdrop, the Group promoted various measures to deliver future growth, such as aggressive sales initiatives aimed at securing a larger share of a major customer’s business as well as business with new customers, the development of next-generation technologies that look to the future, and the creation of production structures that take our existing high quality and efficiency to new levels.

Revenue for the fiscal year under review amounted to 346,149 million yen on a consolidated basis, down 13,532 million yen (3.8%) from the preceding fiscal year. Looking at profits, operating income stood at 26,742 million yen, up 416 million yen (1.6%) year on year. This reflected cost-cutting measures, including various lower expenses achieved via thorough streamlining. Additionally, income attributable to owners of parent totaled 20,741 million yen, an increase of 5,677 million yen (37.7%) year on year, on the recognition of negative goodwill stemming from the addition of Imasen Electric Industrial Co., Ltd. as an affiliated company accounted for by the equity method as “share of profit of investments accounted for using the equity method.”

The Group’s consolidated forecasts for fiscal 2022 are as follows:

Revenue	403.0 billion yen (Up 16.4% year on year)
Operating income	40.0 billion yen (Up 49.6% year on year)
Income before income tax	41.0 billion yen (Down 13.1% year on year)
Net income	30.3 billion yen (Up 7.9% year on year)
Income attributable to owners of parent	23.0 billion yen (Up 10.9% year on year)

Consolidated Statement of Financial Position

(Unit: Million yen)

	Note	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	¥149,628	¥153,034
Trade and other receivables	8	41,500	62,984
Other financial assets	9	11,540	5,361
Inventories	10	28,233	33,607
Income taxes receivable		2,281	1,719
Other current assets		4,667	6,202
Total current assets		237,852	262,909
NON-CURRENT ASSETS			
Property, plant and equipment	11	68,530	69,053
Intangible assets	12	9,366	10,911
Investments accounted for using the equity method	31	1,596	16,575
Other financial assets	9	20,307	25,258
Net defined benefit asset	19	1,879	3,575
Deferred tax assets	17	1,055	1,748
Other non-current assets		1,231	445
Total non-current assets		103,967	127,568
TOTAL ASSETS		¥341,820	¥390,478

See notes to consolidated financial statements.

(Unit: Million yen)

	Note	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	14	¥ 51,084	¥ 62,943
Current borrowings	15	75	—
Other financial liabilities	16	1,109	1,357
Income taxes payable		575	2,021
Provisions	18	156	2,851
Other current liabilities		2,965	7,139
Total current liabilities		55,965	76,313
NON-CURRENT LIABILITIES			
Other financial liabilities	16	2,841	3,952
Net defined benefit liability	19	1,372	1,648
Provisions	18	2,378	85
Deferred tax liabilities	17	3,598	5,808
Other non-current liabilities		1,111	1,219
Total non-current liabilities		11,302	12,714
Total liabilities		67,268	89,027
EQUITY			
Common stock	20	4,700	4,700
Capital surplus	20	5,171	4,975
Treasury stock	20	(5)	(2,657)
Retained earnings	20	249,367	264,261
Other components of equity	20	(4,487)	5,738
Total equity attributable to owners of parent		254,745	277,017
Non-controlling interests	31	19,806	24,433
Total equity		274,552	301,450
TOTAL LIABILITIES AND EQUITY		¥341,820	¥390,478

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of profit or loss

(Unit: Million yen)

	Note	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Revenue	5, 21	¥ 359,682	¥ 346,149
Cost of sales	22	(300,307)	(288,671)
Gross profit		59,374	57,478
Selling, general and administrative expenses	22	(33,531)	(32,581)
Other income	23	1,537	3,072
Other expenses	23	(1,053)	(1,227)
Operating income	5	26,326	26,742
Finance income	25	2,218	1,983
Finance costs	25	(275)	(136)
Share of profit of investments accounted for using the equity method	31	481	7,658
Income before income tax		28,751	36,247
Income tax expense	17	(8,548)	(8,164)
Net income		20,202	28,082
Income attributable to:			
Owners of parent		15,064	20,741
Non-controlling interests	31	5,137	7,341
Net income		¥ 20,202	¥ 28,082
Earnings per share:			
Basic earnings per share (Yen)	26	¥110.77	¥152.89
Diluted earnings per share (Yen)	26	—	—

See notes to consolidated financial statements.

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of comprehensive income

(Unit: Million yen)

	Note	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Net income		¥ 20,202	¥28,082
Other comprehensive income			
Components that will not be reclassified subsequently to net profit or loss:			
Remeasurements of net defined benefit plans	27	(421)	1,221
Equity financial assets measured at fair value through other comprehensive income	27	(1,971)	2,754
Share of other comprehensive income of affiliates accounted for using the equity method	27	—	323
Total components that will not be reclassified subsequently to net profit or loss		(2,393)	4,299
Components that may be reclassified subsequently to net profit or loss:			
Differences on translation from foreign operations	27	(9,015)	7,742
Share of other comprehensive income of affiliates accounted for using the equity method	27	(32)	48
Total components that may be reclassified subsequently to net profit or loss		(9,048)	7,791
Other comprehensive income, net of tax		(11,441)	12,091
Comprehensive income for the period		8,761	40,174
Comprehensive income for the period attributable to:			
Owners of parent		4,864	30,968
Non-controlling interests		3,896	9,206
Total comprehensive income for the period		¥ 8,761	¥40,174

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Unit: Million yen)

Note	Equity attributable to owners of parent					Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
BALANCE AT THE END OF THE PREVIOUS FISCAL YEAR	¥4,700	¥5,171	¥(5)	¥240,038	¥ 5,712	¥255,617	¥21,807	¥277,424
Cumulative effect of accounting change				44		44		44
Restated balance	4,700	5,171	(5)	240,083	5,712	255,662	21,807	277,469
Comprehensive income:								
Net income				15,064		15,064	5,137	20,202
Other comprehensive income	20				(10,200)	(10,200)	(1,240)	(11,441)
Total comprehensive income				15,064	(10,200)	4,864	3,896	8,761
Transactions with owners, etc.:								
Dividends	28			(5,779)		(5,779)	(5,898)	(11,677)
Acquisition of treasury stock	20		(0)			(0)		(0)
Disposal of treasury stock	20							
Share-based remuneration transactions	32							
Changes in ownership interests in subsidiaries								
Total transactions with owners, etc.			(0)	(5,779)		(5,780)	(5,898)	(11,678)
BALANCE AT THE END OF THE FISCAL YEAR	¥4,700	¥5,171	¥(5)	¥249,367	¥ (4,487)	¥254,745	¥19,806	¥274,552

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

(Unit: Million yen)

Note	Equity attributable to owners of parent					Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
BALANCE AT THE END OF THE PREVIOUS FISCAL YEAR	¥4,700	¥5,171	¥ (5)	¥249,367	¥ (4,487)	¥254,745	¥19,806	¥274,552
Cumulative effect of accounting change								
Restated balance	4,700	5,171	(5)	249,367	(4,487)	254,745	19,806	274,552
Comprehensive income:								
Net income				20,741		20,741	7,341	28,082
Other comprehensive income	20				10,226	10,226	1,864	12,091
Total comprehensive income				20,741	10,226	30,968	9,206	40,174
Transactions with owners, etc.:								
Dividends	28			(5,847)		(5,847)	(4,463)	(10,311)
Acquisition of treasury stock	20		(2,943)			(2,943)		(2,943)
Disposal of treasury stock	20		(291)	291				
Share-based remuneration transactions	32		34			34		34
Changes in ownership interests in subsidiaries			60			60	(115)	(55)
Total transactions with owners, etc.		(196)	(2,652)	(5,847)		(8,696)	(4,579)	(13,275)
BALANCE AT THE END OF THE FISCAL YEAR	¥4,700	¥4,975	¥(2,657)	¥264,261	¥ 5,738	¥277,017	¥24,433	¥301,450

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(Unit: Million yen)

Note	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	¥ 28,751	¥ 36,247
Depreciation and amortization	12,311	11,440
Impairment loss	666	142
Loss (gain) on disposal of non-current assets	(495)	(166)
Finance costs (income)	(1,976)	(1,083)
Share of loss (profit) of investments accounted for using the equity method	(481)	(7,658)
Decrease (increase) in trade and other receivables	23,721	(15,863)
Decrease (increase) in leased receivables and leased investment property	1,363	1,997
Decrease (increase) in inventories	(3,299)	(3,262)
Increase (decrease) in trade and other payables	(10,532)	6,192
Increase (decrease) in net defined benefit asset and net defined benefit liability	803	(1,505)
Increase (decrease) in provisions	2,171	402
Other	(698)	3,117
Subtotal	52,305	30,002
Interest income received	1,515	892
Dividend income received	940	894
Interest expenses paid	(116)	(133)
Income taxes paid	(10,452)	(6,503)
Net cash provided by operating activities	44,193	25,151
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments into time deposits	(17,382)	(7,495)
Proceeds from withdrawal of time deposits	23,182	11,521
Purchase of property, plant and equipment	(7,623)	(5,455)
Proceeds from sales of property, plant and equipment	218	698
Purchase of intangible assets	(3,311)	(2,206)
Purchase of equity instruments	(445)	(56)
Proceeds from sales of equity instruments	2	0
Payments of loans receivable	(241)	(121)
Collection of loans receivable	179	214
Purchase of shares of subsidiaries	—	(1,564)
Purchase of investments accounted for using the equity method	—	(7,199)
Other	53	(43)
Net cash used in investing activities	¥ (5,366)	¥(11,709)

(Unit: Million yen)			
	Note	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term loans payable	29	¥ (0)	¥ —
Repayments of long-term loans payable	29	(150)	(75)
Repayments of lease liabilities	29	(1,532)	(1,754)
Purchase of treasury stock		(0)	(2,597)
Cash dividends paid	28	(5,779)	(5,847)
Cash dividends paid to non-controlling interests	31	(5,455)	(4,316)
Payments for acquisition of interests in subsidiaries from non-controlling interests		—	(55)
Net cash used in financing activities		(12,917)	(14,647)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		(4,928)	4,611
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		20,981	3,406
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7	128,647	149,628
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	¥149,628	¥153,034

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 as of and for the year ended March 31, 2021 comprise the Company, its subsidiaries (hereinafter “the Group”), and the Group’s interests in its affiliates.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements were approved by the Board of Directors on June 25, 2021.

(2) Basis for measurement

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

(3) Functional currency and presentation currency

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

(4) Important accounting judgments, estimates, and assumptions

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

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

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

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

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

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

The Group estimate the recoverable amount if non-financial assets show signs of impairment. In the event the estimated recoverable amount falls below the carrying amount, a difference between the carrying amount and the recoverable amount is recognized in net profit or loss as an impairment loss.

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

(a) Amount recognized in the consolidated financial statements

	(Unit: Million yen)
	FY2021 (As of March 31 2021)
Property, plant and equipment	¥69,053
Intangible assets	10,911
Total	¥79,965

(b) Major assumptions used for the estimate

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

During the fiscal year under review, the amount of future cash flows was estimated based on the assumption that demand would gradually recover, despite the future outlook being uncertain given the resurgence of COVID-19 and the turmoil and disruption in the automobile supply chain for reasons such as the short supply of semiconductors.

(c) Material impact on the following fiscal year

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

(ii) Recoverability of deferred tax assets

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

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

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

(a) Amount recognized in the consolidated financial statements

	(Unit: Million yen)
	FY2021 (As of March 31 2021)
Deferred tax assets	¥6,701

Note: The relation between the deferred tax assets recognized in the consolidated statement of financial position and the amount above is described in Note 17 "Income Taxes."

(b) Major assumptions used for the estimate

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

During the fiscal year under review, the amount of future cash flows was estimated based on the assumption that demand would gradually recover, although the future outlook was still uncertain given the resurgence of COVID-19 and the turmoil and confusion in the automobile supply chain for reasons such as the short supply of semiconductors.

(c) Material impact on the following fiscal year

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

3. IMPORTANT ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Affiliates

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

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

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

(2) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

(3) Foreign currency translations

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

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

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

(4) Financial instruments

(i) Financial assets

(a) Initial recognition and measurement

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

The Group, at initial recognition, measures all financial assets at fair value. However, if an asset is not classified as a financial asset measured at fair value through net profit or loss, it is measured at fair value to which the transaction costs directly attributable to the acquisition of the financial asset are added. Transaction costs of financial assets measured at fair value through net profit or loss are recognized in net profit or loss.

(b) Classification and subsequent measurement

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

(A) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

(c) Impairment of financial assets

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

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

If the credit risk has not increased significantly since initial recognition, the Group recognizes an amount equivalent to a 12-month expected credit loss as allowance for doubtful accounts. If the credit risk has increased significantly since the initial recognition, the Group recognizes an amount equal to the lifetime expected credit loss as allowance for doubtful accounts. However, for trade receivables, the Group always recognizes an amount equal to the lifetime expected credit loss as allowance for doubtful accounts.

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

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

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

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

(d) Derecognition of financial assets

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

(ii) Financial liabilities

(a) Initial recognition and measurement

The Group initially recognizes financial liabilities on the transaction date.

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

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

(b) Classification and subsequent measurement

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

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

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

(c) Derecognition of financial liabilities

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

(iii) Offsetting a financial asset and a financial liability

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

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

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Intangible assets

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

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

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

Capitalized development expenses are amortized using the straight-line method over the estimated useful life (mainly five years) commencing from the time the product subject to development commences mass production.

The estimated useful lives and amortization methods are reviewed each year and revised as necessary.

(9) Leases

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

(i) Lease as lessee

At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability. At the commencement date, the right-of-use asset is recognized at cost. After the commencement date, the right-of-use asset will be measured at cost less accumulated depreciation and accumulated impairment losses by applying the cost model. Right-of-use assets will be depreciated using the straight-line method over either the estimated useful life of an asset or its lease term, whichever is shorter.

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

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

(ii) Leases as lessor

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

(a) Finance lease

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

(b) Operating lease

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

(c) Sublease

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

(10) Impairment of non-financial assets

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

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 exists, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment loss is reversed up to the lower of the recoverable amount determined and the carrying amount net of depreciation that would have been determined if no impairment loss had been recognized in prior years.

(11) Non-current assets held for sale

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

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

(12) Employee benefits

(i) Post-employment benefits

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

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

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

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

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

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

(ii) Short-term employee benefits

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

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

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

(iii) Other long-term employee benefits

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

(13) Provisions

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

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

(14) Government-imposed levies

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

(15) Equity

(i) Common shares

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

(ii) Treasury stock

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

(16) Revenues

(i) Revenue from contracts with customers

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

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

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

Step 3: Determine the transaction price.

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

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

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

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

(ii) Interest income

Interest income is recognized based on the effective interest method.

(iii) Dividend income

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

(17) Government grants

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

Government grants relating to revenues are recognized in net profit or loss over the period of 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) Share-based remuneration

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

(19) Income taxes

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

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

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

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

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

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

(20) Basic earnings per share

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

4. NEW STANDARDS NOT YET ADOPTED BY THE GROUP

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

5. SEGMENT INFORMATION

(1) Overview of reportable segments

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

Positioning Japan as its global base, the Company has a control and management system for the three operating regions: 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 reportable segments. In the reportable segments of Japan, The Americas, and Asia and Europe, the Company manufactures and sells products that mainly consist of automobile seats, automobile interiors, motorcycle seats, and resin-based products for motorcycles. In the reportable segment of China, the Company engages primarily in the manufacture and sale of automobile seats and automobile interiors.

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

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

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

Profits for reportable segments are operating income 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
For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Unit: Million yen)

	Reportable segments					Adjustments	Consolidated
	Japan	The Americas	China	Asia and Europe	Total		
Revenue:							
External revenue	¥56,691	¥175,300	¥77,636	¥50,052	¥359,682	¥ —	¥359,682
Inter-segment revenue	18,442	1,045	5,093	1,914	26,495	(26,495)	—
Total	¥75,134	¥176,346	¥82,729	¥51,967	¥386,178	¥(26,495)	¥359,682
Segment profits	¥ 6,049	¥ 8,054	¥15,542	¥ 2,109	¥ 31,756	¥ (5,430)	¥ 26,326
Finance income and finance costs	—	—	—	—	—	—	1,943
Share of profit of investments accounted for using the equity method	—	—	—	—	—	—	481
Income before income tax	—	—	—	—	—	—	28,751

Note: Adjustments of -¥5,430 million for segment profits included an inter-segment elimination of -¥647 million and operating expenses of -¥4,782 million associated with the administration division of the headquarters of the parent, which could not be allocated.

Other important items

(Unit: Million yen)

	Reportable segments					Adjustments	Consolidated
	Japan	The Americas	China	Asia and Europe	Total		
Depreciation and amortization	¥3,161	¥5,167	¥2,132	¥1,863	¥12,325	¥(13)	¥12,311
Impairment loss	—	5	1	659	666	—	666
Capital expenditures	3,662	2,417	954	584	7,619	—	7,619

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

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

(Unit: Million yen)

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

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

Other important items

(Unit: Million yen)

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

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

(4) Information related to products and services

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

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

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

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

(5) Information according to region

(i) Revenue

(Unit: Million yen)

	FY2020	FY2021
	(April 1, 2019–March 31, 2020)	(April 1, 2020–March 31, 2021)
Japan	¥ 56,137	¥ 57,846
U.S.	124,906	100,021
Canada	42,281	36,597
China	77,735	114,174
Other	58,620	37,509
Total	¥359,682	¥346,149

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)

	FY2020	FY2021
	(April 1, 2019–March 31, 2020)	(April 1, 2020–March 31, 2021)
Japan	¥33,724	¥37,564
U.S.	18,109	16,823
China	10,050	10,123
Other	16,012	15,453
Total	¥77,897	¥79,965

(6) Information according to major customers

(Unit: Million yen)

	FY2020	FY2021
	(April 1, 2019–March 31, 2020)	(April 1, 2020–March 31, 2021)
Honda Motor Co., Ltd. Group	¥329,913	¥314,429

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

6. BUSINESS COMBINATION

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

No business combination during the fiscal year

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

(1) Outline of business combination

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

(2) Main reasons for business combination

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

(3) Assets acquired and liabilities assumed

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

(4) Goodwill arising from the acquisition

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

Notes: 1. Goodwill arising from the excess earnings power which is expected from business development in the future.

2. None of the goodwill is deductible for tax purposes.

(5) Cash flow information

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

(6) Other

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

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

7. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows.

(Unit: Million yen)		
	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Cash and cash equivalents	¥149,628	¥153,034

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

8. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows.

(Unit: Million yen)		
	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Notes and accounts receivable – trade	¥37,635	¥58,692
Others	3,901	4,293
Allowance for doubtful accounts	(36)	(0)
Total	¥41,500	¥62,984

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

9. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows.

(Unit: Million yen)		
	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Deposits with maturities of three months or more	¥ 8,692	¥ 4,557
Short-term loans receivable	68	3
Long-term loans receivable	515	497
Lease receivables	4,848	4,288
Equity instruments	12,897	16,441
Derivative financial assets	9	0
Others	4,821	4,860
Allowance for doubtful accounts	(4)	(29)
Total	¥31,848	¥30,619
Current assets	¥11,540	¥ 5,361
Non-current assets	20,307	25,258
Total	¥31,848	¥30,619

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 fair value through net profit or loss.

10. INVENTORIES

The breakdown of inventories is as follows.

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Merchandise and finished goods	¥ 2,824	¥ 3,458
Work in progress	1,394	1,812
Raw materials and supplies	24,014	28,336
Total	¥28,233	¥33,607

11. PROPERTY, PLANT AND EQUIPMENT

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

Cost

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2019	¥62,307	¥71,579	¥33,629	¥11,107	¥ 1,122	¥179,746
Acquisition cost	1,169	938	20	78	5,217	7,424
Sales or disposal	(500)	(2,937)	(1,400)	—	(45)	(4,883)
Reclassification to other account	1,758	1,753	1,187	(11)	(4,491)	197
Effects of foreign currency translation	(1,839)	(2,216)	(965)	(225)	(34)	(5,281)
Other	530	—	543	1,670	257	3,002
Balance as of March 31, 2020	¥63,426	¥69,117	¥33,015	¥12,619	¥ 2,027	¥180,206
Acquisition cost	853	940	348	—	4,377	6,520
Acquisition through business combination	802	371	18	989	134	2,317
Sales or disposal	(321)	(1,797)	(1,361)	(18)	(2)	(3,501)
Reclassification to other account	877	2,037	1,140	—	(4,357)	(300)
Effects of foreign currency translation	1,678	2,151	1,003	299	66	5,199
Other	198	(11)	2	—	251	440
Balance as of March 31, 2021	¥67,516	¥72,809	¥34,167	¥13,889	¥ 2,498	¥190,881

Note: "Other" for the previous fiscal year represents the amount additionally recognized at the beginning of the fiscal year in conjunction with the application of IFRS 16 "Leases."

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, 2019	¥27,713	¥51,933	¥28,585	¥ —	¥ —	¥108,231
Depreciation	2,684	4,867	2,156	11	—	9,719
Impairment loss	652	0	0	7	—	661
Sales or disposal	(444)	(2,830)	(1,360)	—	—	(4,635)
Reclassification to other account	163	(140)	(137)	148	—	34
Effects of foreign currency translation	(603)	(1,434)	(798)	(23)	—	(2,859)
Other	0	(1)	336	188	—	524
Balance as of March 31, 2020	¥30,166	¥52,395	¥28,782	¥332	¥ —	¥111,676
Depreciation	2,803	4,563	1,786	55	—	9,209
Impairment loss	0	115	26	—	—	141
Sales or disposal	(251)	(1,594)	(951)	(5)	—	(2,803)
Reclassification to other account	163	(10)	17	(0)	—	170
Effects of foreign currency translation	779	1,626	913	35	—	3,355
Other	51	18	(17)	26	—	77
Balance as of March 31, 2021	¥33,714	¥57,112	¥30,556	¥444	¥ —	¥121,827

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

2. Depreciation of right-of-use assets included in property, plant and equipment are outlined in Note 34 "Leases."

3. "Other" for the previous fiscal year represents the amount additionally recognized at the beginning of the fiscal year in conjunction with the application of IFRS 16 "Leases."

Carrying amounts

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2019	¥34,594	¥19,646	¥5,044	¥11,107	¥1,122	¥71,515
Balance as of March 31, 2020	33,259	16,722	4,233	12,287	2,027	68,530
Balance as of March 31, 2021	33,802	15,697	3,610	13,445	2,498	69,053

Note: The carrying amounts of right-of-use assets included in property, plant and equipment are outlined in Note 34 "Leases."

12. INTANGIBLE ASSETS

(1) Schedule of intangible assets

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

Cost

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 2019	¥5,642	¥14,659	¥ —	¥1,903	¥22,205
Acquisition cost	152	—	—	68	221
Increase due to internal development	—	3,079	—	—	3,079
Disposal	(18)	(899)	—	(0)	(917)
Effects of foreign currency translation	(80)	(28)	—	(221)	(330)
Other	76	0	—	(1,610)	(1,533)
Balance as of March 31, 2020	¥5,773	¥16,810	¥ —	¥ 140	¥22,725
Acquisition cost	104	—	—	61	165
Increase due to internal development	—	2,039	—	—	2,039
Acquisition through business combination	—	—	463	1,058	1,521
Disposal	(64)	(356)	—	(45)	(466)
Effects of foreign currency translation	91	25	—	14	130
Other	39	—	—	0	39
Balance as of March 31, 2021	¥5,943	¥18,518	¥463	¥1,228	¥26,154

Accumulated amortization and impairment loss

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 2019	¥4,683	¥7,077	¥ —	¥364	¥12,125
Amortization	404	2,086	—	34	2,524
Disposal	(18)	(899)	—	(0)	(917)
Effects of foreign currency translation	(64)	(11)	—	(92)	(168)
Other	0	0	—	(206)	(205)
Balance as of March 31, 2020	¥5,006	¥8,252	¥ —	¥100	¥13,358
Amortization	339	1,820	—	78	2,239
Impairment loss	—	—	—	1	1
Disposal	(64)	(356)	—	(10)	(431)
Effects of foreign currency translation	79	27	—	12	119
Other	1	0	—	(45)	(43)
Balance as of March 31, 2021	¥5,361	¥9,743	¥ —	¥136	¥15,242

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

Carrying amounts

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 2019	¥959	¥7,582	¥ —	¥1,538	¥10,080
Balance as of March 31, 2020	767	8,558	—	40	9,366
Balance as of March 31, 2021	581	8,774	463	1,092	10,911

(2) Development expenses

The breakdown of development expenses is as follows.

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
R&D expenditures incurred during the period	¥12,374	¥12,533
Reclassification to capitalized development expenses	(3,079)	(2,039)
Amortization of capitalized development expenses	2,086	1,820
Total	¥11,380	¥12,315

13. IMPAIRMENT LOSSES

The Group defines the smallest group of assets that generates identifiable independent cash flows as a cash-generating unit. Also, each idle asset is tested for impairment.

Impairment loss is included in "Other expenses" in the consolidated statement of profit or loss.

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Unit: Million yen)

Location	Reportable segment	Category	Amount
Wiltshire, U.K.	Asia and Europe	Buildings and structures	¥652
Other			14
Total			¥666

With regard to impairment loss for the fiscal year under review, the Group examined the recoverability of a non-current asset following the notice from Honda of the UK Manufacturing Ltd, a major customer for Asia and Europe segment subsidiary TS TECH UK LTD, that it will stop production in 2021. As a result, the Group reduced the carrying amount of the related non-current asset to the recoverable amount, and thus, recognized ¥652 million in impairment loss.

The recoverable amount is the fair value less costs to dispose of the asset. The fair value above was derived by a real estate appraiser based on the transaction prices of comparable assets, etc. The fair value here corresponds to Level 2 of the fair value hierarchy.

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

The presentation of impairment losses is omitted as they are not important.

14. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows.

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Notes and accounts payable – trade	¥35,222	¥44,903
Other	15,861	18,039
Total	¥51,084	¥62,943

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

15. BORROWINGS

The breakdown of borrowings is as follows.

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Current portion of non-current borrowings	¥75	¥—
Total	¥75	¥—
Current liabilities	¥75	¥—
Total	¥75	¥—

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

16. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows.

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Lease obligations	¥3,939	¥5,228
Derivative financial liabilities	11	81
Total	¥3,951	¥5,309
Current liabilities	¥1,109	¥1,357
Non-current liabilities	2,841	3,952
Total	¥3,951	¥5,309

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.

17. 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, 2020 (April 1, 2019 to March 31, 2020)

(Unit: Million yen)

	Balance at the beginning of the fiscal year	Recognized through net profit or loss	Recognized through other comprehensive income	Acquisition through business combination	Balance at the end of the fiscal year
Deferred tax assets:					
Inventories	¥ 1,756	¥768	¥ —	¥ —	¥ 2,524
Property, plant and equipment	692	128	—	—	821
Intangible assets	182	(64)	—	—	117
Investments in equity instruments	—	—	0	—	0
Accrued expenses and provisions	1,322	(236)	—	—	1,086
Net defined benefit liability	271	(64)	0	—	207
Unused tax losses	—	110	—	—	110
Other	924	92	—	—	1,016
Total deferred tax assets	¥ 5,150	¥733	¥ 0	¥ —	¥ 5,884
Deferred tax liabilities:					
Property, plant and equipment	¥ 982	¥ (81)	¥ —	¥ —	¥ 901
Intangible assets	1,548	544	—	—	2,092
Investments in equity instruments	3,368	—	(866)	—	2,502
Net defined benefit asset	751	33	(226)	—	558
Undistributed earnings of foreign subsidiaries	1,036	492	—	—	1,529
Other	1,011	(168)	—	—	843
Total deferred tax liabilities	¥ 8,698	¥821	¥(1,092)	¥ —	¥ 8,427
Net deferred tax liabilities	¥(3,547)	¥ (88)	¥ 1,093	¥ —	¥(2,542)

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, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

	Balance at the beginning of the fiscal year	Recognized through net profit or loss	Recognized through other comprehensive income	Acquisition through business combination	Balance at the end of the fiscal year
Deferred tax assets:					
Inventories	¥ 2,524	¥ (41)	¥ —	¥ —	¥ 2,483
Property, plant and equipment	821	199	—	—	1,021
Intangible assets	117	0	—	—	117
Investments in equity instruments	0	—	(1)	0	—
Accrued expenses and provisions	1,086	403	—	79	1,568
Net defined benefit liability	207	93	(0)	—	301
Unused tax losses	110	(86)	—	—	23
Other	1,016	161	—	7	1,185
Total deferred tax assets	¥ 5,884	¥ 730	¥ (1)	¥ 87	¥ 6,701
Deferred tax liabilities:					
Property, plant and equipment	¥ 901	¥ 68	¥ —	¥ 34	¥ 1,003
Intangible assets	2,092	45	—	317	2,455
Investments in equity instruments	2,502	—	1,238	—	3,740
Net defined benefit asset	558	(57)	548	18	1,067
Undistributed earnings of foreign subsidiaries	1,529	140	50	—	1,720
Other	843	(71)	—	2	774
Total deferred tax liabilities	¥ 8,427	¥ 124	¥ 1,836	¥ 372	¥ 10,762
Net deferred tax liabilities	¥ (2,542)	¥ 605	¥ (1,838)	¥ (285)	¥ (4,060)

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

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

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Deferred tax assets	¥ 1,055	¥ 1,748
Deferred tax liabilities	3,598	5,808
Net deferred tax liabilities	¥ (2,542)	¥ (4,060)

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)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Deductible temporary differences	¥ 1,131	¥ 1,125

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)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Within 1 year	¥ 155	¥ —
Between 1 and 2 years	—	296
Between 2 and 3 years	428	552
Between 3 and 4 years	41	11
Between 4 and 5 years	22	—
More than 5 years	3	32
Total	¥ 650	¥ 893

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)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Taxable temporary differences	¥ 109,915	¥ 116,933

(2) Income tax expenses

The breakdown of income tax expenses is as follows.

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Current tax expense:		
Taxable amount for the fiscal year	¥ 8,557	¥ 8,844
Adjustment for prior years	(5)	(203)
Total current tax expense	¥ 8,551	¥ 8,641
Deferred tax expense:		
Accrual and reversal of temporary differences	¥ (803)	¥ (737)
Changes in tax rates	—	49
Changes in unrecognized temporary differences, etc.	800	211
Total deferred tax expense	¥ (2)	¥ (477)
Total income tax expense	¥ 8,548	¥ 8,164

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: %)	
	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Effective statutory tax rate	29.9%	29.9%
Differences with tax rates applied to foreign subsidiaries	(6.4)	(5.2)
Undistributed earnings of foreign subsidiaries	1.7	0.3
Permanent differences including dividend income	(14.4)	(12.4)
Differences due to factors including elimination of intra-group transactions	18.0	15.5
Share of loss (profit) of entities accounted for using the equity method	(0.5)	(6.3)
Tax credits	(1.3)	(1.2)
Changes in unrecognized deferred taxes	2.8	0.6
Other	(0.1)	1.3
Average actual tax rate	29.7%	22.5%

18. PROVISIONS

Changes in the amounts of provisions are as follows.

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

	(Unit: Million yen)				
	Provision for product warranties	Provision for severance charges	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	¥271	¥ —	¥85	¥14	¥ 371
Increase during the period	162	2,374	—	—	2,536
Decrease during the period (provision used)	(271)	—	(0)	(9)	(282)
Decrease during the period (reversal)	—	—	—	—	—
Effects of foreign currency translation	(5)	(83)	—	(1)	(90)
Balance at the end of the fiscal year	¥156	¥2,290	¥85	¥ 2	¥2,534
Current liabilities	¥156	¥ —	¥ —	¥ —	¥ 156
Non-current liabilities	—	2,290	85	2	2,378
Total	¥156	¥2,290	¥85	¥ 2	¥2,534

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

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

19. 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.

During the previous fiscal year, the Group revised its retirement allowance regulations following the introduction of a system to grant its employees an option to extend their retirement age. As a result, the Group accrued prior service cost (decrease in defined benefit obligations).

(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)	
	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Ending balance of defined benefit obligations	¥ 16,237	¥ 17,370
Ending balance of plan assets	(16,744)	(19,297)
Net amount of defined benefit obligations and assets	(506)	(1,926)
Net defined benefit liability	1,372	1,648
Net defined benefit asset	(1,879)	(3,575)
Net amount of liabilities and assets recorded in the consolidated statement of financial position	¥ (506)	¥ (1,926)

(ii) Reconciliation of present value of defined benefit obligations

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Beginning balance of defined benefit obligations	¥16,758	¥16,237
Service cost	1,027	1,148
Interest cost	134	151
Prior service cost	(340)	—
Actuarial differences (due to changes in demographic assumptions)	(10)	—
Actuarial differences (due to changes in financial assumptions)	(297)	(74)
Actuarial differences (due to adjustments)	(11)	(42)
Benefits paid	(869)	(428)
Effects of foreign currency translation	(152)	147
Increase (decrease) by business combination	—	230
Ending balance of defined benefit obligations	¥16,237	¥17,370

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

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

(iii) Reconciliation of the fair values of plan assets

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Beginning balance of plan assets	¥17,928	¥16,744
Interest income	(65)	214
Return on plan assets other than interest	(943)	1,791
Contributions from the employer	687	637
Benefits paid	(851)	(386)
Effects of foreign currency translation	(11)	3
Increase (decrease) by business combination	—	292
Ending balance of plan assets	¥16,744	¥19,297

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

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

(iv) Major breakdown of fair values of plan assets

(Unit: Million yen)

	FY2020 (As of March 31, 2020)		FY2021 (As of March 31, 2021)	
	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	¥ 7,174	¥ —	¥ 8,852	¥ —
Debt instruments	6,998	—	7,385	—
General accounts	—	1,442	—	2,321
Other	99	1,030	11	727
Total	¥14,272	¥2,472	¥16,248	¥3,048

(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: %)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Discount rate	0.6%	0.6%

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

(Unit: Million yen)

	Changes in assumptions	Effects on defined benefit obligations	
		FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Discount rate	Rise by 0.5%	¥(1,061)	¥(1,078)
	Fall by 0.5%	1,178	1,197

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 ¥640 million to plan assets in the year ending March 31, 2022 (April 1, 2021 to March 31, 2022).

(viii) Maturity analysis of defined benefit plans

Maturity analysis of defined benefit plans is as follows.

(Unit: Years)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Weighted-average duration	14.7	14.1

(3) Defined contribution plans

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

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Amounts recognized as expenses	¥657	¥612

20. 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)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Shareholders' equity:		
Total equity attributable to owners of parent	¥254,745	¥277,017
Total liabilities and equity	341,820	390,478
Equity ratio (%)	74.5%	70.9%

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

(ii) Other capital surplus

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

(3) Details of retained earnings

Details of retained earnings are as follows.

(i) Legal retained earnings

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

(ii) Other retained earnings

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

(4) Details of other components of equity

Details of other components of equity are as follows.

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

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

(ii) Remeasurements of net defined benefit plans

Returns on plan assets other than actuarial differences and interest

(iii) Differences on translation from foreign operations

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

(5) Changes in other components of equity

Changes in other components of equity are as follows.

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Unit: Million yen)

	Financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	¥ 8,085	¥ 195	¥ (2,568)	¥ 5,712
Other comprehensive income	(1,992)	(437)	(7,769)	(10,200)
Ending balance	¥ 6,093	¥(242)	¥(10,338)	¥ (4,487)

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

(Unit: Million yen)

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

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

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

(Unit: Number of shares)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Total number of shares authorized to be issued	272,000,000	272,000,000
Total 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.

The Company conducted a two-for-one stock split of common shares as of April 1, 2021.

For the fiscal year under review, the total number of shares issued represents the number before the stock split.

(7) Treasury stock

The amount of treasury stock is as follows.

(Unit: Number of shares)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Amount of treasury stock at beginning of the fiscal year	2,275	2,434
Purchase of treasury stock by resolution of the Board of Directors	—	860,000
Purchase of stock less than one unit	159	—
Disposal of treasury stock as restricted stock compensation	—	(95,100)
Treasury stock held by entities accounted for using the equity method (the Company's shares) attributable to the Company	—	108,420
Amount of treasury stock at end of the fiscal year	2,434	875,754

Notes: 1. The Company conducted a two-for-one stock split of common shares as of April 1, 2021.

For the fiscal year under review, the total number of shares issued represent the number before the stock split.

2. For details of restricted stock delivered, see Note 32 "Share-Based Remuneration."

21. REVENUE

(1) Disaggregation of revenue

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

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

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Unit: Million yen)

	Reportable segments				Total
	Japan	The Americas	China	Asia and Europe	
Motorcycle business	¥ 3,299	¥ 319	¥ —	¥ 1,378	¥ 4,996
Automobile business	52,444	170,231	77,636	48,624	348,937
(Seats)	45,888	145,639	72,330	44,721	308,580
(Interior products)	6,556	24,591	5,306	3,902	40,356
Other business	947	4,750	—	50	5,748
Total	¥56,691	¥175,300	¥77,636	¥50,052	¥359,682

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

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

(Unit: Million yen)

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

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

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

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

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

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

(2) Contract balances

Contract balances are as follows.

(Unit: Million yen)

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
Receivables from contracts with customers	¥61,359	¥37,635	¥58,692
Contract liabilities	187	431	2,053

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

Of the revenues recognized during the previous fiscal year and the fiscal year under review, the amounts included in contract liabilities at the beginning of the fiscal years were ¥21 million and ¥300 million, respectively. In addition, during the previous fiscal year and the fiscal year under review, the amount of revenue recognized from performance obligations satisfied in prior periods was not material.

An increase in contract liabilities for the fiscal year under review can be attributed primarily to the conversion of Honda Cars SAITAMAKITA into a consolidated subsidiary.

(3) Transaction price allocated to remaining performance obligations

As there are no significant transactions with contracts with initial expected terms exceeding one year, the Group has applied a practical expedient and does not disclose information on remaining performance obligations. Additionally, among the compensation from contracts with customers, there are no significant amounts not included in the transaction price.

(4) Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers

For the Group, assets recognized from the costs incurred for obtaining or fulfilling contracts with customers were not material. In addition, the Group has applied a practical expedient and recognized assets with amortization periods of one year or less, which it would have otherwise recognized, as an expense when incurred.

22. 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)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Depreciation and amortization	¥12,311	¥11,440
Employee benefit expenses	72,456	69,998

23. OTHER INCOME AND OTHER EXPENSES

The breakdown of other income is as follows.

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Land and building rent received	¥ 152	¥ 150
Gain on disposal of non-current assets	650	640
Gain on government grants	118	1,645
Other	615	636
Total	¥1,537	¥3,072

Note: The content of the gain on government grants are stated in Note 24 "Government Grants."

The breakdown of other expenses is as follows.

	(Unit: Million yen)	
	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Loss on disposal of non-current assets	¥ 154	¥ 474
Impairment loss	666	142
Other	232	610
Total	¥1,053	¥1,227

Notes: 1. The content of impairment loss during the previous fiscal year is stated in Note 13 "Impairment Losses."
2. "Other" during the fiscal year under review represents primarily the provision of an allowance to cover losses from the closure of a subsidiary in the U.K.

24 GOVERNMENT GRANTS

The breakdown of government grants is as follows.

	(Unit: Million yen)	
	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Deferred income relating to government grants	¥132	¥ 120
Gain on government grants	118	1,645

Notes: 1. Deferred income relating to government grants is recognized in "Other current liabilities" and "Other non-current liabilities" in the consolidated statement of financial position.
2. Gain on government grants is recognized in "Other income" in the consolidated statement of profit or loss.
3. For the fiscal year under review, gain on government grants consists primarily of the grants intended for wage compensation to employees amid the COVID-19 pandemic. There are no unfulfilled conditions or contingencies.

25. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows.

	(Unit: Million yen)	
	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Interest income	¥1,614	¥ 827
Dividend income	604	455
Foreign exchange gains	—	698
Other	0	1
Total	¥2,218	¥1,983

Notes: 1. Interest income is the interest income generated from financial assets measured at amortized cost.
2. Dividend income is the dividend income generated from financial assets measured through other comprehensive income.

The breakdown of finance costs is as follows.

	(Unit: Million yen)	
	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Interest expense	¥101	¥133
Foreign exchange losses	167	—
Other	5	2
Total	¥275	¥136

Note: Interest expense is incurred from financial liabilities measured at amortized cost.

26. 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)	
	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Income attributable to owners of parent	¥ 15,064	¥ 20,741
Average number of common shares for the period (Thousand shares)	135,995	135,666
Basic earnings per share (Yen)	¥110.77	¥152.89

Notes: 1. The Company conducted a two-for-one stock split of common shares as of April 1, 2021.
2. Per share information is estimated based on the assumption that the stock split was conducted at the beginning of the year ended March 31, 2020.

27. OTHER COMPREHENSIVE INCOME

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

	(Unit: Million yen)	
	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of net defined benefit plans:		
Gains (losses) during the year	¥ (618)	¥ 1,751
Income tax benefit (expense)	197	(530)
Subtotal	(421)	1,221
Equity financial assets measured at fair value through other comprehensive income:		
Gains (losses) during the year	(2,837)	3,931
Income tax benefit (expense)	866	(1,177)
Subtotal	(1,971)	2,754
Share of other comprehensive income of affiliates accounted for using the equity method		
Gains (losses) during the year	—	323
Components that may be reclassified subsequently to net profit or loss		
Differences on translation from foreign operations:		
Gains (losses) during the year	(9,015)	7,793
Income taxes	—	(50)
Subtotal	(9,015)	7,742
Share of other comprehensive income of affiliates accounted for using the equity method:		
Gains (losses) during the year	(32)	48
Total other comprehensive income (loss), net of tax	¥(11,441)	¥12,091

28. DIVIDENDS

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(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 21, 2019	Common shares	¥2,855	¥42.00	March 31, 2019	June 24, 2019
Board of Directors' meeting held on October 31, 2019	Common shares	¥2,923	¥43.00	September 30, 2019	December 2, 2019

(2) Dividends whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 19, 2020	Common shares	Retained earnings	¥2,923	¥43.00	March 31, 2020	June 22, 2020

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

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 19, 2020	Common shares	¥2,923	¥43.00	March 31, 2020	June 22, 2020
Board of Directors' meeting held on October 30, 2020	Common shares	¥2,923	¥43.00	September 30, 2020	November 30, 2020

(2) Dividends whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 25, 2021	Common shares	Retained earnings	¥3,159	¥47.00	March 31, 2021	June 28, 2021

Note: The Company conducted a two-for-one stock split of common shares as of April 1, 2021. The dividend per share represents the actual amount of dividend before the stock split.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities is as follows.

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

	Beginning balance	Cash flows	Non-cash transactions			Ending balance
			Increase	Foreign currency translation	Other	
Short-term loans	¥ 7	¥ (0)	¥ —	¥ —	¥ (7)	¥ —
Long-term loans	225	(150)	—	—	—	75
Lease liabilities	1,510	(1,532)	1,942	(42)	2,062	3,939
Total	¥1,742	¥(1,682)	¥1,942	¥(42)	¥2,055	¥4,014

Notes: 1. Long-term loans include the current portion of long-term loans.

2. "Other" for lease liabilities represents the amount additionally recognized at the beginning of the fiscal year in conjunction with the application of IFRS 16 "Leases."

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

	Beginning balance	Cash flows	Non-cash transactions			Ending balance
			Increase	Foreign currency translation	Other	
Long-term loans	¥ 75	¥ (75)	¥ —	¥ —	¥ —	¥ —
Lease liabilities	3,939	(1,754)	2,051	94	897	5,228
Total	¥4,014	¥(1,829)	¥2,051	¥94	¥897	¥5,228

Notes: 1. Long-term loans include the current portion of long-term loans.

2. "Other" for lease liabilities is recognized due to conversion of Honda Cars SAITAMAKITA into a consolidated subsidiary.

30. NON-CASH TRANSACTIONS

Details of significant non-cash transactions are as follows.

	FY2020	FY2021
	(April 1, 2019–March 31, 2020)	(April 1, 2020–March 31, 2021)
Acquisition of assets through a lease arrangement	¥1,942	¥2,051

31. SUBSIDIARIES AND AFFILIATES, ETC.

(1) Composition of the corporate group

The composition of the Group is as stated in "1. Corporate Summary (4) State of Subsidiaries and Affiliates" in the Company's annual securities report (in Japanese only).

During the fiscal year under review, NINGBO EPZ TS TRIMONT AUTOMOTIVE INTERIOR INC. in Ningbo Export Processing Zone merged NINGBO FTZ TS TRIMONT AUTOMOTIVE INTERIOR INC. in Ningbo Free Trade Zone. As a result, the Company has excluded NINGBO FTZ TS TRIMONT AUTOMOTIVE INTERIOR INC. from the scope of its consolidation. Note that NINGBO EPZ TS TRIMONT AUTOMOTIVE INTERIOR INC. has been renamed to NINGBO TS AUTOMOTIVE INTERIOR INC.

During the fiscal year under review, the Company acquired shares in and has converted Honda Cars SAITAMAKITA into a consolidated subsidiary.

In addition, during the fiscal year under review, the Company acquired additional shares in Imasen Electric Industrial Co., Ltd. As a result, Imasen Electric, falling under an affiliate, has become an affiliate accounted for using the equity method.

(2) Matters concerning subsidiaries

Information regarding the subsidiaries in which the Company holds significant non-controlling interests is as follows.

GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Current assets	¥21,067	¥35,514
Non-current assets	7,375	7,392
Current liabilities	9,001	19,093
Non-current liabilities	252	45
Equity	19,189	23,768
Accumulated non-controlling interests	¥ 9,491	¥11,421

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Revenue	¥44,288	¥62,329
Net income	5,186	8,172
Other comprehensive income	(1,186)	1,849
Comprehensive income	3,999	10,022
Income allocated to non-controlling interests	¥ 2,558	¥ 3,612

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Cash flows from operating activities	¥ 5,071	¥ 6,427
Cash flows from investing activities	(446)	(440)
Cash flows from financing activities	(4,908)	(5,496)
Effect of exchange rate changes on cash and cash equivalents	(837)	1,061
Net increase (decrease) in cash and cash equivalents	(1,121)	1,551
Dividends paid to non-controlling interests	¥(2,845)	¥(2,612)

WUHAN TS-GSK AUTO PARTS CO., LTD.

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Current assets	¥14,389	¥25,152
Non-current assets	3,258	3,354
Current liabilities	4,739	9,736
Non-current liabilities	—	60
Equity	12,907	18,710
Accumulated non-controlling interests	¥ 5,032	¥ 7,616

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Revenue	¥33,351	¥51,778
Net income	4,280	6,817
Other comprehensive income	(1,044)	1,458
Comprehensive income	3,236	8,276
Income allocated to non-controlling interests	¥ 1,715	¥ 2,965

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Cash flows from operating activities	¥ 8,319	¥ 3,156
Cash flows from investing activities	(325)	(314)
Cash flows from financing activities	(4,554)	(2,519)
Effect of exchange rate changes on cash and cash equivalents	(858)	806
Net increase (decrease) in cash and cash equivalents	2,580	1,128
Dividends paid to non-controlling interests	¥(2,058)	¥ (969)

(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)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Carrying amount of equity interest	¥1,596	¥16,575

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
The Group's equity interest in:		
Net income	¥481	¥846
Other comprehensive income	(32)	372
Comprehensive income	448	1,219

Note: For the fiscal year under review, "Share of profit of investments accounted for using the equity method" in the consolidated statement of profit or loss includes a gain on bargain purchase of ¥6,811 million.

This is because the Company has made Imasen Electric Industrial Co., Ltd. an affiliate accounted for using the equity method.

During the fourth quarter of the fiscal year under review, the Company has finalized the provisional accounting treatment associated with the application of equity method to Imasen Electric Industrial Co., Ltd.

32. SHARE-BASED REMUNERATION

(1) Overview of the Scheme

The Company has introduced a restricted stock based incentive scheme (hereinafter the "Scheme") for TS Tech Employee Shareholding Association (hereinafter the "Shareholding Association"), commemorating its 60th anniversary, to enhance the benefit package for its employees.

Under the Scheme, the Company delivers monetary compensation claims, as a special incentive (hereinafter the "Special Incentive"), for the allotment of restricted stock to employees who are eligible to join the Shareholding Association (hereinafter the "Eligible Employees"). The Shareholding Association shall receive shares of the Company's common stock through issuance or disposal by the Company, in return for contribution in kind of the Special Incentive to the Company, which was contributed by the Eligible Employees.

When the Company issues or disposes of shares of its common stock in this way, the Company enters into a restricted stock allotment agreement with the Shareholding Association that 1) forbids the transfer to third parties, creation of a security interest on, or disposal by other means of common shares of the Company delivered under this Scheme for a certain period of time (from March 26, 2021 through March 25, 2024) (hereinafter the "Transfer Restrictions"), 2) where the Eligible Employees have remained members of the Shareholding Association during the transfer restriction period, the Company shall remove the Transfer Restrictions pertaining to all of the shares allotted to the Eligible Employees, and 3) on the condition of the occurrence of certain events, such as voluntary retirement of the Eligible Employees, the Company shall acquire, for no consideration, part or all of the numbers of shares corresponding to their stake in the restricted stock.

(2) Number and fair value of the shares allotted during the fiscal year

Number and fair value of the shares allotted during the fiscal year are as follows.

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Allotment date	—	January 29, 2021
Number of shares allotted	—	95,100
Fair value (Yen)	—	3,060

Notes: 1. The fair value of the shares is measured based on the closing price of the Company's common stock on the First Section of the Tokyo Stock Exchange on the business day preceding the allotment date.

2. The Company conducted a two-for-one stock split of its common stock as of April 1, 2021. The number and fair value of shares allotted above represent the actual number and fair value of the shares allotted before the stock split.

(3) The amount of expenses related to the share-based payment recognized in the consolidated statement of profit or loss

The amount of expenses related to the share-based payment recognized in the consolidated statement of profit or loss is as follows.

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Equity settled type	—	34

Note: Expenses relating to the share-based payment are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss. Also, an increase in equity corresponding to the recognized expenses is included in "Capital surplus."

33. FINANCIAL INSTRUMENTS

(1) Details and the extent of risks arising from financial instruments

(i) Policies on the management of financial instruments and risk management

The Group is exposed to various risks arising from financial instruments including credit risk, market risk, and liquidity risk. To manage the exposures to these risks, the Group conducts risk management according to a certain set of policies.

In terms of investments, the Group primarily uses principal-guaranteed time deposits and similar financial instruments, while, in terms of funding, the Group raises funds basically with its own financial resources and uses bank loans and similar financial instruments as needed.

The Group enters into derivative transactions to minimize the risk of future fluctuations in exchange rates but strictly adheres to the policy of avoiding such transactions for speculative purposes.

(ii) Credit risk (Risk of a business partner defaulting on its contractual obligations)

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 FY2020 and FY2021, the impact of a 1% appreciation of Japanese yen against the U.S. dollar and the Chinese yuan on income before income tax is as follows.

(Unit: Million yen)

	Impact on income before income tax	
	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
1% appreciation of Japanese yen against the U.S. dollar	¥(30)	¥(26)
1% appreciation of Japanese yen against the Chinese yuan	(14)	(17)

Note: This analysis assumes that all variables other than the Japanese yen–U.S. dollar/Chinese yuan exchange rates remain fixed.

(Price fluctuation risks of equity instruments)

The Group holds equity instruments that include the stocks of publicly traded companies with which it maintains business relationships and is thus exposed to the risk of fluctuating market prices of these instruments.

The Group manages such risks by periodically monitoring the fair value of said instruments and the financial condition of its investment targets as well as conducting ongoing reviews of its status of holdings.

In terms of the equity instruments held by the Group at the end of FY2020 and FY2021, the impact of a 1% decline in market prices on other comprehensive income is as follows.

(Unit: Million yen)

	Impact on other comprehensive income	
	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
1% decline in market prices	¥(116)	¥(152)

Note: This analysis assumes that all variables other than the market prices remain fixed.

(iv) Liquidity risk (Risk of not being able to execute payment on the payment date)

While the Group basically raises necessary funds with its own financial resources, it is exposed to the risk of not being able to execute payment on payment dates for reasons such as deteriorated funding environment.

The Group manages said risk by having the Company's accounting division prepare and update fund management plans based on the reports of each division in order to mitigate liquidity risk.

(2) Fair value measurement

Fair values are classified into the following three levels according to the extent to which the input information used in the measurement is observable and the materiality of said input.

Level 1: Quoted prices of similar assets and liabilities in active markets

Level 2: Input other than quoted prices included in Level 1 that is observable either directly or indirectly

Level 3: Input including that not based on observable market data

No transfers occurred between Levels 1, 2, and 3 during FY2021.

(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 borrowings)

Long-term borrowings 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)

For the year ended March 31, 2020 (As of March 31, 2020)

(Unit: Million yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through other comprehensive income:					
Equity instruments	¥12,897	¥11,674	¥—	¥1,223	¥12,897
Financial assets measured at fair value through net profit or loss:					
Derivative assets	9	—	9	—	9
Financial liabilities measured at fair value through net profit or loss:					
Derivative liabilities	11	—	11	—	11

For the year ended March 31, 2021 (As of March 31, 2021)

(Unit: Million yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through other comprehensive income:					
Equity instruments	¥16,441	¥15,227	¥—	¥1,214	¥16,441
Financial assets measured at fair value through net profit or loss:					
Derivative assets	0	—	0	—	0
Financial liabilities measured at fair value through net profit or loss:					
Derivative liabilities	81	—	81	—	81

(Financial instruments measured at amortized cost)

For the year ended March 31, 2020 (As of March 31, 2020)

(Unit: Million yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost:					
Long-term loans receivable (including the current portion)	¥515	¥—	¥518	¥—	¥518
Financial liabilities measured at amortized cost:					
Long-term borrowings (including the current portion)	75	—	74	—	74

For the year ended March 31, 2021 (As of March 31, 2021)

(Unit: Million yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost:					
Long-term loans receivable (including the current portion)	¥497	¥—	¥500	¥—	¥500

(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)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Gross amount of financial assets recognized	¥227,328	¥255,814
Offset amount	4,350	9,175
Amount of financial assets presented in consolidated statement of financial position	¥222,977	¥246,638
Gross amount of financial liabilities recognized	¥ 59,461	¥ 77,428
Offset amount	4,350	9,175
Amount of financial liabilities presented in consolidated statement of financial position	¥ 55,110	¥ 68,252

34. LEASES

(1) Lease transactions as a lessee

The Group leases real estate properties, such as land and buildings, and molds under lease contracts. Each of the Group's companies is responsible for managing and negotiating lease contracts on its own, and thus, the terms and conditions of lease contracts can vary substantially from company to company. An option to extend lease periods is included in the leases of real estate properties, especially land and buildings. Many lease contracts for real estate properties provide an option to extend the lease period by one year or the originally agreed-upon lease period, and an option to cancel the contract earlier with a six-month prior notice in writing. Contracting parties who lease properties for business purposes may use these options as needed.

(i) Expenses and cash flows associated with lease contracts

Expenses and cash outflows for lease contracts are as follows.

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Depreciation of right-of-use assets by asset type		
Buildings and structures	¥ 445	¥ 494
Machinery, equipment and vehicles	32	23
Tools, furniture and fixtures	76	19
Land	11	55
Total depreciation	¥ 566	¥ 593
Expenses related to short-term leases or leases of low-value assets	¥ 819	¥ 938
Total cash outflow for leases	¥2,466	¥2,776

Notes: 1. Depreciation of right-of-use assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

2. Expenses related to short-term leases or leases of low-value assets are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(ii) Right-of-use assets included in the carrying amount of property, plant and equipment

The carrying amount and the amount of increase in right-of-use assets included in the carrying amount of property, plant and equipment are as follows.

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Total
FY2020 (As of March 31, 2020)	¥2,819	¥36	¥71	¥1,463	¥4,391
FY2021 (As of March 31, 2021)	¥3,167	¥26	¥56	¥2,256	¥5,506

Note: During FY2020 and FY2021, the amount of right-of-use assets increased by ¥648 million and ¥335 million, respectively.

(iii) Balance of lease liabilities by the period to maturity

Balance of lease liabilities by the period to maturity is as follows.

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Within 1 year	¥1,098	¥1,275
Between 1 and 2 years	603	721
Between 2 and 3 years	358	522
Between 3 and 4 years	296	423
Between 4 and 5 years	198	323
More than 5 years	1,384	1,961
Total	¥3,939	¥5,228

Note: The balance of lease liabilities is included in "Other financial liabilities" in the consolidated statement of financial position.

(2) Lease transactions as lessor

The Group mainly leases molds under finance lease contracts.

(i) Revenues associated with lease contracts

Revenues associated with lease contracts are as follows.

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Finance lease		
Selling profit or loss	¥688	¥198

(ii) Balance of lease receivables by the period to maturity

Balance of lease receivables by the period to maturity is as follows.

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Within 1 year	¥2,643	¥2,312
Between 1 and 2 years	1,024	647
Between 2 and 3 years	590	454
Between 3 and 4 years	590	436
Between 4 and 5 years	—	436
More than 5 years	—	—
Total	¥4,848	¥4,288

Note: The balance of lease receivables is included in "Other financial assets" in the consolidated statement of financial position.

35. 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, 2020 (April 1, 2019 to March 31, 2020)

(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	¥48,379	Accounts receivable – trade	¥7,654

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, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Other affiliates	Honda Motor Co., Ltd.	Sale of the Company's products	¥44,577	Accounts receivable – trade	¥7,592

Note: Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

(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, 2020 (April 1, 2019 to March 31, 2020)

(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	¥52,366	Accounts receivable – trade	¥3,191

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, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda of America Mfg., Inc.	Sale of the Company's products	¥44,730	Accounts receivable – trade	¥3,531

Note: Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

(ii) TS TECH ALABAMA, LLC.

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(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	¥39,518	Accounts receivable – trade	¥2,334

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, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Manufacturing of Alabama, LLC.	Sale of the Company's products	¥26,547	Accounts receivable – trade	¥1,772

Note: Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

(iii) TS TECH CANADA INC.

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(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	¥45,643	Accounts receivable – trade	¥2,960

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, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Canada, Inc.	Sale of the Company's products	¥39,403	Accounts receivable – trade	¥3,720

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, 2020 (April 1, 2019 to March 31, 2020)

(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	¥22,425	Accounts receivable – trade	¥3,855

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, 2021 (April 1, 2020 to March 31, 2021)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Automobile (Thailand) Co., Ltd.	Sale of the Company's products	¥14,083	Accounts receivable – trade	¥2,828

Note: Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

(3) Remuneration of key management personnel

Remuneration to the directors and auditors of the Company is as follows.

(Unit: Million yen)

	FY2020 (April 1, 2019–March 31, 2020)	FY2021 (April 1, 2020–March 31, 2021)
Basic remuneration and bonuses	¥535	¥440

36. CONTINGENT LIABILITIES

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

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Employees (Company housing and mortgage loans)	¥34	¥30

37. SUBSEQUENT EVENTS

Not applicable

OTHER

Quarterly information for the fiscal year under review is as follows.

(Unit: Million yen)

Cumulative period	1st quarter	2nd quarter	3rd quarter	4th quarter
Revenue	¥54,739	¥156,457	¥258,085	¥346,149
Income before income tax	(1,221)	11,219	29,523	36,247
Income attributable to owners of parent	(3,757)	4,162	17,734	20,741
Earnings per share (Yen)	(27.63)	30.61	130.40	152.89

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings per share (Yen)	¥(27.63)	¥58.24	¥99.80	¥22.33

Notes: 1. The Company conducted a two-for-one stock split of common stocks as of April 1, 2021. Per share information is estimated based on the assumption that the stock split was conducted at the beginning of the first quarter.
2. During the fourth quarter of the fiscal year under review, the Company has finalized the provisional accounting treatment as to the application of equity method to Imasen Electric Industrial Co., Ltd. that occurred during the previous quarter to reflect the finalization of the provisional accounting treatment of the items made during the third quarter.

Independent Auditor's Report

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 25, 2021

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

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Jun Kagawa

Designated Engagement Partner,
Certified Public Accountant: Hiroyuki Fukushima

Opinion

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, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of TS TECH Co., Ltd. and its consolidated subsidiaries (the "Group") for the fiscal year from April 1, 2020 to March 31, 2021, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. That matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on that matter.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group's share of the profit of investments accounted for using the equity method recognized upon Imasen Electric Industrial Co., Ltd.'s change to an equity-method affiliate</p> <p>The Group acquired shares of Imasen Electric Industrial Co., Ltd. (the "Affiliate") through a take-over bid and acceptance of third-party allotment. As a result, the Affiliate was 34.75% owned by the Group and became an affiliate accounted for using the equity method effective December 15, 2020.</p> <p>The Group's share of the profit of investments in the Affiliate accounted for using the equity method amounted to 7,658 million yen in the consolidated statement of profit or loss, which accounted for 27.3% of consolidated net income, for the year and was considered material to the consolidated financial statements.</p> <p>The Group obtained the financial information of the Affiliate prepared in accordance with International Financial Reporting Standards as of the commencement date of the equity-method application. The Group then measured its identifiable assets and liabilities at fair value and determined whether any intangible assets needed to be identified with the assistance of external experts. The Group's share of the net fair value of the Affiliate's identifiable assets and liabilities exceeded the purchase price of the shares by 6,811 million yen, which was recorded as a share of profit of investments accounted for using the equity method in the consolidated statement of profit and loss.</p> <p>The Group's share of the profit of investments in the Affiliate accounted for using the equity method which was recognized on the commencement date of equity-method application was quantitatively material and the processes of measuring the identifiable assets and liabilities at fair value and determining the identifiable intangible assets were complex. Given the complexity involved in the accounting estimates and the specialized expertise required in performing audit procedures, we identified the appropriateness of the Group's share of the profit of investments accounted for using the equity method recognized upon the Affiliate's change to an equity-method affiliate as a key audit matter.</p>	<p>Our audit procedures to assess the Group's share of the profit of investments in the Affiliate accounted for using the equity method included the following, among others:</p> <ul style="list-style-type: none"> • We obtained an understanding of the processes for the allocation of purchase prices of equity-method investments to their assets and liabilities and the relevant controls, and tested the design and operating effectiveness of these controls by making inquiries of the department personnel in charge of the purchase price allocation, including the identification of intangible assets and the fair value measurements, as well as the key personnel performing these controls, and inspecting minutes of the Board of Directors' meetings and the attachments to them. • We evaluated the competency, capability and objectivity of external experts used by management for the purpose of measuring the fair value and identifying the intangible assets. • With the assistance of our valuation specialists, we evaluated the appropriateness of the fair value measurements and the identification of intangible assets made by management. • With the assistance of the Affiliate's auditors, we evaluated the reliability of the financial information of the Affiliate as of the commencement date of equity-method application. We also evaluated the sufficiency of audit procedures by inspecting the audit documentation of the Affiliate's auditors and making inquiries.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Five-Year Financial Summary

(Unit: Million yen)

Fiscal Year under Review on a Consolidated Basis	FY2017	FY2018	FY2019	FY2020	FY2021
Revenue	425,794	479,490	412,072	359,682	346,149
Cost of sales	355,176	399,329	338,031	300,307	288,671
Selling, general and administrative expenses	35,755	37,418	36,521	33,531	32,581
Operating income	34,557	47,346	38,793	26,326	26,742
Income attributable to owners of parent	19,622	30,115	25,750	15,064	20,741
Basic earnings per share (Yen) ¹	144.29	221.45	189.35	110.77	152.89
Operating margin (%)	8.1	9.9	9.4	7.3	7.7
Return on equity attributable to owners of parent (ROE) (%)	9.6	13.4	10.5	5.9	7.8
Return on assets (ROA) (%)	11.4	14.7	11.7	8.2	9.9
Effective statutory tax rate (%)	30.1	30.1	29.9	29.9	29.9
Average actual tax rate (%)	29.9	22.7	25.0	29.7	22.5
Total at End of Fiscal Year					
Total assets	322,202	351,944	358,265	341,820	390,478
Property, plant and equipment	76,576	73,532	71,515	68,530	69,053
Interest-bearing liabilities	3,506	4,182	1,742	4,014	5,228
Total equity	230,989	259,924	277,424	274,552	301,450
Shareholders' equity	204,800	229,866	249,904	259,233	271,278
Revenue per Consolidated Segment					
Japan	91,830	93,552	92,856	75,134	78,866
Americas	213,008	224,867	195,604	176,346	141,924
China	94,990	121,266	89,187	82,729	117,652
Asia and Europe	59,825	76,041	66,822	51,967	34,021
Overseas revenue	361,980	412,249	342,496	303,544	288,303
Overseas revenue ratio (%)	85.0	86.0	83.1	84.4	83.3
Stock Information					
Cash dividends per share ²	70.00	80.00	84.00	86.00	90.00
Consolidated price to earnings ratio (PER) (Times)	10.4	9.5	8.4	11.5	10.8
Consolidated dividends payout ratio (%)	24.3	18.1	22.2	38.8	29.4
Total shareholder return (%) ³	116.2	165.7	129.8	109.3	140.8

ROE: Net income/Total equity attributable to owners of parent (Average)
 ROA: Income before income tax/Total assets (Average)

*1 The company implemented a 2-for-1 stock split of its common shares effective April 1, 2021. Calculations are based on the assumption that the stock split was conducted at the beginning of fiscal 2017.

*2 For fiscal 2021, the actual dividend amount prior to the stock split is shown.

*3 Calculations are based on the share price taking into account the stock split.

Environmental

Environmental Accounting

Environmental Conservation Cost (Non-consolidated)

(Unit: Million yen)

	Main Efforts	FY2017		FY2018		FY2019		FY2020		FY2021	
		Investment	Cost								
Business area cost	Pollution prevention cost	12	11	34	14	46	10	6	11	12	10
	Global environmental conservation cost*	187	38	748	116	615	95	208	62	176	43
	Resource circulation cost	31	53	28	97	11	173	7	56	25	71
Upstream/downstream cost	Costs generated from purchasing low environmental impact products and raw materials	26	—	26	9	38	13	48	3	5	1
Administration cost	EMS development & operation costs, environmental measurement costs, office interior "greening" and development costs	49	54	29	38	24	63	62	82	15	60
R&D cost	Research and development of new technology with a high positive environmental impact, such as reducing the weight of products, reducing VOCs (not using paints), and developing recyclable materials	—	3,859	—	2,952	—	3,630	9	4,184	10	4,000
Social activity cost	Environmental measures such as nature protection, "greening," and scenery preservation	—	4	—	4	4	4	0	2	0	1
Environmental remediation cost	Remediation of soil pollution, etc.	—	—	—	—	—	—	—	—	—	—
Total		305	4,019	865	3,230	738	3,988	339	4,399	243	4,186

Notes

1. The above figures include portions ascertained by estimation, such as apportionment.

2. Materials related to environmental accounting, such as guidelines and guidebooks published by the Ministry of the Environment of Japan, were referenced when preparing the spreadsheet.

3. Costs do not include depreciation costs.

* Global environmental conservation cost includes expenses related to the construction of the new Head Office building.

Economic Effects (Non-consolidated)

(Unit: Thousand yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Gain on sale of valuables	6,587	9,232	8,143	4,613	5,073
Cost saved by energy conservation	8,950	13,093	26,690	16,073	4,169
Total	15,537	22,325	34,833	20,686	9,242

Material Effects (Non-consolidated)

	(Unit)	FY2017	FY2018	FY2019	FY2020	FY2021
Energy consumption	GJ	195,808	204,701	205,251	166,002	154,488
Water consumption	1,000 m ³	78	87	77	81	62
CO ₂ emissions	t-CO ₂	9,945	10,341	10,361	8,394	6,671
CO ₂ emissions due to transportation	t-CO ₂	1,611	1,868	2,108	1,845	1,449
Total waste output	t	1,174	1,068	1,075	1,062	1,120
VOC emissions	t	31	34	50	28	16
PRTR emissions	t	49	4	0	0	0

Non-Financial Information

Social

In-House Training Sessions and Related Data (Non-consolidated)

	FY2017	FY2018	FY2019	FY2020	FY2021
Human rights/diversity training (Number of times)	8	9	8	8	7
Training time per employee (Hours)	—	9.0	7.6	8.8	11.1

In-House Training Sessions: Number of Attendees (Non-consolidated)

(Unit: Persons)

	FY2017	FY2018	FY2019	FY2020	FY2021
Practical training sessions for risk assessment ^{*1}	36	22	42	28	0 ^{*2}
Mental health seminars	52	78	80	108	70 ^{*2}

*1 Seminars held for company employees. We have held "Risk Assessment Training Regarding Specified Chemical Substances" since fiscal 2017 as well.

*2 In fiscal 2021, practical training sessions for risk assessment were canceled in order to prevent the spread of COVID-19.

For the same reason, mental health seminars were held less often, canceled, or held using a different method, depending on the risk of infection in each workplace.

Employment-related (Non-consolidated)

	FY2017	FY2018	FY2019	FY2020	FY2021
Percentage of managers who are women (%)	2.05	2.15	1.90	2.30	2.61
Percentage of employees with a disability (%) Note: Designated employment rate: 2.3%	2.27	2.30	2.37	2.62	2.65
Percentage of employees who are non-Japanese (%)	0.66	0.55	0.66	0.51	0.57
Number of new graduates hired (Persons)	56	52	50	54	47
Number of employees who leave within three years of hiring (Persons)	5	1	0	5	5
Turnover rate within three years of hiring (%)	8.9	1.9	0.0	8.9	9.6
Percentage of employees hired mid-career ^{*1} (%)	16.4	21.2	10.7	18.2	6.0
Employee satisfaction data (DI ²)	29.8	31.2	31.7	29.8	30.4

*1 The percentage of employees hired mid-career among employees hired for regular employment

*2 A subtraction of the percentage of respondents who answered negatively from the percentage of those who answered positively

Major Personnel Data (As of March 31; Full-time employees only) (Non-consolidated)

		FY2017	FY2018	FY2019	FY2020	FY2021
Number of employees by gender	Male	1,529	1,543	1,531	1,524	1,551
	Female	181	180	185	191	187
	Total	1,710	1,723	1,716	1,715	1,738
Average years of service	Male	15.9	16.0	16.3	16.6	17.2
	Female	14.4	15.1	15.1	15.0	15.8
	Overall	15.7	15.9	16.2	16.5	17.1

Non-Financial Information

Maternity, Childcare, and Nursing Care Leave Data (Non-consolidated)

		FY2017	FY2018	FY2019	FY2020	FY2021
Number of employees using maternity leave (Persons)		18	8	8	3	6
	Male	1	0	3	4	8
	Female	17	15	8	6	6
Number of employees using childcare leave (Persons)	Total	18	15	11	10	14
	Male	100	—	100	100	100
	Female	94	100	100	100	100
Rate of return to work after childcare leave (%)	Total	94	100	100	100	100
	Male	2	1	1	2	2
	Female	6	12	8	17	15
Number of employees using shorter working hours system for children (Persons)	Total	8	13	9	19	17
	Male	0	1	0	0	1
	Female	0	0	0	0	0
Number of employees using nursing care leave (Persons)	Total	0	1	0	0	1

Labor Union Data (Non-consolidated)

	FY2017	FY2018	FY2019	FY2020	FY2021
Number of employees affiliated with the labor union (Persons)	1,466	1,483	1,491	1,491	1,504
Percentage of employees affiliated with the labor union (%)	97	98	98	98	98

* Calculations exclude managers

Industrial Accident Circumstances (Non-consolidated) [Industry average]

	FY2017	FY2018	FY2019	FY2020	FY2021
Number of industrial accident deaths (Persons)	0	0	0	0	0
Number of industrial accident injuries (non-lost worktime accidents) (Persons)	5	10	4	2	4
Number of industrial accident injuries (lost worktime accidents) (Persons)	1	2	1	2	0
Frequency rate [Industry average] (%)	0.00 [1.15]	0.51 [1.02]	0.25 [1.20]	0.25 [1.20]	0.00 [1.21]
Severity rate [Industry average] (%)	0.00 [0.07]	0.00 [0.08]	0.00 [0.10]	0.01 [0.10]	0.00 [0.07]

Frequency rate: Expresses the frequency of accident occurrences as the number of deaths and injuries due to industrial accidents per million hours worked

Severity rate: Expresses the degree of severity of an accident as the number of working days lost per thousand hours worked. However, this is limited to industrial accidents causing one or more days of lost working days.

Number of Social Contribution Activities Conducted (Consolidated)

(Unit: Activities)

FY2017	FY2018	FY2019	FY2020	FY2021
—	258	277	285	188*

* In fiscal 2021, social contribution activities were canceled or postponed to prevent the spread of COVID-19.

Number of Social Contribution Activities Conducted in FY2021

(Unit: Activities)

	Japan (Non-consolidated) 10 locations	Americas 14 locations	China 5 locations	Asia and Europe 9 locations	Total 38 locations
Economic assistance	21	73	9	10	113
Social contribution activities	45	9	7	14	75
Total	66	82	16	24	188

Social Contribution Activity Expenditures (Non-consolidated)

(Unit: Thousand yen)

FY2017	FY2018	FY2019	FY2020	FY2021
50,290	46,768	50,019	41,824	17,303*

* In fiscal 2021, social contribution activities were canceled or postponed to prevent the spread of COVID-19.

Improvement Initiatives (Consolidated)

	FY2017	FY2018	FY2019	FY2020	FY2021
Number of participating teams ^{*1}	594	466	489	483	— ^{*2}

*1 Improvement activities undertaken by small groups. Generally referred to as a "QC (Quality Control) Circle," the activities are aimed at developing human resources who can use the QC method to solve problems and manage and improve operations.

*2 In fiscal 2021, activities were not implemented to prevent the spread of COVID-19.

Dialogue with Stockholders and Investors

	FY2017	FY2018	FY2019	FY2020	FY2021
General Meeting of Shareholders: Number of attendees	405	386	441	12 ^{*2}	9 ^{*2}
Events for individual investors: Number of attendees	487 ^{*1}	573 ^{*1}	88	264	0 ^{*3}
IR/SR interviews: Number of companies (Including small meetings and conference calls)	239	254	229	168	355

*1 Exhibited at the Nikkei IR/Individual Investor Fair

*2 To prevent the spread of COVID-19, shareholders were asked to refrain from attending the venue.

*3 Events for individual investors were canceled to prevent the spread of COVID-19.

Governance-Related Data

(Unit: Cases)

	FY2017	FY2018	FY2019	FY2020	FY2021
Fines and penalties for anti-competitive practices (Consolidated)	0	0	0	0	0
Cases recognized as corruption or bribery (Consolidated)	0	0	0	0	0
Number of political donations (Non-consolidated)	0	0	0	0	0

Corporate Data

Corporate Data (As of March 31, 2021)

Company Name	TS TECH Co., Ltd.
Establishment	December 5, 1960
Head Office	3-7-27 Sakae-cho, Asaka-shi, Saitama 351-0012, Japan
Common Stock	4,700,000,000 yen
Corporate Representative	President and Representative Director, Masanari Yasuda
Lines of Business	Manufacture and sale of seats for automobiles; interior trim and interior components for automobiles; motorcycle seats; and motorcycle resin-based parts
Number of Employees	15,444 (Consolidated), 1,738 (Non-consolidated)
Closing of Accounts	March 31
Securities Traded	Tokyo Stock Exchange (First Section)
Main Banks	MUFG Bank, 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./Harley-Davidson, Inc./PARAMOUNT BED CO., LTD.
Member Organization	Japan Auto Parts Industries Association

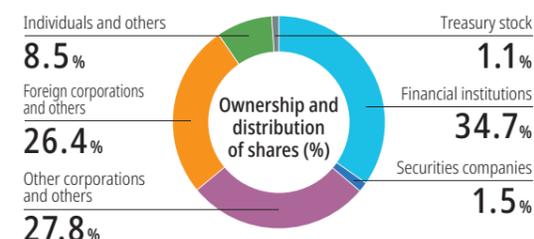
Stock Information (As of March 31, 2021)

Total Number of Shares Authorized to Be Issued	272,000,000
Total Number of Shares Issued	68,000,000
Number of Shareholders	9,817

Note: The Company conducted a 2-for-1 stock split of its common shares effective April 1, 2021.

Major Shareholders (As of March 31, 2021)	Investment in the Company	
	Number of shares held (Thousands)	Investment ratio (%)
Honda Motor Co., Ltd.	15,360	22.8
The Master Trust Bank of Japan, Ltd. (Trust account)	4,112	6.1
Custody Bank of Japan, Ltd. (Trust account)	2,338	3.5
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Pension Trust Account)	2,199	3.3
Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	1,940	2.9
Taiyo Life Insurance Company	1,400	2.1
Okamoto Industries, Inc.	1,376	2.0
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1,360	2.0
MUFG Bank, Ltd.	1,319	2.0
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1,290	1.9

Notes: 1. Number of shares held is rounded down to the nearest thousand.
2. Investment ratio is calculated after deducting treasury stock (767,334 shares).



External Recognition and Selection as a Constituent in Indices

As of March 31, 2021
(JPX-Nikkei Index 400 as of August 31, 2021)



The 9th consecutive selection, starting with the initial announcement of the index in 2014 and including the subsequent annual reshuffles



CDP Climate Change Report 2020, Japan edition
Selected as a "Leadership" level company with a score of A-



182 / 1,614 firms



166 / 1,614 firms

Year in Review

(April 2020–March 2021)

May 15

Financial results announcement for fiscal 2020

May 15

Honda Cars SAITAMAKITA becomes a wholly owned subsidiary

TS TECH acquired all shares of Honda Cars SAITAMAKITA with the aim of reflecting feedback from end users in development to create new value.



July 31

Financial results announcement and results briefing for the first quarter of fiscal 2021

September 25

Reorganization of the trim cover production structure in China announced

We merged two companies that produced trim cover in China. By establishing the new Trim Cover Development Department and combining the technology and experience of the two companies, we established a system that supplies high quality, cost competitive components.



December 5

60th anniversary of TS TECH's establishment



December 24

Restricted stock compensation system for directors and executive officers introduced

Changes to shareholder benefit program announced

TS TECH changed to a shareholder benefit program that takes into account the consecutive number of years of shareholding in addition to the number of shares held in order to make investing in the company even more appealing.

2020

4 5 6 7 8 9 10 11 12 1 2 3

2021

June 19

74th Annual General Meeting of Shareholders



July 1

Reorganization of the automobile seat production structure in India announced

The move was designed to improve profitability in India through a review of the structure for automobile seat production, which had been conducted at multiple sites, and consolidation of products produced at each site.

October 30

Financial results announcement and results briefing for the second quarter of fiscal 2021

Next-generation touch switch jointly developed with Canatu Oy

We jointly developed a touch switch as a new HMI for next-generation vehicles with Canatu Oy, a cross-industry partner.



November 9

Capital and business alliance with Imasen Electric Industrial Co., Ltd. announced

Imasen Electric Industrial Co., Ltd. became an equity-method affiliate in a move designed to generate synergies by forging a deeper collaborative relationship.

January 29

Financial results announcement for the third quarter of fiscal 2021

February 19

Transition to a "company with an Audit and Supervisory Committee" structure announced

March 5

Won Sustainability Award, an Award for Excellence, for the second straight year at a Honda supplier conference



March 26

Key material issues identified

Integrated Report Review

In fiscal 2022, the Tokyo Stock Exchange released revisions to Japan's Corporate Governance Code. As a result, it has become increasingly important for companies to reinforce systems and disclose information about them, such as efforts to combat climate change, respect human rights, ensure diversity, or contribute to sustainability. In the area of disclosure of corporate information, the role of integrated reports in bridging the information gap with shareholders, investors, and other important stakeholders has also grown with the establishment of the Value Reporting Foundation*, an international organization that provides leadership on integrated reporting, and the revision of the International Integrated Reporting Framework.

In light of these domestic and international trends in information disclosure, qualitative and quantitative enhancements can be seen in the information disclosed in the TS TECH Integrated Report 2021 as a whole.

First of all, as suggested by the title "Integrated Report," the "connections" between information are important. In this year's report, the flow from past to future at the beginning has been strengthened to show the overall picture of TS TECH's value creation story. The information is then expanded to provide detailed information on ESG management, as set out in the Medium-Term Management Plan. The structure of the information has been improved so that it is easy to understand and balanced, taking into account the connections between the different pieces of information.

In addition, the types of capital accumulated over the 60 years of the company's history are disclosed, with a focus on the particularly important areas of intellectual capital, manufactured capital, human capital, and financial capital. It is clear that the distinct strengths TS TECH has built are the drivers of value creation for the future the company envisions.

In order to bridge the information gap with shareholders, investors, and other important stakeholders in the future, it will be important to increase the level of involvement of the Board of Directors in the integrated reporting process and to enhance the content disclosed in line with actual circumstances.

For example, it would be effective to add a statement by the Board of Directors, since the Board is responsible for the integrated report according to the revised International Integrated Reporting Framework. In addition, it is necessary to describe how management is involved at the beginning of the materiality decision-making process, not simply state that the directors have given their approval at the end of the process.

The involvement of management in materiality has an effect on strategic planning as the management team identifies and refines the key issues for value creation, which leads to the optimal allocation of capital. Such information could also be used by shareholders, investors, and other stakeholders to evaluate the level of "certainty" that value creation will be achieved.

* The Value Reporting Foundation (VRF) was established in June 2021 through the merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB).



Mariko Mishiro

Representative Director,
RIDEAL Co., Ltd.

Expert on integrated reporting and California-licensed Certified Public Accountant (CPA)

Ms. Mishiro worked at a major auditing corporation before starting her own firm in 2011. From 2011 to 2013, Ms. Mishiro served on the International Integrated Reporting Council (IIRC), where she worked as a technical manager on developing an international disclosure framework for corporate reporting. To date, she has consulted on integrated reporting for listed companies in a range of industries including machinery, electric appliances, pharmaceuticals, nonferrous metals, retail, housing equipment, transportation equipment, and chemicals. She majored in accounting at the University of Texas at San Antonio and received her MBA from the Graduate School of Commerce at Waseda University. Since January 2019, she has served as an external Audit & Supervisory Board Member for DRAFT Inc. She is also a lecturer in business finances at Saitama University (fiscal 2021).



November 2021
Printed in Japan

